

MONDAY MORNING RECAP - May 6, 2019

Last Week

Dow Jones Industrial Average (DJIA)	26504.95	-38.38	-0.14%
S&P 500 Index	2945.64	+5.76	+0.20%
NASDAQ Composite Index	8164.00	+17.60	+0.22%
U.S. 10 yr. Treasury Note Yield	2.53%	+3 basis points	
Gold (\$ per troy oz.)	\$1279.20	-\$6.30	-0.49%
Oil (\$ per barrel)	\$61.94	-\$1.36	-2.15%

Market Summary

GLOBAL EQUITIES: Global equities experienced another volatile week, capped by earnings, monetary policy, and economic data catalysts. The S&P 500 ended 0.2% up, rebounding from the midweek lows. Markets took a dim view of Federal Reserve (Fed)'s Chairman Powell's effort to dampen hopes for a 2019 rate cut, even as the Fed held rates steady, as expected. The Euro STOXX 600 and FTSE 100 were mixed, ending flat and down 0.6%.

COMMODITIES: The US moved to end waivers allowing eight countries including China and India to purchase Iranian crude and condensate, fueling political tensions. Despite the promise of tighter sanctions on Iran, traders appeared to view global markets as sufficiently supplied; oil prices fell to a monthly low. Brent and WTI ended at \$70.85 per barrel (bbl) and \$61.94 per bbl, respectively.

FIXED INCOME: Global yields reflected risk-on sentiment as they staged a weekly climb. US 2- and 10-year Treasury yields rose 5 and 3 basis points (bps), respectively, as the Fed lowered hopes for a rate cut and suggested recent low inflation readings were transient. Eurozone yields rose with the support of stronger-than-expected GDP growth (+0.4% quarter-over-quarter) and a 10-year low in unemployment (7.7%). UK Gilts and German Bunds ended up 8 bps and 5 bps, respectively.

FX: Despite the support of strong US jobs data, the US Dollar Index end lower 0.4% for the week. Signals of future rate hikes and a lifted growth forecast from the Bank of England also pushed the pound up 1.8% against the dollar. Meanwhile, the euro fell 0.3% against the dollar despite a brief rally early in the week sparked by positive economic data.

Economic Summary

MANUFACTURING: The Institute for Supply Management (ISM) manufacturing index declined to 52.8 (-2.5pt), the lowest level since October 2016. The reading was dragged down by a decrease in the orders, production, and employment subcomponents. Euro area manufacturing Purchasing Managers' Index (PMI) came in at 47.9 in April, moderately up from 47.5 in March and remaining below 50 for three consecutive months as Germany continues to lead downturn. Meanwhile, China's manufacturing PMI came in at 50.1 in April, down from 50.5 in March.

INFLATION: US inflation rate rose moderately (+0.1%) MoM and core inflation was slightly stronger at 1.6% YoY. This softer-than-expected inflation remains below the Fed's target rate of 2.0%; the market continues to look for the Fed's next move. The euro area headline Harmonised Index of Consumer Prices (HICP) came in at 1.7%, driven by an uptick in energy prices.

JOBS: The US unemployment rate fell to a 49-year low of 3.6% in April. The US economy added 263k jobs in April, easily topping the market consensus of 190k. Average hourly earnings growth held at 3.2% YoY (+0.2% MoM).

Key Economic Releases¹

<p>Monday, May 6: No economic data released.</p>
<p>Tuesday, May 7: No economic data released.</p>
<p>Wednesday, May 8: China CPI YoY (Cons: 2.5%, Prior: 2.3%)</p>

<p>Thursday, May 9: US PPI YoY (Cons: 2.3%, Prior: 2.2%) China M2 Money (Cons: 8.5%, Prior: 8.6%)</p>
<p>Friday, May 10: US CPI (Cons: 2.1%, Prior: 1.9%) US Core CPI (Cons: 2.1%, Prior: 2.0%) UK GDP (Cons: 0.5%, Prior: 0.2%)</p>

Source: Goldman Sachs Asset Management, "Market Monitor", 5/3/19

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.

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