

MONDAY MORNING RECAP - May 13, 2019

Last Week

Dow Jones Industrial Average (DJIA)	25942.37	-562.58	-2.12%
S&P 500 Index	2881.40	-64.24	-2.18%
NASDAQ Composite Index	7916.94	-247.06	-3.03%
U.S. 10 yr. Treasury Note Yield	2.46%	-7 basis points	
Gold (\$ per troy oz.)	\$1285.70	+\$6.50	+0.51%
Oil (\$ per barrel)	\$61.66	-\$0.28	-0.45%

Market Summary

GLOBAL EQUITIES: Global equities declined this past week as US-China trade tensions came back into focus. The S&P 500 declined throughout the week, ending down 2.1% for its worst week year-to-date. Asian equities saw a similarly rocky week, with the Shanghai Composite and Hong Kong's Hang Seng Index closing down 4.5% and 5.1%, respectively. In Europe, global growth concerns and mixed economic data drove the Euro Stoxx 600 down 3.2% for the week, and the FTSE 100 fell 2.3% despite a strong UK GDP reading.

COMMODITIES: Despite investor concerns over China's appetite for US crude, oil prices were relatively steady over the week. We believe US sanctions for Iran and Venezuela, turmoil in Libya, and recent contamination of Russian oil are unlikely to be resolved in the short-term and will continue to keep supplies tight. WTI and Brent ended the week down 0.5% and 0.3%, respectively.

FIXED INCOME: Globally, major government bond yields were impacted by renewed US-China trade tensions. The 3-month to 10-year portion of the Treasury curve briefly inverted, a first since March, driven by concerns over growth. German 10-Year Bund yields hovered at six-week lows, proving its resilience as export data exceeded consensus expectations. UK Gilt yields had their biggest fall in seven weeks, as new consumer spending data showed improvement.

FX: The US dollar weakened 0.4% against six major peers as the market turned to other safe-haven currencies for the week. The Japanese yen gained 1.1% against the USD, up for its second week in a row and notching a monthly high. Meanwhile, the British pound had a volatile week, driven down by waning hope of productive cross-party Brexit talks, but buoyed by strong economic data to end at \$1.30, down 1.2% against the USD.

Economic Summary

GROWTH: UK GDP grew by 0.5% quarter-over-quarter in Q1, in line with consensus expectations. The breakdown showed three Brexit-related patterns. First, business investment reversed some of 2018's uncertainty-related decline. Second, net trade registered its biggest drag on GDP growth ever in its history. Third, stockpiling was a big contributor to GDP growth, with evidence from car dealers, wholesalers, and warehouses that the putative Brexit March deadline resulted in a considerable accumulation of inventories, especially in the manufacturing sector.

INFLATION: April's headline US CPI came in at 2.0% year-over-year (YoY), trailing consensus expectations but higher than March's reading of 1.5%. US Core CPI, which excludes food and energy, rose 2.1% YoY, its third consecutive miss, although components within shelter cost hit multiyear highs. China's headline CPI picked up further to 2.5% YoY in April from 2.3% YoY in March, in line with consensus, with the increase mainly driven by higher pork prices even as non-food components inched down.

Key Economic Releases¹

Monday, May 13:

No economic data released.

Tuesday, May 14:

Euro area Industrial Prod. (Cons: -0.30%, Prior: -0.20%)

China Industrial Prod. (Cons: 6.50%, Prior: 8.50%)

Wednesday, May 15:

US Industrial Prod. (Cons: 0.00%, Prior: -0.10%)

Thursday, May 16:

Philly Fed Survey (Cons: 9.0, Prior: 8.5)

Friday, May 17:

UMich Cons. Sentiment (Cons: 97.5, Prior: 97.2)

Source: Goldman Sachs Asset Management, "Market Monitor", 5/10/19

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

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