

MONDAY MORNING RECAP - May 20, 2019

Last Week

Dow Jones Industrial Average (DJIA)	25764.00	-178.37	-0.69%
S&P 500 Index	2859.53	-21.87	-0.76%
NASDAQ Composite Index	7816.28	-100.66	-1.27%
U.S. 10 yr. Treasury Note Yield	2.40%	-6 basis points	
Gold (\$ per troy oz.)	\$1274.50	-\$11.20	-0.87%
Oil (\$ per barrel)	\$62.76	+\$1.10	+1.78%

Market Summary

GLOBAL EQUITIES: Global equities had a volatile week as trade tensions continued to stay top-of-mind for investors. The S&P 500 closed down 0.7% as risk-on sentiment returned mid-week to help notch a threeday winning streak, its first this month, and mostly reversing a weak start that saw its largest one-day fall this year on Monday. The FTSE 100 saw a similar rebound as strong Euro area growth data and demand for financial and mining stocks drove the index up 2.3%, despite the sudden collapse of Brexit talks.

COMMODITIES: Supply pressures continued to support oil prices this week, with WTI and Brent up 1.8% and 2.3%, respectively. Investors continue to watch for potential further supply disruptions amongst contaminated oil in Russia, US sanctions on Iran and Venezuela, and geopolitical instability in the Middle East, all of which have countered any downside risks to demand.

FIXED INCOME: Global yields largely retreated for the second consecutive week, ignited by investor fear of tit-for-tat trade retaliation between China and the US. The 10-year Treasury saw its best week in almost two months, with yields down 6 bps, as demand surged for safe-haven assets. Japanese JGBs and German Bunds followed a similar path, with Bund yields touching a three-year low, as concerns of an European slowdown intensified after renewed focus on Italy's fiscal debt.

FX: A combination of strong US economic data, postponed auto tariffs, and increased uncertainty in Europe led to the US dollar index rallying 0.8%, nearing a two-year high. The British pound depreciated against the USD by 2.2% as Brexit talks collapsed between the UK's two major parties. The euro also declined over the week ending down 0.6% against the USD, as concerns intensified over a global economic slowdown.

Economic Summary

MANUFACTURING: April's US industrial production fell -0.5% month-over-month (MoM), reflecting weakness in factory outputs. Meanwhile, the Philly Fed Index demonstrated continued strength in May at 16.6, beating consensus of 9.0, supported by shipments and employment. Euro area industrial production fell MoM by -0.3% in March, in line with expectations, driven by a decline in the production of non-durable consumer goods and energy. In China, industrial production rose +5.4% year-over-year in April, down from +8.5% in March and below consensus of +6.5%, slowed by manufacturing and mining.

RETAIL SALES: China retail sales in April hit a 16-year low, at 7.2% year-over-year, below consensus expectations of 8.6%, reflecting a sharp drawback in momentum after government stimulus efforts in 1Q frontloaded economic growth.

SENTIMENT: The University of Michigan's Consumer Sentiment Survey printed at 102.4 for early May, its highest level since 2004 and well-above consensus expectations of 97.2. However, this rebound may be short-lived, as most responses were recorded prior to recent trade war escalation.

Key Economic Releases¹

Monday, May 20: No economic data released.
Tuesday, May 21: No economic data released.
Wednesday, May 22: UK CPI YoY (Cons: 2.20%, Prior: 1.90%)

Thursday, May 23: US Manuf. PMI (Cons: 53, Prior: 52.6) Euro area PMI (Cons: 51.8, Prior: 51.5) Japan Core CPI YoY (Cons: 0.90%, Prior: 0.80%)
Friday, May 24: No economic data released.

Source: Goldman Sachs Asset Management, "Market Monitor", 5/17/19

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

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