

## MONDAY MORNING RECAP - May 27, 2019

### Last Week

Dow Jones Industrial Average (DJIA)	25585.69	-178.31	-0.69%
S&P 500 Index	2826.06	-33.47	-1.17%
NASDAQ Composite Index	7837.01	-179.28	-2.29%
U.S. 10 yr. Treasury Note Yield	2.33%	-7 basis points	
Gold (\$ per troy oz.)	\$1283.00	+\$8.50	+0.67%
Oil (\$ per barrel)	\$58.63	-\$4.29	-6.82%

### Market Summary

**GLOBAL EQUITIES:** Recent US sanctions against Huawei and persistent trade tensions have introduced additional complexity to US-China relations. The S&P 500 dropped -1.14% as investors eyed a seeming increase in trade tensions, including Washington's decision to create new agricultural subsidies. In the UK, PM May failed to deliver her latest withdrawal bill over concession disagreements within her conservative party, leading to her resignation and potential Brexit extensions. The FTSE 100 and the STOXX 600 both ended down -0.93% and -1.85%, respectively.

**COMMODITIES:** Crude oil prices were dragged down by trade-induced demand concerns and growing domestic crude oil stockpiles, helping WTI and Brent prices end down \$58.63 and \$68.69 per barrel (bbl), respectively. Oil price declines were partially offset by sustained supply cuts from OPEC and the impact of Iranian sanctions.

**FIXED INCOME:** Risk-off sentiment sent the US 10-Year Treasury yield down to 2.33%, the lowest level since 2017, with the 1-Year and 10-Year yields inverting for the second time this year. The German 10-Year Bund yield also slid toward a two-and-half-year low, weighed down by disappointing economic data. In the UK, political events fueled demand for "haven" debt. The German 10-Year Bund and UK Gilt both ended lower at -0.12% and 0.96%, respectively.

**FX:** The US dollar index was caught between the Federal Reserve's rate pause signal and global geopolitical tensions, ending -0.30% lower for the past week. Meanwhile, the Sterling pound strengthened broadly against other developed currencies as a result of UK PM May's resignation. We view a withdrawal agreement before the October 31 deadline as unlikely, though largely dependent on the new leadership.

## **Economic Summary**

**INFLATION:** In the UK, CPI inflation rose from +1.9% year-over-year (YoY) in March to +2.1% YoY in April, below consensus expectations. The main contributors to the increase were driven by the Office of Gas and Electricity Markets' (Ofgem) energy price cap, which came into effect on April 1st, and a relatively late Easter effect on air fares during school holidays. UK Core CPI inflation was unchanged at +1.8%. In Japan, the April national core CPI (excluding fresh food) printed at +0.9% YoY, a 0.1 percentage point acceleration from March, and was in line with the market forecast.

**MANUFACTURING:** The euro area flash composite PMI rose slightly in May, up 0.1 point to 51.6. This was a touch weaker than the consensus expectation. The unexpected monthly decline in the Services PMI more than offset an increase in Manufacturing Output. The breakdown by country showed a larger-than-expected rise in the French composite PMI. The US PMI reading also came in below consensus expectation at 50.9 at the composite level. This decline was led by lower domestic and foreign orders, and slowing output and inventories, reflecting manufacturing drags from trade.

## Key Economic Releases<sup>1</sup>

<b>Monday, May 27:</b> US Markets closed in observance of Memorial Day.
<b>Tuesday, May 28:</b> Consumer Confidence (Cons: 130, Prior: 129.2) Eurozone Economic Sentiment (Cons: 103.9, Prior: 104.0)
<b>Wednesday, May 29:</b> No economic data released.

<b>Thursday, May 30:</b> China Manuf. PMI (Cons: 49.9, Prior: 50.1)
<b>Friday, May 31:</b> US Core PCE (Cons: 1.6%, Prior: 1.6%) UMich Cons. Sentiment (Cons: 102.0, Prior: 102.4)

Source: Goldman Sachs Asset Management, "Market Monitor", 5/24/19

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

### **Disclosure Statement**

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