

MONDAY MORNING RECAP - June 3, 2019

Last Week

Dow Jones Industrial Average (DJIA)	24815.04	-770.65	-3.01%
S&P 500 Index	2752.06	-74.00	-2.62%
NASDAQ Composite Index	7453.15	-183.86	-2.41%
U.S. 10 yr. Treasury Note Yield	2.14%	-19 basis points	
Gold (\$ per troy oz.)	\$1305.80	+\$22.20	+1.73%
Oil (\$ per barrel)	\$53.50	-\$5.13	-8.75%

Market Summary

GLOBAL EQUITIES: Global equities markets continued a tug of war as the global trade war persisted and economic growth concern loomed. President Trump threatened to impose increasing tariffs on imports from Mexico next month in an attempt to stop illegal immigration, pushing down the S&P 500 2.6% for the week. Meanwhile, European parliamentary election's impact on national politics combined with renewed concerns over Italy's growing deficit pressured European stock markets.

COMMODITIES: A smaller-than-expected decline in the US crude inventories and fears of a global economic slowdown pushed oil prices further down. Though the decline reduced crude inventory from its highest level since July 2017, crude stockpiles fell nearly 300k, which is about one third of the market's expectation. Brent and WTI ended \$64.49 per barrel (bbl) and \$53.50 per bbl, respectively, for the week.

FIXED INCOME: The US 10-Year Treasury yield declined further last week, deepening earlier yield curve inversions and leading to a new 2019 low of 2.14%. The decline followed a mild downward US GDP growth revision of -0.1 percentage point (pp). Global risk-off sentiments continued after the latest trade threat from China on US imports of rare metals, a key input to the production of US technology goods. Investors poured into international safe-haven assets, suppressing yields on the German bund, Spanish bonds, and Italian BTP abroad.

FX: The US dollar index recovered to 97.61, driven by safe-haven demand as the global growth outlook dimmed on the back of accelerating trade tensions. The dollar appreciated against the euro amidst rising fear of fractious Eurosceptic parties in European politics, ending at \$1.117. Lagged effects of Prime Minister May's departure also dragged on the sterling.

Economic Summary

INFLATION: The US Personal Consumption Expenditure (PCE) increased 0.3% month-over-month in April, the biggest gain since January 2018. Excluding the volatile food and energy components, the PCE index gained 1.6% year-over-year after rising 1.5% in March. Meanwhile, consumer spending, adjusted for inflation, remained unchanged in April. The cooldown in consumer spending may point to a deceleration in economic growth and prolonged tame inflation environment.

MANUFACTURING: In the midst of US-China trade tensions, China's manufacturing activity contracted more than market expected in May. The manufacturing Purchasing Managers' Index (PMI) came in at a three-month low of 49.4 from April's 50.1, falling into the contraction territory reached back in February. The employment subcomponent declined significantly, tumbling to its lowest level since the global financial crisis.

Key Economic Releases¹

Monday, June 3:

ISM Manuf. (Cons: 53.0, Prior: 52.8)
Euro Manuf. PMI (Cons: 47.7, Prior: 47.7)

Tuesday, June 4:

No economic data released.

Wednesday, June 5:

ISM Non-Manufacturing (Cons: 55.5, Prior: 55.5)
Euro area PMI (Cons: 51.6, Prior: 51.6)

Thursday, June 6:

No economic data released.

Friday, June 7:

US Unemployment (Cons: 3.6%, Prior: 3.6%)

Source: Goldman Sachs Asset Management, "Market Monitor", 5/31/19

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

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