

MONDAY MORNING RECAP - June 10, 2019

Last Week

Dow Jones Industrial Average (DJIA)	25983.94	+1168.90	+4.71%
S&P 500 Index	2873.34	+121.28	+4.41%
NASDAQ Composite Index	7742.10	+288.95	+3.88%
U.S. 10 yr. Treasury Note Yield	2.09%	-5 basis points	
Gold (\$ per troy oz.)	\$1341.20	+\$35.40	+2.71%
Oil (\$ per barrel)	\$53.99	+\$0.49	+0.92%

Market Summary

GLOBAL EQUITIES: Global equity markets rebounded last week, led by a rally in the US. The S&P 500 saw its best one-day gain since January last Tuesday. It ended the week up 4.46%, buoyed by dovish central bank comments and anticipation of the delay to US-Mexico tariffs. European stocks saw slightly shakier gains, with the Eurostoxx 600 and FTSE 100 up 2.32% and 2.48%, respectively.

COMMODITIES: Oil prices fell for the third week in a row, pulled down by reports of US crude stockpiles that soared to a 22-month high. WTI flitted into bear market territory on Wednesday before recovering to end the week at \$53.99, down 14.71% from its recent April high. As global growth uncertainties and trade war fears remain top-of-mind for investors, concerns over demand have pressured prices downwards despite continued supply outages. Gold rallied in the risk-off environment last week, jumping 2.67%.

FIXED INCOME: The combination of dovish central bank postures, amplified trade tensions, and softer economic data sent global rates tumbling last week. The US 2-Year Treasury yield fell 9 basis points (bps) to 1.85%, a level not seen since 2017, while the 10-Year yield fell 6 bps. Rallies in Europe were stronger still, with yields on the German 10-Year Bund and UK 10-Year Gilt falling 8 bps and 6 bps, respectively.

FX: Speculation ahead of the Federal Reserve's June policy meeting led the US dollar lower as markets anticipated that the central bank may seek measures to ease financial conditions, which may mean a round of rate cuts later in the year. Falling 1.33%, the US dollar index was also pushed down by disappointing economic data. Meanwhile, indications of support from the European Central Bank (ECB) gave the euro a lift, ending the week up 1.49% against the US dollar.

Economic Summary

LABOR: May's US labor data showed a mixed economic picture. Unemployment held a 49-year low at 3.6%, though job growth slowed substantially and wage growth missed estimates. Nonfarm payrolls rose by just 75k – less than half the consensus estimate – and wages increased 3.1% YoY. Friday's subsequent market action suggested increased trader conviction in a dovish Fed.

MANUFACTURING: US ISM manufacturing declined in May by 0.7pp to 52.1%, against consensus expectations for a slight increase. The report was still compositionally solid, with new orders, employment, and business activity all improving.

POLICY: The ECB Governing Council delivered an easing package last Thursday, largely anticipated by the markets given a more fragile growth outlook. On rate policy, the date-based forward guidance was extended by 6 months to state that rates will remain unchanged "at least through the first half of 2020." It was also communicated that the upcoming TLTRO-III operations will be generously priced, with banks able to borrow as low as -30bps. In all, we believe the meeting signalled that the Governing Council is willing to act if necessary, and that the hurdle for further easing has declined.

Key Economic Releases¹

Monday, June 10:

No economic data released.

Tuesday, June 11:

No economic data released.

Wednesday, June 12:

US CPI YoY (Cons: 1.9%, Prior: 2.0%)

Thursday, June 13:

Euro area IP MoM (Cons: -0.5%, Prior: -0.3%)

China IP YoY (Cons: 5.4%, Prior: 5.4%)

Friday, June 14:

US IP MoM (Cons: 0.2%, Prior: -0.5%)

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Source: Goldman Sachs Asset Management, "Market Monitor", 6/7/19

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

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