

MONDAY MORNING RECAP - August 19, 2019

Last Week

Dow Jones Industrial Average (DJIA)	25886.01	-401.43	-1.53%
S&P 500 Index	2888.68	-29.97	-1.03%
NASDAQ Composite Index	7895.99	-63.15	-0.79%
U.S. 10 yr. Treasury Note Yield	1.54%	-19 basis points	
Gold (\$ per troy oz.)	\$1512.50	+\$15.90	+1.06%
Oil (\$ per barrel)	\$54.87	+\$0.37	+0.68%

Market Summary

GLOBAL EQUITIES: Stocks gyrated through another volatile week as US-China trade updates and potential spillovers to the global economy dominated the headlines. Several developed markets rallied Tuesday after President Trump delayed the imposition of new tariffs from September to December, but then fell as Wednesday data suggested the standoff had already hit trade-reliant economies. Solid late-week consumer prints in the US helped the S&P 500 recover some losses, ultimately ending the week down 0.94%. The FTSE 100 and Euro Stoxx 600 fell 1.52% and 0.44%, respectively.

COMMODITIES: Crude whipsawed as demand risks continued to dictate market sentiment. In its monthly report, OPEC lowered its 2019 demand forecast, but also cut its supply growth outlook. WTI and Brent prices ended the week roughly flat at \$54.87 and \$58.64 per barrel, respectively.

FIXED INCOME: The US bond market saw its first 2s10s yield curve inversion since the 2007 financial crisis, sending yields on longer-dated Treasuries below their technical levels mid-week. Investors piled into “haven” assets, driving the 10-year US Treasury yield to a low of 1.54%. The spread between the 2- and 10-year German Bunds also narrowed to 22 bps as recession fears rose on the back of trade tensions and signs of weakness in economic data.

FX: The US dollar index reversed the month’s earlier declines, supported by the current implications of solid US retail data. This partially offset drags from weaker Chinese and German data prints, sending the index up 0.87% from the week prior. The sterling also climbed 0.82% higher against the dollar on news that the UK Parliament will stand to block Prime Minister Johnson’s no-deal Brexit plan.

Economic Summary

INFLATION: US core CPI rose to 2.2% year-over-year (YoY), 0.1% higher than consensus expectations. Inflation was boosted by medical services and tariffs, contributing 50 bps and 3 bps to the print, respectively. In the UK, headline CPI rose marginally in July to 2.1% YoY, against consensus expectations of a decline to 1.9% YoY.

CONSUMER: In a volatile week, consumer data provided reassuring signs for the US economy. Retail sales rose 0.7% in July, more than the expected 0.3% increase. The UMich Consumer Sentiment Index reported at 92.1, a slip from the prior month but still a robust reading.

PRODUCTION: In the euro area, industrial production (IP) data for June printed slightly below consensus at -1.6% month-over-month (MoM), revealing a broad-based decline across all industries. Similar declines were felt in China and the US. Chinese IP posted 0.2% MoM for July, down 0.5% from the prior month, reflecting weakness in textiles, chemicals, communication equipment and steel products. US IP shrunk to -0.2% MoM, pressured by contraction in the manufacturing and mining sectors.



Key Economic Releases¹

Monday, August 19: Eurozone HICP YoY (Cons: 2.9%, Prior: 2.7%)
Tuesday, August 20: No economic data released.
Wednesday, August 21: No economic data released.

Thursday, August 22: Initial US Jobless Claims (Cons: 218k, Prior: 220k) US Markit Manuf. PMI (Cons: 50.5, Prior: 50.4) Eurozone Markit Manuf. PMI (Cons: 46.2, Prior: 46.5)
Friday, August 23: No economic data released.

Source: Goldman Sachs Asset Management, "Market Monitor", 8/16/19

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

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