

MONDAY MORNING RECAP - August 26, 2019

Last Week

Dow Jones Industrial Average (DJIA)	25628.90	-257.11	-0.99%
S&P 500 Index	2847.11	-41.57	-1.44%
NASDAQ Composite Index	7751.77	-144.23	-1.83%
U.S. 10 yr. Treasury Note Yield	1.52%	-2 basis points	
Gold (\$ per troy oz.)	\$1526.60	+\$14.10	+0.93%
Oil (\$ per barrel)	\$54.17	-\$0.64	-1.17%

Market Summary

GLOBAL EQUITIES: Global equities saw a rocky week as investors watched for geopolitical developments and news from the central bankers' meeting in Jackson Hole. Market sentiment was dominated by additional Chinese tariffs and continued lack of Fed accommodation, and the S&P 500 ended the week down 1.42%. In Europe, the Eurostoxx 600 and FTSE 100 digested PMI beats and mixed Brexit news to close up 0.50% and down 0.23% respectively.

FX: The sterling appreciated against other major currencies as the EU expressed their willingness to amend the Brexit Withdrawal Agreement to find an alternative solution to the Irish backstop. The euro also strengthened 0.44% against the US dollar as stronger-than-expected PMI manufacturing data partially offset economic worries in Germany. The US dollar index declined by 0.54% to 98.17.

FIXED INCOME: US Treasuries have seen their strongest rally since 2011, returning 8.4% since the beginning of 2019 as yields continue to hover near three-year lows. The week ended mixed for the 10-year US Treasury and German Bund, up 1.53% and down 0.68%, respectively.

COMMODITIES: Oil prices stumbled late last week as China placed tariffs on US crude for the first time in the US-China trade war. Despite a larger-than-expected drop in US inventories on the supply side, falling demand expectations sent WTI prices down to \$54.17 per barrel (bbl) while Brent remained range-bound at \$59.34 per bbl.

Economic Summary

MANUFACTURING: Flash PMIs for August showed signs of caution amid global uncertainty. In the US, manufacturing PMI fell into contraction territory for the first time in ten years at 49.9. The negative surprise to investors, who had been expecting an increase to 50.5 from 50.4 in June, led US stocks to fall and the yield curve to reinvert at 2-10. Meanwhile in Europe, manufacturing flash PMI showed some improvement at 47.0, beating consensus expectations for another decline. At the country level, German and French composite PMIs were at expansionary levels, both up from the prior month.

MONETARY POLICY: The July Fed meeting minutes showed a divergence in official views on rate cuts, suggesting a lack of consensus around the direction and magnitude of easing, potentially inciting more uncertainty around the policy action for September. In contrast, the ECB minutes demonstrated more unity across policymakers – a stimulus package next month will likely include both rate cuts and asset purchases to control for a weakening economy. Minutes, however, did reveal conflicting views on the targeted longer-term refinancing operations (TLTRO) series.

Key Economic Releases¹

Monday, August 26:

Chicago Fed National Activity Index (Cons: --, Prior: -0.02)
 Germany Ifo Business (Cons: 95.0, Prior: 95.7)

Tuesday, August 27:

No economic data released.

Wednesday, August 28:

No economic data released.

Thursday, August 29:

Euro Zone Economic Confidence (Cons: 102.3, Prior: 102.7)
 Japan Industrial Production YoY (Cons: -0.5%, Prior: -3.8%)

Friday, August 30:

US Core PCE (Cons: 1.6%, Prior: 1.6%)
 UMich Cons. Sentiment (Cons: 92.3, Prior: 92.1)
 Eurozone CPI (Cons: 1.0%, Prior: 0.9%)
 China Manuf. PMI (Cons: 49.7, Prior: 49.7)

Source: Goldman Sachs Asset Management, "Market Monitor", 8/23/19

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

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