MONDAY MORNING RECAP - September 3, 2019

Last Week

Dow Jones Industrial Average (DJIA)	26403.28	+774.38	+3.02%
S&P 500 Index	2926.46	+79.35	+2.79%
NASDAQ Composite Index	7962.88	+211.12	+2.72%
U.S. 10 yr. Treasury Note Yield	1.50%	-2 basis points	
Gold ($ per troy oz.)	$1519.10	-$8.80	-0.58%
Oil ($ per barrel)	$55.10	+$0.93	+1.72%

Market Summary

GLOBAL EQUITIES: Stocks were buoyed by a drop in US-China trade war tensions, underscoring the importance of geopolitical headlines for markets. The S&P 500 drew additional support from a stronger-than-expected consumer spending reading and closed the week up 2.83%. In Europe, the Eurostoxx 600 saw gains on an apparent political resolution in Italy and expectations of central bank stimulus next week, ending up 2.20%. The exporter-heavy FTSE 100 rose 1.59% as Brexit concerns pushed the sterling down.

COMMODITIES: Tightening supplies pressured oil prices higher amid hurricane concerns and a fall in the US crude inventory. Despite trade tensions limiting demand expectations, WTI and Brent prices both saw gains, ending the week at $55.10 per barrel (bbl) and $60.43 per bbl, respectively.

FIXED INCOME: Yields touched historic lows last week. The 2s10s inversion in the US Treasury curve deepened further, with the spread ending the week negative. Yields on the German 10-year bund and UK 10-year gilt fell to -0.70% and 0.48%, respectively. With $16 trillion in negative-yielding bonds worldwide, further yield declines may increase the proportion of sub-zero bonds in the global sovereign debt market.

FX: The US dollar appreciated against a basket of peers, in spite of an ease in trade tensions and ending the week up 1.17%. The sterling fell against the dollar, closing at $1.22 after PM Johnson announced plans for a month-long suspension of Parliament, leaving little time for Brexit negotiations before the October 31 deadline. The euro slipped to $1.10 on the week, as tepid inflation data reinforced expectations of monetary easing from the ECB.

Economic Summary

SENTIMENT: In the midst of rising recession concerns, the German Ifo Business Climate Index dropped to a seven-year low of 94.3 in August, beneath the consensus estimate of 95.1. The country's manufacturers have been struggling with weaker foreign demand, global tariff disputes, and business uncertainty risk from Brexit. Sentiment deteriorated in services, wholesaling, and construction, suggesting weakening domestic demand and a manufacturing slowdown spreading to other sectors of the economy.

INFLATION: July US Personal Consumption Expenditures (PCE) remained at +1.6% Year-over-Year (YoY). Personal spending increased 0.6% in July above consensus expectations, though the increase in personal income (+0.1%) disappointed. Meanwhile, the Harmonised Index of Consumer Prices (HICP) rose 1.0% YoY in August, marking a fourth month running well below the European Central Bank's 2% target. The flash data was depressed mostly by lower energy inflation, but stripping out food and energy, core inflation remained unchanged at 0.9%.

Key Economic Releases[1]

Monday, September 2: US Markets closed in Observance of Labor Day. UK Manuf. PMI (Cons: 48.4, Prior: 48)	**Thursday, September 5:** ISM Non-Manuf. (Cons: 52, Prior: 53.7)
Tuesday, September 3: ISM Manuf. (Cons: 51.2, Prior: 51.2) Euro PPI (Cons: 0.20%, Prior: -0.60%) China PMI Composite (Cons: --, Prior: 50.9)	**Friday, September 6:** US Unemployment (Cons: 3.70%, Prior: 3.70%) China FX Reserves (Cons: $3105.00b, Prior: $3103.73b)
Wednesday, September 4: No economic data released.	

Source: Goldman Sachs Asset Management:, "Market Monitor", 8/30/19

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