

MONDAY MORNING RECAP - September 9, 2019

Last Week

Dow Jones Industrial Average (DJIA)	26797.46	+394.18	+1.49%
S&P 500 Index	2978.71	+52.25	+1.79%
NASDAQ Composite Index	8103.07	+140.19	+1.76%
U.S. 10 yr. Treasury Note Yield	1.55%	+5 basis points	
Gold (\$ per troy oz.)	\$1506.20	-\$12.90	-0.85%
Oil (\$ per barrel)	\$56.52	+\$1.42	+2.58%

Market Summary

GLOBAL EQUITIES: Stock markets moved higher last week as trade developments improved investor sentiment. Officials from the US and China agreed to resume negotiations in October just days after a 15% tariff on \$125 billion of Chinese goods went into effect on September 1. The MSCI China index rose 3.04%, driven by this optimism. The S&P 500 rose 1.83%, boosted by a jobs report suggestive of long-term economic health. European stocks gained on global tailwinds while Brexit-related uncertainty was a drag on the FTSE 100, which ended the week up just 1.20%.

COMMODITIES: Oil prices rose last week as an improving global economic outlook undergirded a favorable technical environment. US crude stockpiles dropped nearly twice as much as expected and active rig counts declined, helping WTI prices gain 2.58%. Brent crude rose 1.84% as OPEC and Russia increased production in August, weighing on prices.

FIXED INCOME: While the 2-Year Treasury yield slumped midweek to its lowest level in two years, 10-Year yields climbed on the back of renewed trade talks, ending at 1.53% and 1.55%, respectively. In Europe, weak German economic data and an unsuccessful attempt by PM Johnson to push for a 'no-deal' Brexit led to German Bund and UK Gilt yields rallying 6 bps and 3 bps, respectively.

FX: The US dollar index hit a two-year high then retreated after a weak US manufacturing data release, closing the week down -0.53%. Meanwhile, the euro strengthened slightly against the USD after Italy's favorable coalition outcome lifted investor sentiment and helped circumvent a general election. The GBP/USD rate fell below \$1.20 for the first time in almost 3 years, rocked by Brexit confusion, before reversing to end up 1.16%.

Economic Summary

MANUFACTURING: Global data was mixed with underlying indicators showing trade effects. August's US ISM manufacturing index declined to 49.1, against expectations for a slight increase. With production, new orders, and employment components all falling below 50, the index breached contractionary territory for the first time since 2016. Chinese manufacturing PMI rose to 50.4 in August, expanding for the first time since May and beating consensus expectations. Underlying indicators showed stronger production, better employment growth, and potential export front-loading ahead of new tariffs.

LABOR: A mixed August US jobs report reflected tensions underlying the late-cycle, trade-uncertain economy. The headline unemployment rate held steady at 3.7% as expected, remaining near 50-year lows. Average hourly earnings beat expectations, rising 0.4% from July and 3.2% year-on-year. However, total nonfarm payrolls disappointed, growing by 130k vs. 150k consensus. The weakness reflected private businesses' response to slowing growth and trade concerns, as well as a temporary boost in federal payrolls from workers being employed in preparation for the 2020 census.

Key Economic Releases¹

Monday, September 9:

UK IP MoM (Cons: -0.3%, Prior: -0.2%)

Tuesday, September 10:

No economic data released.

Wednesday, September 11:

No economic data released.

Thursday, September 12:

US Core CPI YoY (Cons: 2.3%, Prior: 2.2%)

US CPI YoY (Cons: 1.8%, Prior: 1.8%)

Euro area IP MoM (Cons: -0.1%, Prior: -1.6%)
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ECB Deposit Rate (Cons: -0.5%, Prior: -0.4%)
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Friday, September 13:

No economic data released.

Source: Goldman Sachs Asset Management, "Market Monitor", 9/6/19

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

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