

MONDAY MORNING RECAP - September 16, 2019

Last Week

Dow Jones Industrial Average (DJIA)	27219.52	+422.06	+1.58%
S&P 500 Index	3007.39	+28.68	+0.96%
NASDAQ Composite Index	8176.71	+73.64	+0.91%
U.S. 10 yr. Treasury Note Yield	1.90%	+35 basis points	
Gold (\$ per troy oz.)	\$1490.90	-\$15.30	-1.02%
Oil (\$ per barrel)	\$54.85	-\$1.67	-2.95%

Market Summary

GLOBAL EQUITIES: US equity levels soared above 3,000 this past week as a series of US-China trade concessions boosted sentiment ahead of scheduled tariff increases in October. Both parties displayed leniency— China exempted 16 US products from import tariffs and the US delayed tariff hikes on \$250 billion of goods. Trade-sensitive sectors like Tech contributed to the S&P 500's rally of 1.02% on the week. In Europe, the FTSE 100 and the Eurostoxx 600 closed 1.17% and 1.20% higher, respectively, as central bankers delivered a monetary stimulus package, though compositionally different from market expectation.

COMMODITIES: Brent and WTI crude oil both ended lower at \$60.22 and \$54.85 per barrel (bbl), respectively. Prices fell on weaker-than-expected 2019 demand growth, bleak global economic outlook, and uncertainty surrounding OPEC's ability to deliver deeper supply cuts in December.

FIXED INCOME: US Treasury yields rose as US-China trade concerns abated, offsetting drags from the ECB's accommodative policy announcement. US 2-Year and 10-Year Treasury yields ended the week higher at 1.80% and 1.90% respectively. In Europe, policy measures drove regional government yields. German Bund yields surged mid-week to their highest level in six weeks, ending up 19 bps at -0.45% for the week.

FX: The US dollar weakened 0.08% against major currencies, and strengthened against others on news of easing political risk and monetary policy. The UK sterling hit a seven-week high against the dollar as fears of a no-deal Brexit were assuaged, ending \$1.248 for the week. The euro also jumped 0.33% against the dollar and ended at \$1.107, supported by higher German government yields.

Economic Summary

PRODUCTION: Euro area industrial production contracted by -0.4% MoM in July, exceeding consensus expectations for a -10 bps decline, but milder than the contraction observed in June. The softness in data was largely driven by Germany and Italy.

INFLATION: August's US core consumer price index (CPI) continued to firm, posting a +0.2% increase from the prior month and beating consensus expectations of +2.3% YoY. The print came in at 2.4% YoY with boosts coming from medical care and lagged effects of trade tariffs, while weakness from shelter and apparel measures offset some of these increases.

MONETARY POLICY: The ECB's multi-dimensional monetary stimulus package, aimed at addressing a slowing Eurozone economic growth, included: 1) a 10 bps cut to the deposit rate, which is now -0.5%, 2) reinstatement of asset purchases sized at 20 billion euros a month, and 3) improved TLTRO-III conditions to support banks. The central bank stressed limitations of rate cuts, calling instead on fiscal stimulus to support growth. Forward guidance also provided flexibility by removing the prior "mid-2020" guidance and pivoting to state-based inflation targeting, leaving quantitative easing open-ended.

Key Economic Releases¹

Monday, September 16: UK IP MoM (Cons: -0.3%, Prior: -0.2%)
Tuesday, September 17: No economic data released.
Wednesday, September 18: No economic data released.

Thursday, September 19: 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%) ECB Deposit Rate (Cons: -0.5%, Prior: -0.4%)
Friday, September 20: No economic data released.

Source: Goldman Sachs Asset Management, "Market Monitor", 9/13/19

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

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