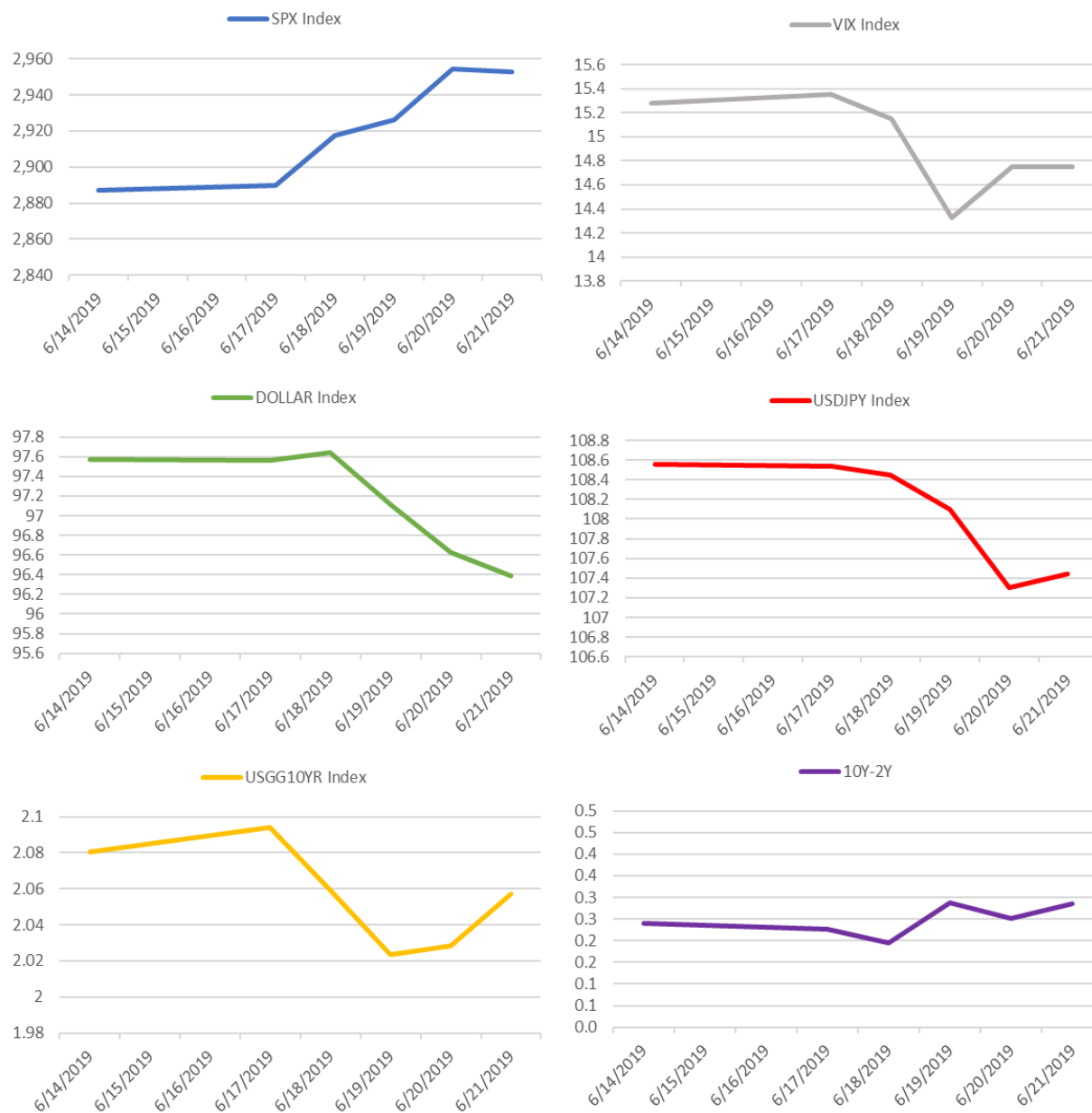


US Market Weekly Overview (06/21/19)



*** Index selection details:

- **SPX index:** S&P 500 index stands for overall market performance
- **Dollar index:** The overall index value of US dollar currency
- **USGGxYR:** US government x-year bond yield stands for overall bond market
- **USDJPY:** USD currency in terms of JPY currency stands for macro risk sentiment
- **10Y-2Y:** 10Y US treasury yield – 2Y US treasury yield stands for macro risk sentiment
- **BCOM index:** Bloomberg commodity index details of composition (Energy: 30%, Grains: 23%, Industrial metals: 17, Precious metals: 16%, Softs: 7%, Livestock: 5%)

Recent News & Economics:

- 06/17: The US yield curve is flattening a bit and bond investors are getting some cold feet about pricing in such a high probability of a Fed ease in July (82%) and even June (20%). The current expectation is for the Fed to drop the word "patience" at Wednesday's FOMC meeting in order to clear the path towards a July ease. Investors may throw a large tantrum if the Fed ignores their sentiment, so Wednesday's FOMC meeting could bring about some early July 4th fireworks and significant equity and rate volatility.
- 06/18: ECB President Draghi surprised global markets with comments that further stimulus will be required "in the absence of any improvement" in inflation and growth outlooks. Both QE and rate cuts are on the table but ECB sources are quoted as saying that rate cuts would be the first step. This could bring Eurozone short rates even lower than the -0.4% level currently for deposit rates. EUR and USD rates both rallied significantly on that news. At 9:45am EST, President Trump tweeted that he and Chinese President Xi would engage in an extended meeting at the G20 summit. This spurred another bout of optimism and brought rates back up 5bps only to subsequently fall back.
- 06/19: US swap rates are 2-10bps lower versus yesterday 3pm closing levels as the yield curve bull-steepened after this afternoon's Federal Reserve FOMC meeting. While the Fed did not cut rates, the Fed members' projection of the path of future Fed Funds dropped fairly dramatically with 7 out of 17 members seeing 2 rate cuts by the end of 2019. The Fed statement also turned dovish by characterizing more modest growth and lower expected inflation.
- 06/21: A better than expected Existing Home Sales report for May (+2.5% vs -0.4% prior month) offset a dismal May manufacturing PMI (which at 50.1 was barely in expansion territory) in the eyes of the market and helped spur a rebound in rates after a 3-day run of lower rates.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
17-Jun	Price in FOMC exp	1	-1	-1	1	-1	0
18-Jun	EUR stimulus+USD- CHN metting	1	0	-1	1	0	-1
19-Jun	FOMC meeting	1	-1	0	1	-1	1
21-Jun	Home sales good+PMI bad	0	1	0	0	0	0
Expected		1	-1	0	1	-1	0
Actual		1	-1	-1	1	-1	1

- This week our expectation is in line with the market, except for the vol index we see there should be no changes but the market reflects with going short, obviously the market temperature is getting warm even if the JPY and Gold price implied market sentiment is still cool. In terms of interest rates, overall rates dropped while the yield curve gets bullish a lot which gives a more bullish market condition. However, as shown in JPY and Gold price, market worried so much in the future of potential global potential shocks.