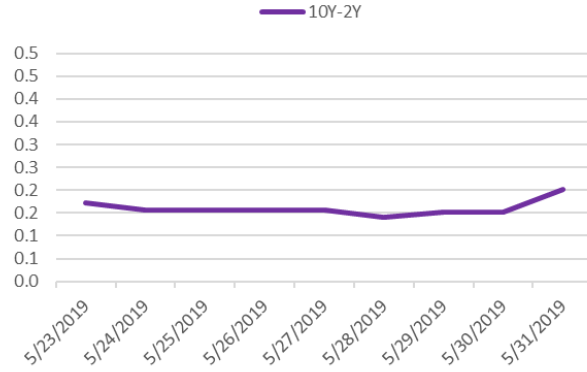
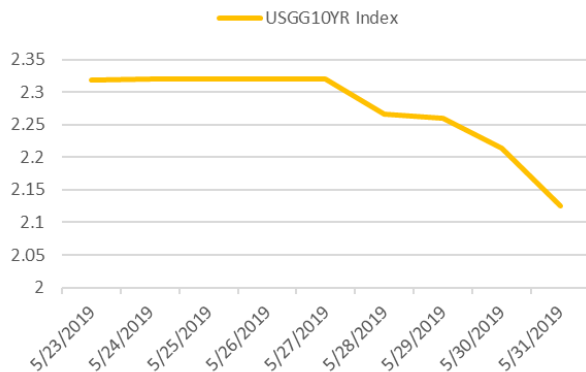
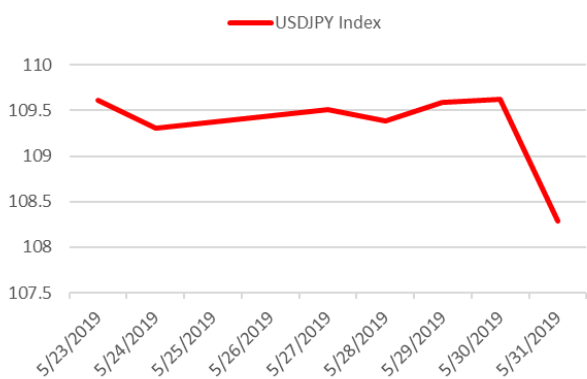
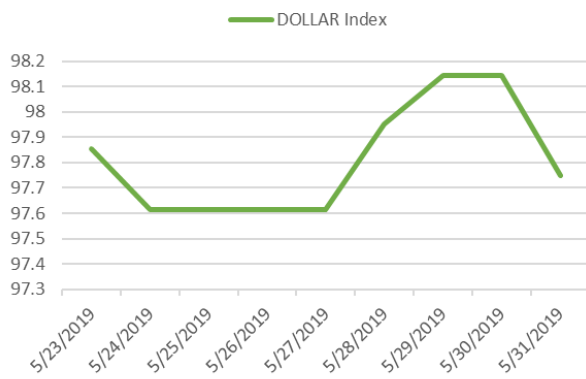
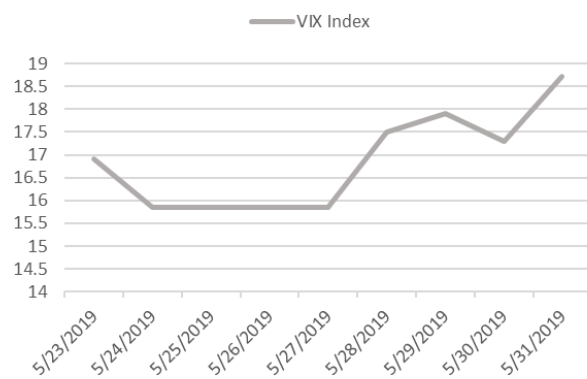
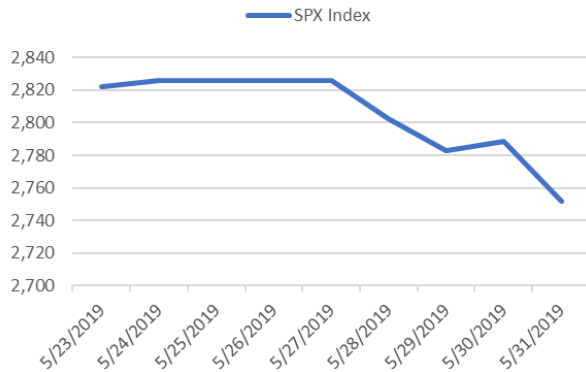


US Market Weekly Overview



*** 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:

- 05/28: The European parliament election over the weekend did not yield any surprising outcomes (the center-left and center-right parties were predicted to lose significant seats and did so). Nevertheless, markets are on balance more risk averse today given rising concerns about Italy's budget deficit and potential escalation of the US-China trade war as China drops hints of limiting its export of rare earths.
- 05/29: Overnight global equity markets continued the selloff from New York and that continued into today. Bonds rallied again in the flight-to-quality and further spooked the market as additional inversion in the front end of the yield curve brought more media stories of an economic recession. US rates have declined 40bps in just the last 5 weeks and are 100-120bps lower since last November. The rate market might be due for a bounce soon as bonds appear significantly overbought. A disappointing 7yr Treasury note auction today (which tailed 2bps from pre-auction level) served notice that investor appetite for bonds at these low rate levels is not unlimited.
- 05/30: US equity markets initially rebounded higher on the open but slowly leaked into negative territory as the day passed with no signs of improvement in the US-China trade war. The latest bad news for trade was that China has halted its soy purchases from the US.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
28-May	Italy's budget deficit	-1	-1	1	0	1	1
29-May	potential escalation of the US-China trade war	-1	-1	0	-1	0	1
Expected		-1	-1	1	-1	1	1
Actual		-1	-1	1	1	0	1

- Overall expectation is quiet line up with actual market movements. However, on the 10Y-2Y expectation we see it should get more narrower since the fear of trade war and bad Italy numbers while the market reflects with a wider rate spread on 10Y-2Y probably comes from strong US data.
- Also, on USD value, we see the Italy deficit should cause money flies into US and cause the dollar rallies again. However, market reflects as a concussion for this week. So the fear of the trade war actually starts to drag dollar lower.