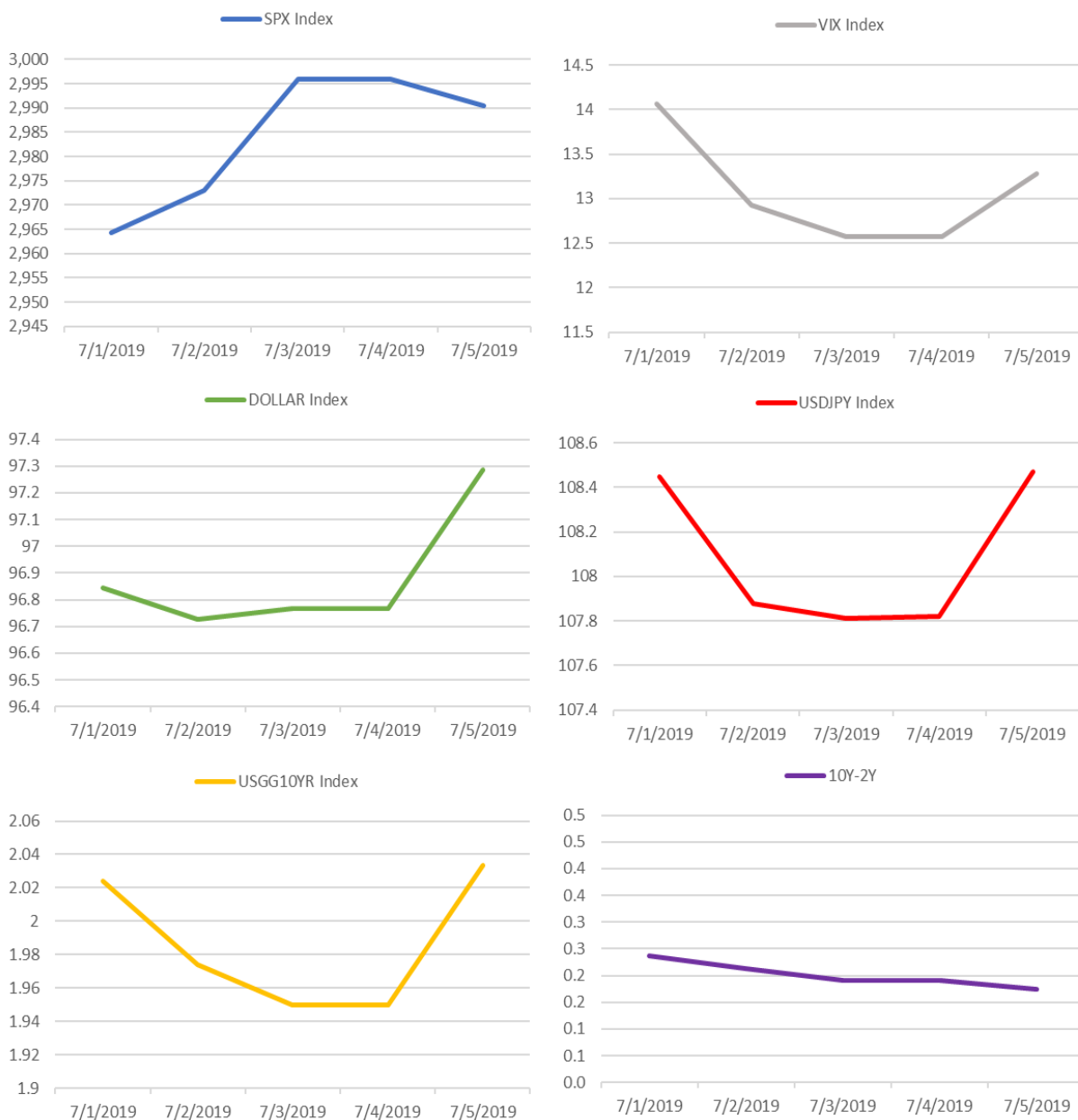


US Market Weekly Overview (07/05/19)



*** 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:

- 07/01: The entirely expected temporary cease-fire in the US-China trade war saga generated a good rally to start the month. Equities started the day with a 1% rally only to steadily give it back all day. June US manufacturing PMI data came slightly better than expected but remain perilously close to the edge of contraction. New Orders, the most forward-looking component of the June ISM report was 50.0, its lowest print since Dec 2015 while the Prices Paid component fell below 50 (47.9), its lowest level since Feb 2016. Suffice to say these numbers provided no deterrence to the Fed cutting rates in July.
- 07/02: There were no major economic releases in the US today but Eurozone PPI came in below expectations and the bond market was cheered by the nomination of Christine Lagarde as the next President of the ECB. Lagarde is viewed as far more open to stimulus and QE than Jens Wiedmann, the head of the Bundesbank and the former front-runner for the ECB Presidency.
- 07/05: A much better than expected June US non-farm payroll report drove a large bond selloff as the market is rapidly pricing out any likelihood of a 50bp rate cut at the Fed's July meeting (from 25% probability just this morning).

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
1-Jul	Trade War Cease	1	1	-1	1	1	-1
2-Jul	EUR PPI < exp	-1	-1	1	0	1	1
5-Jul	Non-farm payroll > exp	1	1	-1	1	1	-1
Expected		1	1	-1	1	1	-1
Actual		1	1	-1	-1	1	-1

- As the trade war and non-farm payroll gets better market rallies as a reverse to previous flight to quality equity and rates go up and volatility goes down. Also, USD index starts to bounce back a lot by the cheer-up economic data.
- Key issue to take a look is the curve shape measured by 10Y-2Y government bond yield, as indicated above investors still hold a cautious opinion on the economic as the curve shape continuous to go lower.