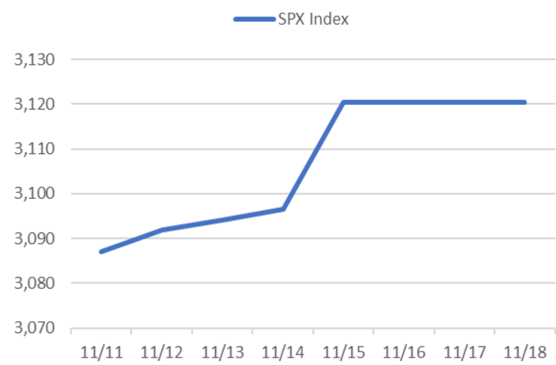
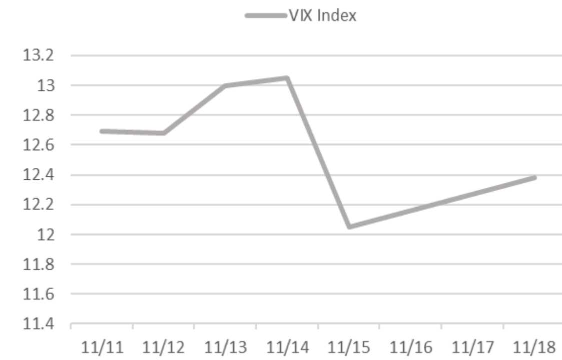
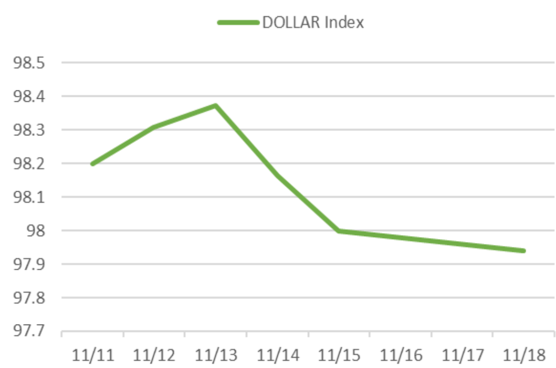
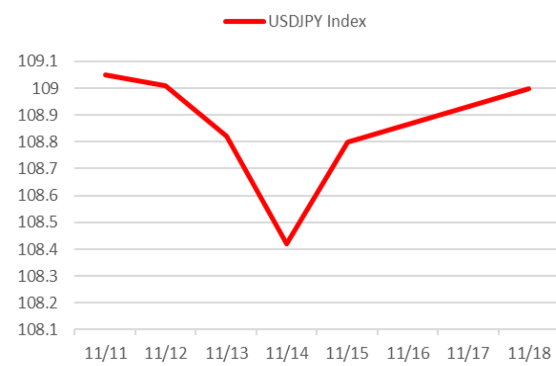
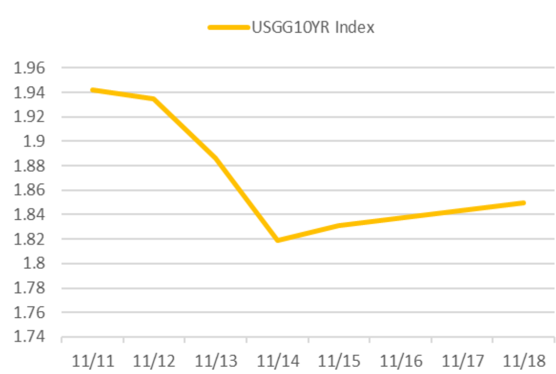
# US Market Weekly Overview (11/16/19)

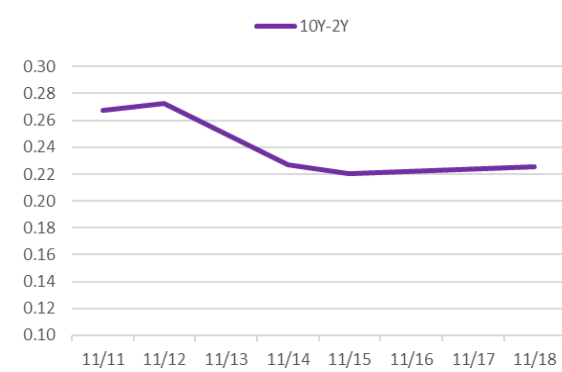



*** Index selection details:

- SPX index: S&P 500 index stands for overall market performance
- Dollar index: The overall index value of US dollar currency
- USGG xYR: 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:

- 11/12： No important data in the US to speak of today. German industrial confidence ZEW survey for November was -1.0, the best level since May 2018, perhaps signaling the bottoming of the Eurozone economy. Bonds were bid as markets returned from the US Veterans Day long weekend to fret about the next step in the US-China trade war. With US equity markets back at all-time highs, any misstep in the trade war negotiations could see the emergence of more bids for bonds and sellers of equities.
- 11/13： October US Core CPI was a little lower than expectations (+2.3% vs +2.4% expected), but all eyes were on Capitol Hill, especially on Fed Chairman Powell at his semiannual testimony to the House (today) and the Senate (tomorrow). There was (thankfully) zero new information in either the text of Chairman Powell's speech, or in the Q&A session. He emphasized the usual Fed boilerplate that the US economy is doing fine but there are risks out there, but also reinforced the message that the Fed is on hold unless the economy turns out weaker than expected. Bond market continued yesterday's rally and rates dropped as market doubts about the trade agreement grew. WSJ reported in the afternoon that there are snags in the agreement as China may be balking at 1) quantifying its potential farm purchase, 2) curbs in intellectual rights transfer and 3) enforcement mechanism. That's pretty much the whole enchilada of US demands.
- 11/15： Equities rose as White House Economic Advisor Larry Kudlow said that phase one negotiations are in their final stage. That trade optimism overcame more pessimistic economic data: October US retail sales showed signs of a consumption cool-off as retail sales ex-auto and gas rose only 0.1% (versus +0.3% expected). In addition, manufacturing remains depressed as October US Capacity Utilization fell to a 2-year low of 76.7% from 77.5% the prior month.

# Perspectives vs Actual:

| Date | Driver | Equity | Rates | Vol | Curve Shape (10Y-2Y) | USD Basket | JPY |
|---|---|---|---|---|---|---|---|
| 13-Nov | Core CPI < Exp | -1 | -1 | 0 | -1 | -1 | 0 |
| 15-Nov | Manu. slow down | -1 | -1 | 0 | -1 | -1 | 0 |
| **Expected** | | **-1** | **-1** | **0** | **-1** | **-1** | **0** |
| **Actual** | | **1** | **-1** | **-1** | **-1** | **-1** | **0** |

- This week does not have enough important data released, but the market starts to show some protection mood signs. Like the spread between 10Y and 2Y starts cool-down combined with a buy back in the over bond market. This shows investors tends to be conservative during year end. On the other side, as the dollar index weakening a lot last week, this supports the equity index to continue rally even if bond market shows a negative sentiment.
- In the near future, market at a high probability will move in congestion and manufacture sector will continue to slow down.
- As our macro tracking chart shows below, a strong job market shows support consumption and weak PMI indicate a continued slowing down in manufacture sector.