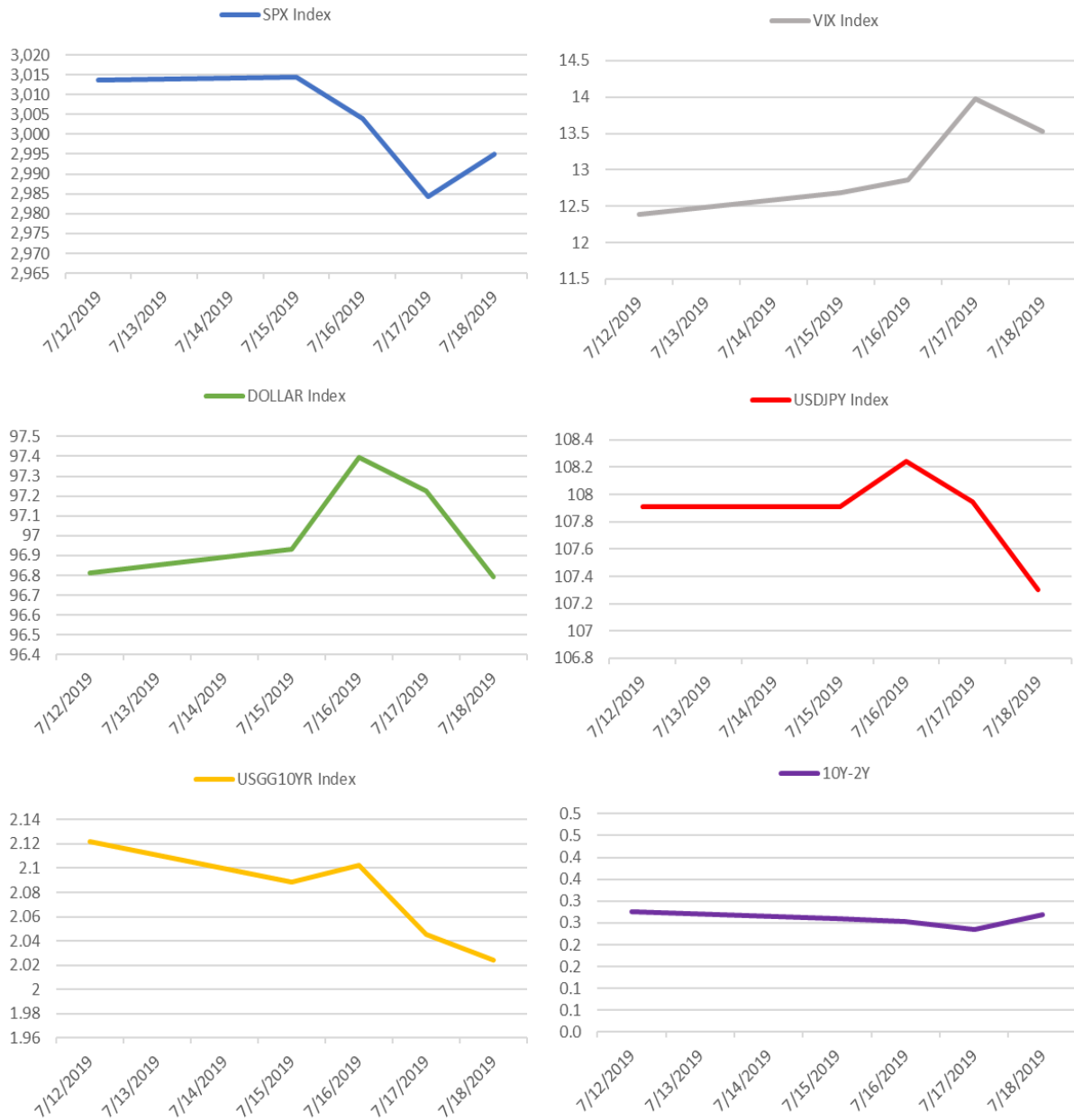


# US Market Weekly Overview (07/19/19)



## \*\*\* 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:

- 07/16: A somewhat better than expected June retail sales of +0.7% (0.3% expected) kicked off a modest bond selloff.
- 07/17: Concern about potential reignition of the US-China trade war (after President Trump's weekend tweet about potentially imposing more tariffs on China) drove flight-to-quality into bonds as equity markets were down modestly (<1% for most developed markets).
- 07/18: Bonds traded sideways for most of the day but rallied after NY Fed President Williams' 2pm speech in which he discussed the need to "act quickly to lower rates at the first sign of economic distress". He also talked about how the neutral rate is 0.5%, which is a full 200bps below the current Fed Funds target. The market read that as the signal for possibly a 50bp cut at the July FOMC. Fed Funds futures now imply a 54% probability of a 50bp cut, up from 30% before Williams' speech.

## Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
16-Jul	Better retail sales	1	0	0	0	1	0
17-Jul	Reignition of the US-China trade war	-1	-1	1	-1	0	1
18-Jul	NY Fed President Talk	1	-1	0	-1	-1	1
<b>Expected</b>		<b>1</b>	<b>-1</b>	<b>1</b>	<b>-1</b>	<b>0</b>	<b>1</b>
<b>Actual</b>		<b>-1</b>	<b>-1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

- This week's market is getting anxious when the reignition of US-China trade war is on the table again. Equity market takes this much more negative than any one else and even overweight the potential Fed rate cut. Our estimation is quiet a line with the market movements except for the equity and curve shape segment.
- As all these bad news hit the market, the 10Y-2Y curve shape turns out to be stronger, which probably means the overall investor sentiment is getting better. But current JPY is still in quiet a long trend and wait to be released.