US Market Weekly Overview (09/27/19)

*** 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:

- 09/23: Very weak PMI out of the Eurozone (September Manufacturing PMI fell to 45.6, the lowest level since 2012 while Service PMI fell to 52.0, edging closer towards contraction). In the US, September Manufacturing PMI was better than expected (51.0 vs 50.4 expected) and was the strongest level since April, but Service PMI at 50.9 was a bit below expectation.
- 09/26: Core PCE for the second quarter came in a bit hotter than expected at +1.9% vs +1.7%, otherwise there was no real data. Bond bulls were cheered by the 7yr Treasury auction came 0.9bp through where it was trading pre-auction, a bit better than expected.
- 09/27: A bit of a mixed bag in today's slew of economic data - August durable good orders rose 0.2% (vs -1.1% expected), ex-transportation was even better at +0.5% (+0.2% expected). On the flip side, August personal spending rose a very modest 0.1% (vs +0.3% expected), but personal income rose a much healthier +0.4%, indicating that the robust job market is creating healthy wage increases.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
23-Sep	EUR PMI<EXP,US PMI>EXP	1	1	-1	1	1	-1
26-Sep	CORE PCE > Exp	1	1	-1	1	1	-1
26-Sep	Durable good > Exp	1	1	-1	1	1	-1
Expected		**1**	**1**	**-1**	**1**	**1**	**-1**
Actual		**-1**	**0**	**1**	**0**	**1**	**-1**

- US economic data getting better over the week, the most important data are PMI, PCE and durable good orders which are all bet expectation. In the long term of view, good economic will support stock trend but in a short term view, this will make the Fed holding off on rate cutting. As we known the rate cutting at a very high probability is already priced in stock index price, which can explain why the stock market drops a lot given good economic data released.
- The key measure for market sentiment JPY price and 10Y-2Y spread this week getting a bit better, as the JPY depreciated against USD and getting into a short trend right now. This will open a time window for equity market. On the other side, dollar index raise totally into long trend this week which causing money inflow into US to support stock market even further.