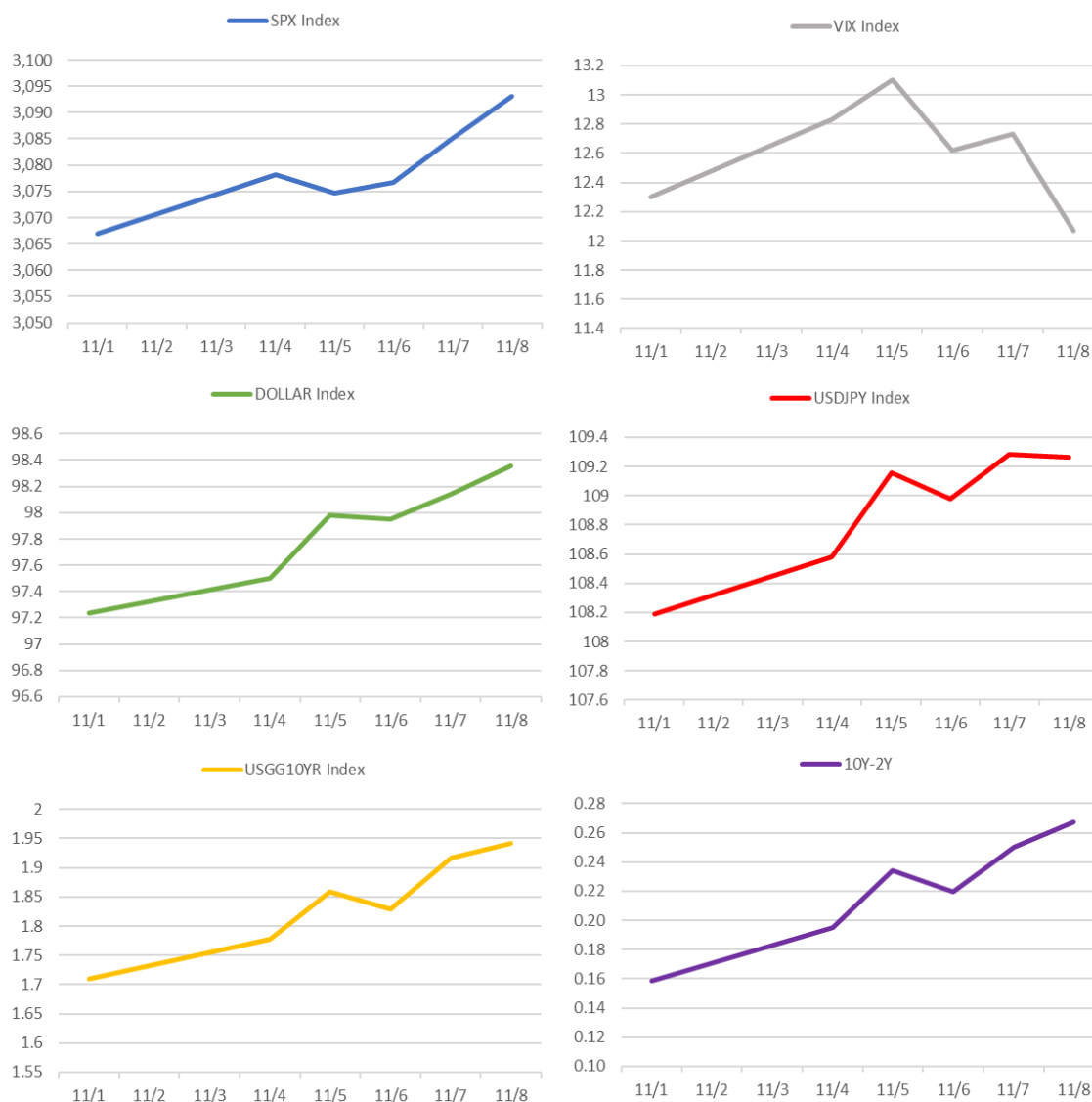


US Market Weekly Overview (11/10/19)



*** 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:

- 11/04: The risk-on mood from Friday carried over to today. News reports that Chinese President Xi may decide to come to the US to sign Phase One of the US-China trade agreement heartened equity bulls and bond bears. This positive sentiment overcome a lackluster September Durable Goods report that was slightly worse than expected.
- 11/07: More optimism emerged overnight on reports of the US and China having agreed in principal to a phased cutback of tariffs. This implies a speedier resolution of the US-China trade war than markets had anticipated. Global equity markets are up modestly (<1%), and bond markets are down.
- 11/08: Market took a step back after President Trump said that the US has not agreed to roll back tariffs on China. Market probably got a bit ahead of itself in pricing in a smooth path to the end of the US-China trade war, and today provided a small jolt of reality. So far the market reaction has been modest (Dow flat on the day), but larger corrections are certain if there are significant setbacks to the Phase One trade agreement.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
4-Nov	US-China Trade War	1	1	-1	1	1	-1
7-Nov	Stop Tariffs Cutback	1	1	-1	1	1	-1
8-Nov	US no cutback tariffs on China	-1	-1	1	0	0	1
Expected		1	1	-1	1	1	-1
Actual		1	1	-1	1	1	-1

- This week the market is totally driven by the optimize sentiments on trade war. As both countries tend to make agreement on tariff market pre-priced in all the sentiment. As shown on Friday, Trump said no cutback on China's tariff market starts to correct itself. There will be more corrections if there is really no cutback on tariff.
- On the other side, as we noticed the over all market ends up in quiet happy ending this week which means the fundamental sentiment starts to getting better and better. Also the yield spread continuing to go up as another evidence to show the fundamental is getting stronger. This, combined with a relative weak JPY, will open time window for equity market but not that much for bond market.