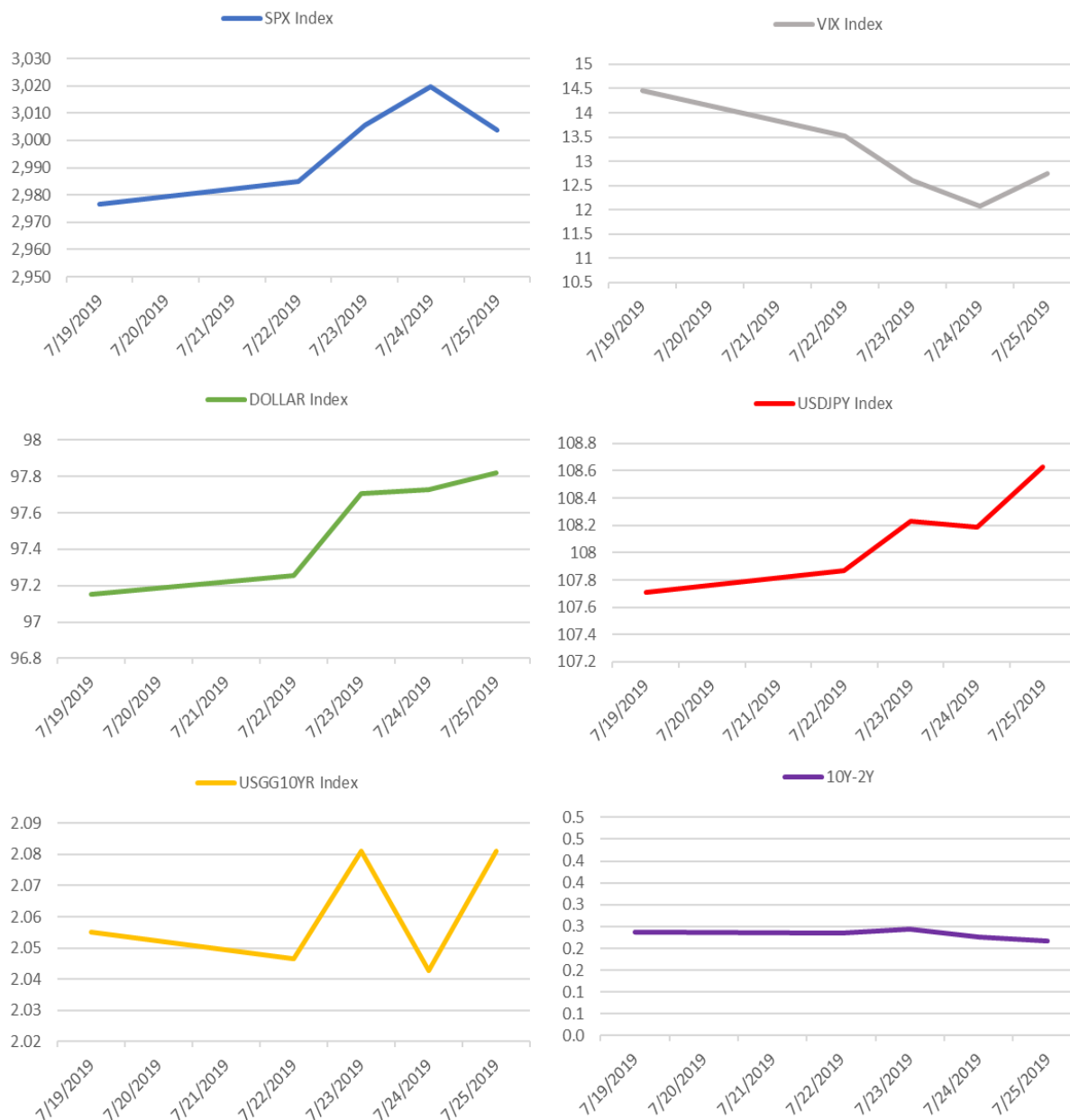


US Market Weekly Overview (07/26/19)



*** 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:

- 07/23: Markets traded risk-on in trade-war optimism as US and Chinese negotiators resume face-to-face meetings.
- 07/24: Tech stocks led the Nasdaq into record high territory despite the threat of antitrust investigation by the Trump Administration against some of the big tech name. Bonds rallied on the day in the US and Europe as lackluster Eurozone manufacturing PMI data from the two largest European economies (France 50.0 near contraction and Germany 43.1, the lowest since at least 2016) drove bond bulls back into the market.
- 07/25: Despite the small net rate change, bonds had a wild day as 10yr Treasury yield traded in a 9bp range. The catalysts for this intraday volatility were the healthier-than-expected Durable Goods Data in the US (June Durable Ex-Transportation +1.2% vs +0.2% expected) and of course the ECB policy rate decision (or lack thereof). Despite the addition of the words "or lower" in the ECB policy statement ("rates will remain at their present or lower at least through the first half of 2020..") and ECB President Draghi's attempt to sound dovish ("on the inflation front we don't like what we see"), the lack of actual concrete monetary action at this ECB meeting disappointed bond fans and resulted in a rapid reversal of this morning's 4bp drop in rates. Next up on the global hot seat is Fed Chairman Powell after the July FOMC meeting next Wednesday. While a 25bp Fed rate cut is fully baked in, the text of the statement and the post-meeting press conference will be closely scrutinized.
- 07/26: A note on the timing of the execution call on 1 Aug. The first day of the month is usually a busy day in the US in terms of economic data releases which could create volatility in both the US and EUR rate markets. Economic data will be released on 1 Aug at 8:30am, 9:45am and 10am EST. While we do not expect significant volatility spilling over into EUR rate market from the 8:30am data, it may be prudent to push the start time for the execution call from 8:30am to 8:45am to give the market time to equilibrate. This would ensure minimal volatility and still allow plenty of time for the execution to be completed well before the 9:45am economic releases.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
23-Jul	Trade War easy	1	1	-1	1	0	-1
24-Jul	Euro PMI < EXP	-1	-1	1	0	1	0
25-Jul	ECB no rate-cut	-1	1	0	0	-1	0
Expected		-1	1	0	1	0	-1
Actual		1	1	-1	-1	1	-1

- This week starts to getting busy for economic data released. Our basic expectation for the equity market goes far way off since market relies more on the company earnings and the trade war easy contributes a lot more positive effects.
- To the most significant movements, the JPY depreciated against USD a lot and now turns into a bear market which release market nervous. Combined a strong USD and relative stable yield spread, equity market probably will keep its long trend for now.