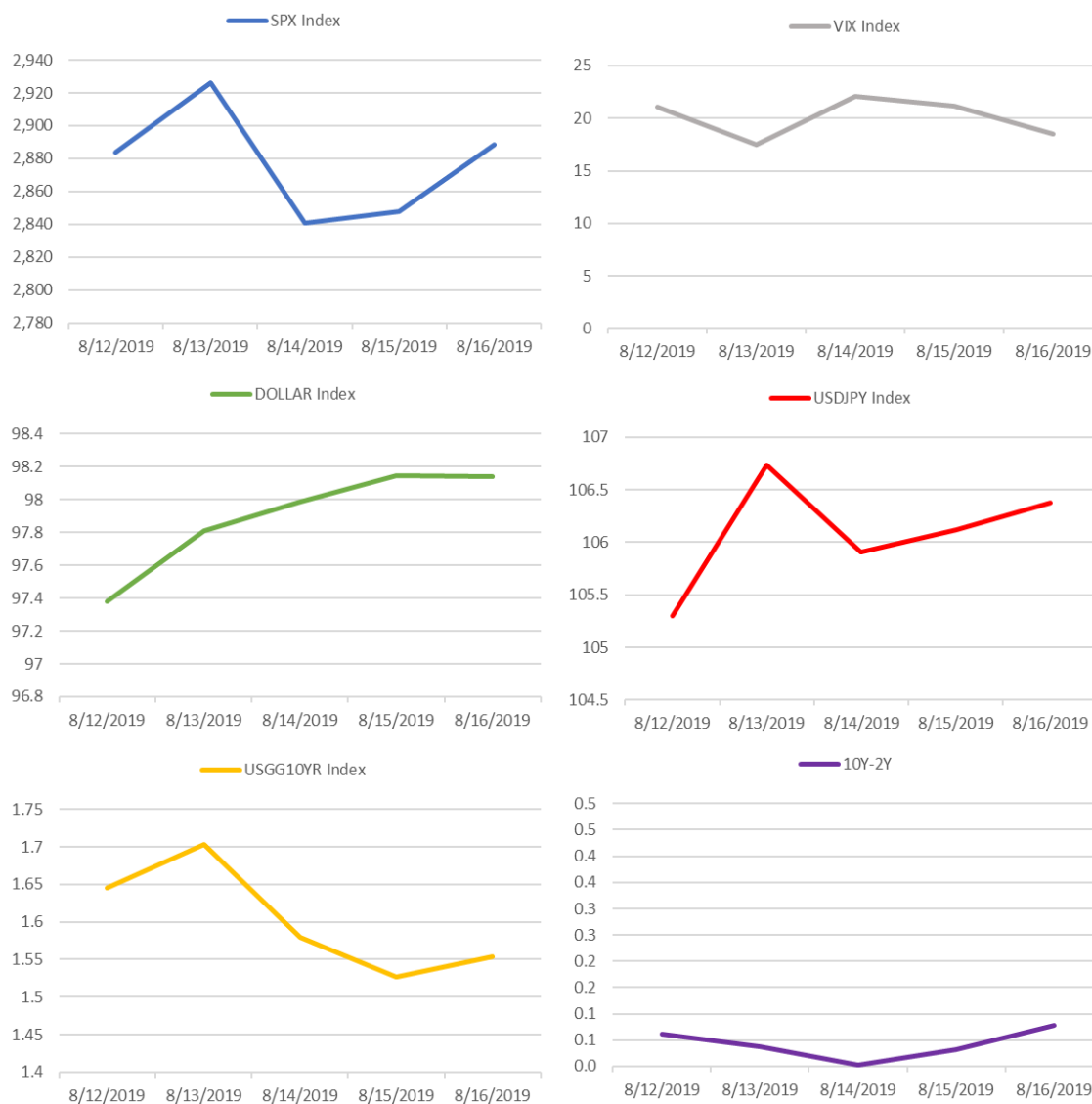


US Market Weekly Overview (08/16/19)



*** 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:

- 08/14: The yield curve continued its incredible flattening move as the 30yr Treasury yield has set an all-time low record. The massive curve inversion reflects the market at war with a Fed perceived as reluctant to cut rates to reflect near-term risk. 30yr Treasury yield has dropped 142bps since just last November. Seemingly only a Fed intermeeting cut may paradoxically help to halt the recent decline in longer-term rates.
- 08/15: Today it was a bull-steepener as the long end finally trailed the rest of the yield curve after leading rates lower this month. The day's economic data releases reflected a fairly strong and resilient US economy - Philly Fed was better than expected and July retail sales ex-Auto and Gas was a strong +0.9% (+0.5% expected). Capacity Utilization in July did fall to 77.5%, the lowest level since October 2017. Despite the fairly rosy data, 30yr Treasury yield nevertheless dropped below 2% for the first time in history.
- 08/16: The big news in the market today was the report by Der Spiegel that Merkel's government is prepared to initiate fiscal stimulus and run a budget deficit if Germany were to enter a recession. It is a reflection of the overbought state of the Treasury market that the long bond sold off 3bps immediately. The 2s-30s swap curve ended the day 3bps steeper.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
14-Aug	30yr drops 142bps since last Nov.	-1	-1	1	-1	-1	1
15-Aug	Economic data good	1	1	0	1	1	-1
16-Aug	Germany stimulate prepare	0	-1	0	0	1	1
Expected		0	-1	1	0	1	1
Actual		0	-1	0	1	1	-1

- The biggest news for this week is a potential Germany recession and protect stimulate, equity market bouncing back and forth ends up flat for this week, but rates market indeed dropped a lot, the spread of 10Y-2Y also get a little bit wider combined with a drop in JPY currency means market getting calm down from stressed.
- Dollar index still strong and getting more stronger this week, which kind of give a short term support of equity index, but the market sentiment indeed calm down a lot compared to last week.