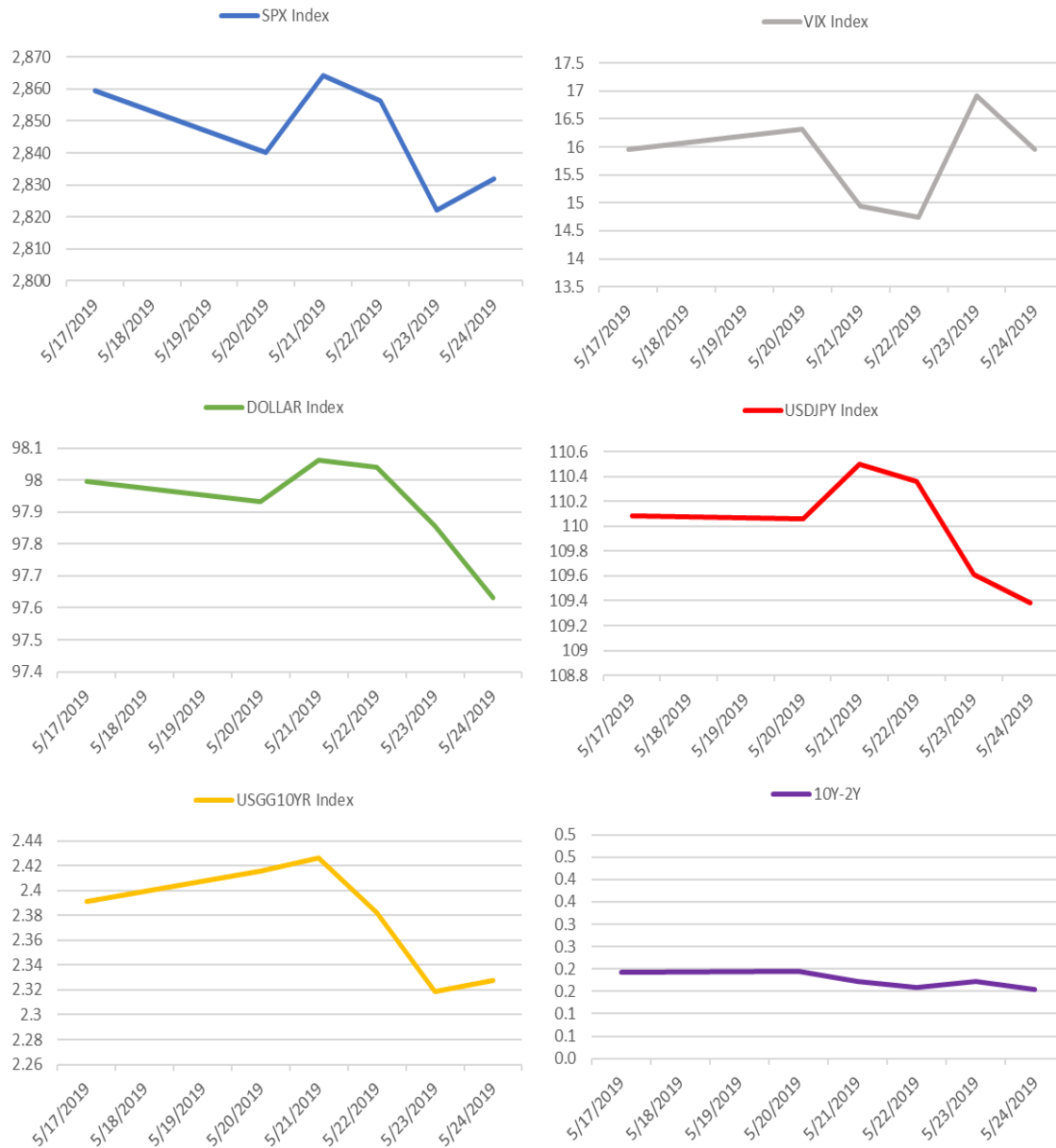


US Market Weekly Overview



*** Index selection details:

- **SPX index:** S&P 500 index stands for overall market performance
- **Dollar index:** The overall index value of US dollar currency
- **USGGxYR:** 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:

- 05/20: The US-China trade war continues to worsen as US companies announced they were cutting off supplies to Huawei. Other than the tech sector, most markets seem to be taking the expansion of the trade war rather well. The bond market continued to rebound from the lowest yield levels since last December. Likewise EM currencies had a modest plus day (MXN +0.5%, TRY +0.2%).
- 05/21: Market tone improved considerably today after the US granted temporary relief to companies dealing with Huawei. But the problem is far from over as the fundamental issues in the trade war remain largely unresolved and positions harden on both sides.
- 05/22: Equities dropped modestly on continued worries about the trade war and bonds were better bid from flight-to-quality flows as well as the relatively dovish FOMC minutes in which the Federal Reserve pledged patience even if the US economy should continue to strengthen.
- 05/23: The equity market attempted multiple comebacks from the opening bell but a rebound never materialized. US-China trade war fears were compounded by weak PMIs in the US and Eurozone. By the end of the day, Fed Funds futures reflect 1.3 Fed rate cuts (25bps each) by the end of 2019. The market appears headed for a showdown with the Fed which refuses to acknowledge even a single rate cut is its 2019 base-case scenario.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
20-May	US-CH T-War*3	-1	-1	1	-1	1	1
21-May	US relief cmp of Huiwei	1	1	-1	0	0	0
23-May	US EUR Weak PMI, Fed not cutting Rate	-1	-1	0	1	-1	1
Expected		-1	-1	0	0	0	1
Actual		-1	-1	0	0	-1	1

- Our expectation on USD is higher than actual, because clearly market is pricing more negative affect on US weak PMI data. So, market sees it is even a stronger driver than trade war on US PMI index.
- Our other expectations are quiet similar to actual changes in the market. Weak PMI and trader war continuous caused the equity market downs a lot combined with rally in bond market (yields down). To a relatively longer perspective, spread between 10Y and 2Y is stable which means in longer term market is still healthy.