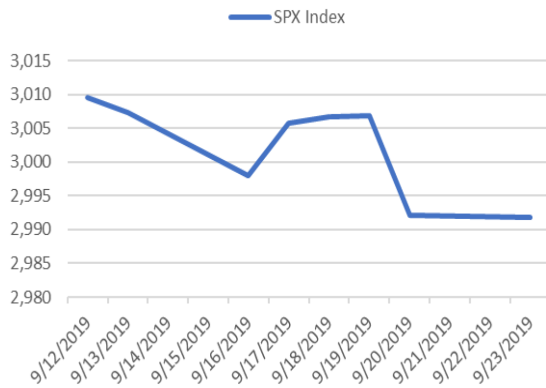
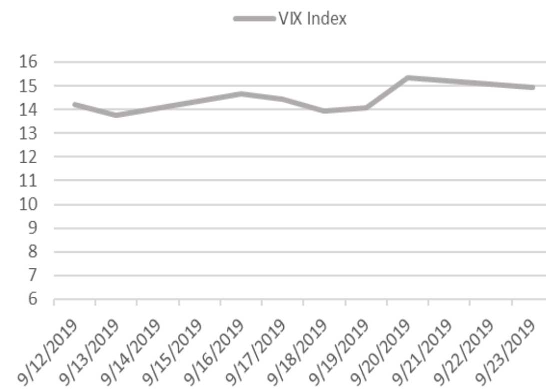
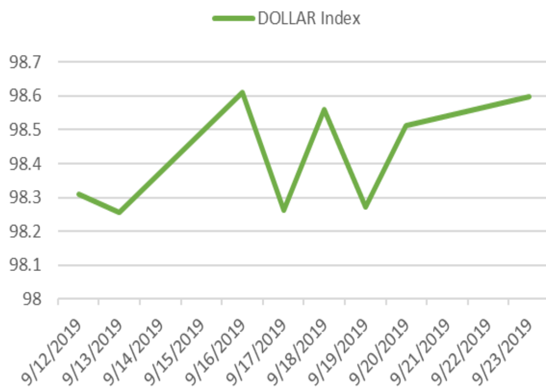
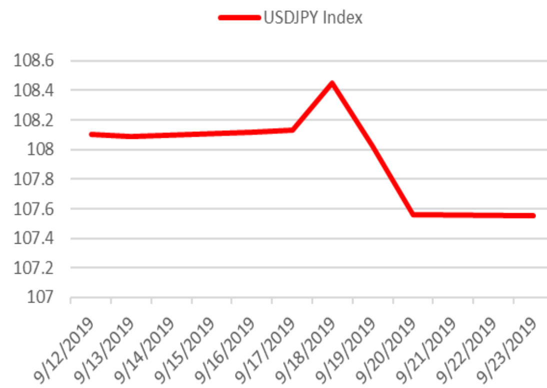
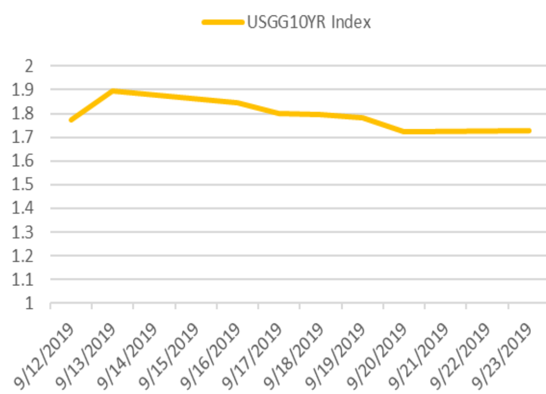
US Market Weekly Overview (09/20/19)

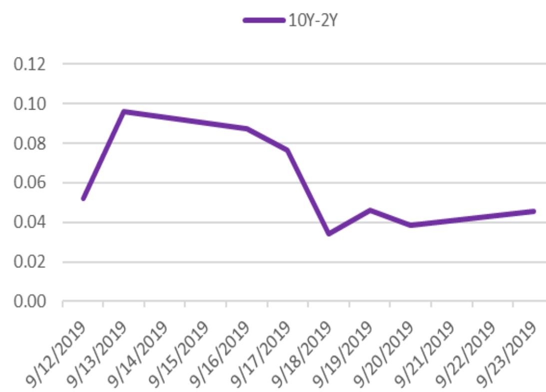












*** Index selection details:

- 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:

- 09/17: US manufacturing activity for August came in stronger than expected (Industrial Production +0.6% vs +0.2% expected, up from -0.1% prior month; Capacity Utilization 77.9% vs 77.6% expected, up from 77.5% prior month). But the market focus (at least for bonds) is the ramifications of the attack on the Saudi oil facility. Equities seem to have shrugged it off as US equity markets are mostly positive on the day, but bond investors maintained their Cassandra-like views.
- 09/18: The Fed cut rates 25bps today as the market expected but there seems to be a clear split among the FOMC members. The dot plot of participant rate expectation showed that only 7 out of 17 officials expected another cut in 2019, the remaining 10 expected no cut or even a hike in 2019. The market flattened on that disappointment, with long end rates dropping 5bps while short end rates were unchanged on the day.
- 09/19: Economic data released today showed that US economic activity remains robust as 1) September Philly Fed Business survey (12.0 vs 10.5 expected) was good, 2) weekly initial jobless claims (208k vs 213k expected) and continuing claims (1661k vs 1672k expected) were both healthy, and 3) August existing home sales increased 1.3% MoM (vs -0.7% expected). The bond market may soon have to give up the ghost of a recession and admit that the Fed's fairly rosy assessment of the US economy might actually be correct.
- 09/20: The Federal Reserve took note of the well-publicized problems in the Treasury repo market this week and announced today it would be providing overnight repo (at least $75Bn each day) and three 14-day term repos (at least $30Bn each) to the market for the rest of the month. This is a welcome move by the Fed to provide the Treasury market with ample liquidity into a potentially difficult end-of-3rd-quarter.

Perspectives vs Actual:

Date	Driver	Equity	Rates	Vol	Curve Shape (10Y-2Y)	USD Basket	JPY
17-Sep	Manufacturing good	1	1	-1	1	1	-1
18-Sep	Fed rate cut	1	-1	0	-1	-1	0
19-Sep	Good side economic data	1	1	0	1	1	0
20-Sep	Fed issue repo providing	1	-1	0	-1	0	0
Expected		**1**	**0**	**-1**	**0**	**1**	**-1**
Actual		**-1**	**-1**	**1**	**-1**	**1**	**1**

- As shown in the summary, despite an overall healthy looking on US economic data, equity market continued to drop for the whole week. Mainly because those data only gives a small effect on equity market and the sentiment is driven by the expectation on future economic condition. Also, the spread between 10Y and 2Y continued to drop which reversed it bouncing back last week. This is a really negative signal for market sentiment.
- Also, taking a look at JPY currency, it is appreciated against USD for last week which indicates a nervous market sentiment. We should be more patient for US economic recovery and currently market response disagrees with Fed latest assessment.