

Macroeconomic Overview

U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+2.07%	+0.79%
Dow Jones Industrial	+2.5%	-0.99%
NASDAQ Composite	+2.97%	+6.25%
Russell 2000	+0.32%	-3.21%
VIX	-7.54%	-24.69%

U.S. equities finished the week higher, and the S&P 500 finally climbed back into positive year-to-date territory after a 2.07% weekly gain through Friday. Trading action was divided not unlike last week, with minor losses through Wednesday erased by an end-of-week rally fuelled by strong earnings, central bank announcements, and positive U.S economic data. The NASDAQ Composite was once again the biggest winner of the week, gaining 2.97% thanks in part to strong earnings from Amazon (AMZN), Google holding company Alphabet (GOOGL), and Microsoft (MSFT) among others. The DJIA closed the week 2.5% higher at 17,646.7, but remains 0.99% away from



S&P 500, DJIA, NASDAQ, Russell 2000 5-day chart

year-to-date breakeven. Small cap stocks clearly underperformed the market last week as measured by the Russell 2000 Index, which only gained 0.32% and remains the biggest year-to-date laggard among the main benchmarks we track with a loss of -3.21%. The VIX Index of volatility recorded another consecutive week of decline, falling -7.54% to 14.46, a decrease of -47.67% since September 29. Gold finished almost unchanged, down -0.36% to \$1,164.45 an ounce,

and silver lost -1.4% to close at \$15.82/oz. Crude oil recorded a second week of decline, with WTI and Brent losing -5.63% and -4.89% respectively after Iran's oil minister announced he was ready to increase his country's output by up to 500,000 barrels a day in the coming months. The past week was also marked by several positive economic releases, with the housing market index coming in at 64 on Monday, beating the consensus by 2 points. On Tuesday, September housing starts came in at 1.206 million, largely beating the 1.147 million consensus. Housing permits decreased in September compared to August, with 1.103 million permits issued, below the analyst consensus calling for 1.17 million. The most important piece of news came from central banks last week, with announcements from both the European Central Bank (ECB) and the People's Bank of China (PBOC). On Thursday, the ECB's Mario Draghi announced that he was committed to implement more stimulus and further cut the deposit rate, which is already at -0.20%. The next day, the PBOC announced another 25 bps cut in the 1-year loan and deposit rate to 4.35% and 1.5% respectively, as well as a reduction in the banks' reserve requirements of 50 to 100 bps depending on the type of institution. Next week's economic calendar is charged with several major events: September new home sales will be released on Monday, and on Tuesday the FOMC will start their meeting, which will be followed by the announcement on Wednesday at 2:00 PM. Preliminary GDP figures for the third quarter will be released on Thursday, with U.S growth expected to slow down from 3.9% to 1.7%, and we can expect that the reading will have a strong impact on the markets.

International Markets

International equity markets led last week's rally, with many European markets recording larger gains than their U.S counterparts. The German DAX Index gained 6.83%, while France's CAC 40 and Britain's FTSE 100 increased 4.7% and 1.04% respectively. The Bloomberg European 500 and Stoxx Europe 600 indices recorded gains of 3.63% and 3.92% respectively, while the MSCI Emerging Markets Index only appreciated 0.38%. Emerging markets performance was dragged down by China's announcement that it was now expecting more reasonable growth of 6 to 7 percent, after dipping below 7% for the first time in more than a decade. As a consequence, Chinese equity markets only recorded minor gains last week, with the Shanghai Composite and Shenzhen Composite posting gains of 2.53% and 0.62% respectively. Several major economic releases are expected abroad next week, with British Q3 GDP due on Tuesday at 9:30, and the release of the European commission's economic growth forecast on Thursday. On Friday, the Bank of Japan will hold its press conference and announce its decisions on monetary easing and interest rates, and Eurostat will release Eurozone CPI figures for October as well as September unemployment figures.