

# Macroeconomic Overview

## U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+0.52%	+2.33%
Dow Jones Industrial	+0.59%	+3.32%
NASDAQ Composite	-0.65%	-2.02%
Russell 2000	+1.39%	+0.95%
VIX	-2.94%	-27.40%

U.S equity benchmarks maintained last week's upward trend. There were not a lot of economic data reports this week. On Monday, building permits report was lower than expected at a level of 1.086 million (consensus at 1.170M). However, on Tuesday, existing home sales increase to 5.33M, slightly above expectations of 5.30M. The U.S job market keeps strengthening with initial jobless claims reported at a level that has not be seen since 1973 with 247,000 claims for a consensus at 263,000. The Russell 2000 reacted to the releases by a weekly gain of 1.39%, and entered into positive territory on a year to date basis with an increase of 0.95%. This week was also the beginning of the earnings season, which was mostly disappointing for tech companies. Netflix, Microsoft and Alphabet reported earnings below consensus and erased \$68

billion from their market capitalization. Therefore, the NASDAQ Composite, which is the tech savvy index, reported one of its worst week since February with a weekly drop of 0.65%, and it remains in negative territory year to date (-2.02%). In the same time, the S&P 500 companies beat earnings consensus by 4.0% on average. The S&P 500 responded to these earnings



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

by reaching its highest 2016 level at 2,110 points, and then decreased at 2,091.58 points for a weekly gain of 0.52%. In the meantime, the Dow Jones Industrial index ended the week with a year to date and weekly increase of 3.32% and 0.59% respectively. Regarding the energy market, investors were looking at the results of the OPEC and Non OPEC meeting of Doha. Iran, after launching its first oil shipments in three years in February, canceled its participation at the meeting. Saudi Arabia, which has experienced a gap in its budget because of the drop in prices, refused to freeze oil production at the current level without Iran participation. The West Texas Intermediate oil futures for delivery in June went from \$41.65/barrel on Sunday to \$38/barrel on Monday morning. It finished the week at \$42.74/barrel for a weekly gain of 2.99% after IEA predicted that 2016 would see the biggest non-OPEC drop in oil production in 25 years. Gold stayed flat this week with a modest 0.04% increase at \$1233.03/ounce. On the contrary, silver increased by 4.59% and finished the week at \$16.96/ounce after massive buying in Shanghai. Silver is now at a return of 21% year to date. In the corporate news, European Union regulators alleged that Google is abusing its dominant position with Android and that it only promotes its own shopping service. The company could have to pay up to 10% of its global revenues. Moreover, Verizon and a private consortium, called TPG, are the last companies involved in the bids to acquire Yahoo. Next week, the U.S will release its new home sales, pending home sales, GDP, Conference Board Consumer Confidence reports.

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## International Markets

Index	Weekly % Change	YTD % Change
BE 500	+1.45%	-5.12%
Stoxx Europe 600	+1.65%	-4.74%
DAX	+3.20%	-3.44%
FTSE 100	-0.53%	+1.09%
CAC 40	+1.66%	-1.45%
Nikkei 225	+4.30%	-7.68%
Shanghai Composite	-3.86%	-16.39%
Shenzhen Composite	-5.61%	-19.12%

International equity markets kept up with last week bullish trend, except for the FTSE 100 and the Chinese indexes. On Monday, the Stoxx Europe 600 reached early January levels at 350.75 points. Despite the fact that the European Central Bank kept its deposit, lending and repo rates unchanged, the German DAX and the French CAC 40 gained

3.20% and 1.66% respectively. Indeed, on Friday, German manufacturing PMI came up at 51.9, beating the consensus by 0.9, while the French services PMI was at 50.8 compared with the 50.2 expected by the market. Only the FTSE 100 fell by 0.53% last week. Retail sales (MoM) were way below expectations at -1.3% against a consensus of -0.1%, and Claimant Count Change, which measures the change in the number of unemployed people, was also higher than expected at 6700 counts for a consensus of -11,300.

In Asia, the Nikkei 225 was traded at its highest level in two months, following a second week of a new bullish trend. Investors seem to expect further actions regarding monetary easing. The Japanese Central Bank will hold a meeting at the end of next week to discuss its policies.

Meanwhile in China, the Shanghai Composite and the Shenzhen Composite ended the week with a drop of 3.86% and 5.61% respectively amid new concerns about the credit growth and many defaults of Chinese companies. George Soros warned that "China resembles US in 2008." Next week, the U.K will release its GDP for the first quarter, Germany its unemployment rate, the Eurozone its GDP.