

Macroeconomic Overview

U.S. Markets

The past trading week was characterized by two distinct parts, with the major indices logging minor losses until Thursday morning, followed by a fierce end-of-week rally that pushed equities 2% higher on average. The biggest gains were recorded by the NASDAQ Composite, which gained 1.14% over the week to settle at \$4,886.89 and remains the only major equity index in positive year-to-date territory. The S&P 500 finished the

Index	Weekly % Change	YTD % Change
S&P 500	+0.9%	-1.25%
Dow Jones Industrial	+0.78%	-3.41%
NASDAQ Composite	+1.14%	+3.18%
Russell 2000	-0.27%	-3.52%
VIX	-11.89%	-21.61%

week 0.9% higher at \$2,033.11, after closing under the key 2,000 level on Wednesday. The DJIA posted a minor gain of 0.78% and the Russell 2000 Index of small cap stocks was the biggest laggard with a loss of 0.27% over the past five days. The VIX Index of volatility recorded a third week of consecutive declines, losing 11.89% last week and 36.28% over three weeks. Gold settled 1.8% higher at \$1,177.30 an ounce, while silver gained 1.3% to close at \$16.05 an ounce. Crude oil gave back most of its gains from the previous weeks, with the barrel of WTI finishing the



week 4.78% lower at \$47.26, after briefly crossing the \$50 threshold on Monday. The trading week was marked by several subpar economic releases, with disappointed retail sales dragged down by low gas prices released on Wednesday. September CPI data was released on Thursday and was once again dragged down by low energy prices, with a decrease of -0.2% over the previous month but an increase of 0.2% when excluding food and energy prices, meeting analyst consensus.

Industrial production also fell for a second consecutive month in September, with a decrease of -0.2% which still beat the consensus calling for a -0.3% decline. Thursday's positive note was the weekly jobless claims report, which established a new historical low with new claims down 7,000 to 255,000, widely beating the consensus by 15,000. On Friday, the preliminary Consumer Sentiment Index was released for the month of October and showed a large increase from 87.2 to 92.1, beating the consensus of 89.5. In corporate news, Dell and AB Inbev (BUD) announced two major mergers last week for a total of \$171 billion. The former will acquire data-storage firm EMC for \$67 billion or a 28% premium, while the latter finally obtained approval from SABMiller for its third merger offer, worth \$104 billion or £43.50 per share. The price represents a 44% premium over SABMiller's market value before news of an offer first surfaced. The week was also characterized by a flurry of earnings, notably from America's largest employer Wal-Mart (WMT), which issued a worrying guidance for its FY2017 EPs guidance and caused the forecasts for the entire industry to plummet. Many financial companies reported earnings last week, with Wells Fargo (WFC), Bank of America (BAC) and JPMorgan (JPM) all beating earnings estimates. Shares of Netflix (NFLX) lost 8.29% after the company announced weaker than expected subscriber growth guidance. Several economic reports are due next week, with the October Housing Market Index on Monday, September Housing Starts on Tuesday and September Existing Home Sales on Thursday, which are expected to confirm the strength of the U.S. housing market.

International Markets

International equity markets followed the same pattern as their American counterparts last week, with an early-week selloff that turned into a rally on Thursday. However, European equities recorded smaller increases, with the Bloomberg European 500 and Stoxx Europe 600 indices recording gains of 0.18% and 0.09% respectively, while the MSCI Emerging Markets Index gained 1.29%. The lack of strength in international markets might be due to several negative figures that were released during the week, such as weaker than expected Chinese imports and CPI data, slowing European inflation and industrial production, and a sharp decline in the German ZEW Index of Consumer Sentiment attributable mainly to the Volkswagen (VLKAY) emissions fallout. The markets are also preparing themselves for the Monday release of Chinese GDP growth, retail sales and industrial production reports, all expected to confirm the trend of slowing growth in China. Chinese equity markets experienced another week of turbocharged gains, with the Shanghai Composite and Shenzhen Composite gaining 6.54% and 8.57% respectively.