

# Macroeconomic Overview

## U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+0.05%	+1.59%
Dow Jones Industrial	+0.28%	+0.14%
NASDAQ Composite	+0.29%	+8.58%
Russell 2000	-1.55%	-1.77%
VIX	-2.05%	-22.86%

The past trading week was characterized by strong volatility, as markets plunged on Wednesday and Thursday, then rallied strongly on Friday to finish close to breakeven. The S&P 500 finished the week just 0.05% higher, after losing more than

2.5% on Wednesday and Thursday alone, and the DJIA climbed back into positive year-to-date territory after a modest 0.28% gain. The NASDAQ Composite didn't perform much better, gaining 14.7 points or 0.29%, while small caps, which had outperformed large caps in the previous week, were hit the hardest as the Russell 2000 lost 1.55% through Friday. The week was off to a good start on Monday and Tuesday, despite sluggish



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

economic data such as the Chicago PMI and ISM manufacturing index which both came in much lower than expected. On Wednesday, a sharp decline in the price of oil sent energy stocks tumbling, which triggered a broader selloff. The selling pressure intensified on Thursday, when the ECB announced it was cutting its deposit rate an additional 10 bps, as well as extending the duration of its bond-buying program. The

measures were seen by investors as not sufficient, and sent the Euro soaring to its biggest one-day gain ever. On Friday, the trend reversed immediately, as investor confidence was boosted by a strong jobs report which showed that unemployment remained steady at 5%, while nonfarm payrolls increased by 211,000 in November. Friday's rally brought a decrease in volatility, as measured by the VIX which lost 2.05% last week despite jumping more than 23% between Tuesday and Wednesday. The increased uncertainty in the markets might have contributed to the late rally in gold, which finally regained ground after hitting historical lows last week. The precious metal finished the week 2.74% higher, after spiking more than 3% on Friday. Silver followed a very similar pattern rising 3.25% to a two-week high of \$14.55/oz. Crude oil finished the week sharply lower again, after OPEC announced it would not cut production. Brent crude lost 4.15% to \$43 a barrel, while WTI lost 4.17% and now trades under \$40 a barrel. In corporate news, 2015 is now the biggest year ever for mergers and acquisitions, as the value of announced deals surpassed \$4.3 trillion. The year also marks a record number of deals over \$10 billion (58 so far) and over \$50 billion (9 so far), as cheap debt and slowing growth force companies to seek inorganic growth. The economic calendar for next week is fairly light, with the Department of Labor's JOLTS report due on Tuesday, jobless claims on Thursday, and retail sales and business inventories on Friday. Those reports will be critical not only for the Federal Reserve but also for investors who are now expecting an interest rate hike on December 16<sup>th</sup>.

---

## International Markets

Index	Weekly % Change	YTD % Change
BE 500	-3.32%	+7.2%
Stoxx Europe 600	-3.41%	+8.19%
DAX	-4.8%	+9.65%
FTSE 100	-2.15%	-4.99%
CAC 40	-4.37%	+10.35%
Nikkei 225	-1.91%	+11.77%
Shanghai Composite	+2.58%	+8.98%
Shenzhen Composite	+2.25%	+57.81%

International equity markets had a much worse week, especially European markets which reflected investors' disappointment in Mario Draghi's announcements. France and Germany were hit the hardest by the selloff, with the CAC 40 and DAX losing 4.37% and 4.8% respectively. The Bloomberg European 500 and Stoxx Europe 600 fell 3.32% and 3.41% respectively, while the U.K's FTSE 100 finished 2.15% lower. Unemployment in the Eurozone fell to 10.7% in October, its lowest level since January 2012. In Asia, Japanese stocks followed the same pattern as European equities, and the Nikkei 225 finished the week 1.91% lower after briefly crossing the 20,000 threshold. China crossed a milestone last week, as the IMF finally approved the country's request to include the Yuan in the SDR currency basket. The decision will take effect on October 1<sup>st</sup>, 2016, and shows that the IMF considers the Chinese currency reliable enough. Chinese equity markets welcomed this long-awaited approval, with the Shanghai and Shenzhen Composite indices posting gains of 2.58% and 2.25% respectively.

International equity markets had a much worse week, especially European markets which reflected investors' disappointment in Mario Draghi's announcements. France and Germany were hit the hardest by the selloff, with the CAC 40 and DAX losing 4.37% and 4.8% respectively. The Bloomberg European 500 and