

Macroeconomic Overview

U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	-3.79%	-2.26%
Dow Jones Industrial	-3.26%	-3.13%
NASDAQ Composite	-4.06%	+4.17%
Russell 2000	-5.05%	-6.73%
VIX	+64.69%	+27.03%

Last week was very tough on stocks, as further declines in the price of oil sent energy stocks tumbling, triggering a broader selloff in the market and a massive spike in volatility. U.S. stocks had their worst week since late August, and both the S&P 500 and Dow

Jones Industrial Average turned negative for the year after logging losses of 3.79% and 3.26% respectively. Small caps, being naturally more volatile, got hit even harder, causing the Russell 2000 to plunge 2.21% on Friday alone, bringing its loss for the week to -5.05%. The NASDAQ was not spared by the selloff, and despite losing 4.06% last week the index is the only U.S. benchmark that is still positive year-to-date. The selling



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

pressure was continuous during the week, and immediately started on Monday when crude oil fell to levels not seen since the financial crisis. The commodity logged its worst week in a year, with the price of a barrel dropping more than 10% over the course of five days. The price of WTI crude, the U.S. benchmark, fell 10.88% to settle at \$35.62 while the international standard Brent fell 11.79% to close below \$38. The selling pressure in equity markets caused a spike in volatility, as

measured by the VIX which skyrocketed 64.69%, including a 26.115 jump on Friday. Despite the selloff in equities, the price of gold barely budged last week, and the precious metal lost 1.07% through Friday. Like most commodities, silver also finished the week sharply lower, and closed below \$14 for the third time in three weeks after losing 4.33% last week. The stock market slowdown does not seem to be enough to put a dent in M&A activity, which hit a record last week after the value of proposed deals surpassed \$4.3 trillion. Last week's biggest announcement came from Dow Chemical (DOW), which announced its plans to acquire its competitor DuPont (DD) for \$65.59 billion, and to split-up the resulting entity into three separate publicly-traded companies. According to the companies, the merger should generate north of \$3 billion in cost savings, and it will also bring satisfaction to activist investors who had been calling for a similar deal. Next week is supposed to leave its mark in history, with the FOMC meeting that should result in the first interest rate hike in the U.S. in over a decade due to start on Tuesday. The Committee will announce its conclusions on Wednesday at 2 PM, and investors expect the Fed Funds rate to rise to 0.375%. The weekly jobless claims report will be released on Thursday, and is expected to show a decline in new claims to 270,000, after last week's unexpected spike that led in the highest figure since July.

International Markets

Index	Weekly % Change	YTD % Change
BE 500	-3.96%	+2.96%
Stoxx Europe 600	-3.99%	+3.87%
DAX	-3.83%	+5.45%
FTSE 100	-4.58%	-9.34%
CAC 40	-3.5%	+6.48%
Nikkei 225	-1.4%	+10.2%
Shanghai Composite	-2.56%	+6.18%
Shenzhen Composite	-1.67%	+55.16%

International equity markets were equally hit by the slump in oil prices, which also triggered a broad selloff in Europe and Asia. France's CAC 40 lost 3.5% after the Bank of France cut fourth quarter GDP forecasts citing a decrease in tourism after the Paris attacks. Germany's DAX posted a 3.83% decrease, while the FTSE

100 fell 4.58%, dragged down by weak retail sales data for November. The broader Stoxx Europe 600 and Bloomberg European 500 fell 3.99% and 3.96% respectively, and are now only up a few percentage points for the year. In Asia, Japanese stocks also finished the week lower, but the decline was less considerable. The Nikkei 225 lost 263 points or 1.4%, as a rally on Friday helped offset originally bigger losses. China was in the news again last week, after it let its currency devalue to a four-year low on Tuesday. However, Chinese equity markets were still hit by the global selloff, and the Shanghai and Shenzhen Composite indices lost 2.56% and 1.67% respectively.