Macroeconomic Overview

U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+0.96%	+1.96%
Dow Jones Industrial	+1.39%	+0.49%
NASDAQ Composite	+1.85%	+8.68%
Russell 2000	+3.22%	-0.41%
VIX	-4.91%	-25.36%

U.S equities recorded another strong week, as the S&P 500 posted a sixth consecutive weekly gain, setting a record for the year. The index gained 0.96% through Friday, as investors start to accept the reality of a December interest rate hike. Small-

cap stocks clearly outperformed their larger counterparts last week, with the Russell 2000 gaining 3.22% to close just shy of the 2,000 mark last crossed on August 19. The small cap benchmark's year-to-date performance remains negative, whereas the DJIA finally climbed back into positive year-to-date territory, finishing the week at 17,910.33 after gaining 1.39%. The tech-heavy NASDAQ Composite had another strong week, advancing 1.85% to close at 5,147.12. U.S stocks were pushed higher by generally bullish



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

economic data, with vehicle sales setting another record at 18.2 million units and, more importantly, a very strong employment situation report on Friday. Nonfarm payrolls increased a massive 271K, widely surpassing the 190K consensus, and the unemployment rate fell another 10 bps to 5.0%, reaching a 7.5-year low. Another very positive sign is that wages are finally starting to grow, with October average hourly earnings up

0.4% against September, double the consensus that called for a 0.2% increase. These positive data reports coupled with the increased probability of a rate hike in December caused volatility to decrease, as measured by the VIX which lost -4.91% last week. The strong jobs report also sent gold tumbling to a 2-month low of \$1,089.90 an ounce, losing -4.58% over the week as demand for safe haven assets decreased. Silver followed gold sharply lower, losing -4.95% to close at \$14.78/ounce, while crude oil prices were hit by the strong EIA report on Thursday. Crude oil inventories rose 2.85 million barrels last week, and production increased by 48K daily barrels, which sent Brent and WTI down sharply to finish the week at \$47.42 and 44.20 a barrel, down -4.32% and -4.94% respectively. In corporate news, earnings have continued to roll in last week, with over 100 reports from S&P 500 companies last week including Walt Disney (DIS), Ralph Lauren (RL) and Time Warner (TWX). More mergers were announced last week, with British healthcare firm AstraZeneca (AZN) offering to acquire ZS Pharma (ZSPH) for \$2.7 billion in cash, or a 42% premium over Thursday's closing price. In the technology industry, video-games maker Activision Blizzard (ATVI) announced on Tuesday that it was acquiring Candy Crush editor King Digital Entertainment (KING) for \$5.7 billion in cash. M&A activity has been spectacular this year, with \$4.8 trillion worth of deals announced since the start of the year, as companies use their record cash piles to finance inorganic growth. Investors will not have much data to digest next week, apart from the usual weekly reports from the EIA and the Department of Labor, who will release petroleum inventories and the JOLTS report on Thursday. October retail sales will be released on Friday, and analysts expect a 0.3% increase over September, and a 0.4% increase when excluding auto sales.

International Markets

International equity markets underperformed their US peers, with most European and Asian benchmarks posting losses last week. The U.K's FTSE 100 Index finished the week -0.68% lower, as the Bank of England vowed to leave interest rates unchanged until next year, while France's CAC 40 lost -0.46%. The Bloomberg European 500 posted a 1.15% increase, helped by Zodiac Aerospace (ZC.FP) and airline Ryanair (RYA.ID), while the Stoxx Europe 600 gained 1.19%. In Asia, Japan's Nikkei 225 gained 2.37% to reach a level not seen since August 24. Chinese stocks had yet another strong week, with the Shanghai Composite and Shenzhen Composite gaining 6.13% and 6.83% respectively. Several economic reports are du next week, notably from China, who will release its industrial production report on Wednesday. The Eurozone will also release industrial production figures on Thursday, followed by the region's flash GDP data on Friday. The United Kingdom will also release unemployment figures for September, which is expected to remain steady at 5.4%. France and Germany will also release third quarter GDP figures on Friday morning.