Macroeconomic Overview

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| **U.S. Stocks** |  |  |
| **Index** | **% Change Week-to-Date** | **% Change Year-to-Date** |
| DJIA | 0.29% | 0.27% |
| S&P 500 | 0.29% | 0.92% |
| NASDAQ Composite | -0.0009% | 3.57% |
| Russell 2000 | 1.23% | 4.57% |
| VIX | -2.65% | -23.59% |

During this past shortened trading week, major U.S. indices did not experience significant volatility. Small-cap stocks generally outperformed large-cap benchmarks. In effect, the Dow Jones Industrial Average and the NASDAQ Composite remained relatively stable on a weekly basis with returns of 0.29% and -0.0009% respectively, while the S&P 500 gained 0.29% during the last week. Small cap stocks measured by the Russell 2000 index experienced the greatest returns, yielding 1.23% throughout the week. The VIX week-to-date change of -2.65% indicates that volatility levels decreased during the week, leading to a year-to-date change of -23.59%. The yield of the 10-year U.S. T-note decreased by 11 basis points to 1.84%. In addition, the price of oil decreased throughout the week by 0.43% to a price of $48.66/bbl.

This week’s market movements were primarily driven by negative U.S. manufacturing data, as well as the continuing pressure of the strong U.S. dollar on the market. Disappointing U.S. manufacturing data weighs on consumer sentiment. The Institute for Supply Management reported a decline in their purchasing manager’s index for the fifth consecutive month due to slower growth in factory activity, primarily in the manufacturing heavy Midwest region.

In comparison, the European manufacturing sector currently records strong gains outperforming economists’ expectations in the past months. In March, the Eurozone’s manufacturing PMI increased by 2.35%. The sector’s activity increased by its fastest rate in over 10 months. In addition, the UK manufacturing PMI increased by its fastest growth rate in over eight months. Their overall economy grew at a rate of 2.8% in 2014, 0.2% higher than expectations of 2.6%. The superior performance of European firms proves the current effect of the strong dollar on global markets. The strong dollar makes U.S. firms currently less competitive in global markets. This explains the present superior performance of small-cap stocks, since only one fifth of the Russell 2000 Index companies get their revenue shares from exports. In comparison, S&P 500 companies receive over one third of their revenues from overseas.

The Asian markets currently do not benefit from the strong dollar and their economies’ growth continues to slow down, especially in China. China’s manufacturing PMI, which is seen as the country’s economic growth driver, continues to slow down and only grew by 0.4% in March. Japan’s industrial sector experienced declines in February for the first time in over three months. Industrial production declined by 3.4% which was much higher than expected. The decline is primarily caused by weaker Japanese household spending which leads businesses to reduce capital investment, giving the economy currently no opportunity for growth.

Next week, investors will be looking forward to see data from different economic reports that will have an impact on the global markets. On Monday 6th, Canada will release data about their economy’s Purchasing Manager Index (PMI) (Mar). On the same day Australia reports on their economy’s retail sales change (MoM) (Mar). On Tuesday 7th, the Reserve Bank of Australia as well as the Reserve Bank of India will decide on their countries’ interest rate changes. On the same day the U.K. will report on their economy’s Services PMI (Mar). On Thursday 9th, the Bank of England will decide on their country’s interest rate changes. On the same day, China will report on their country’s Consumer Price Index (CPI) (YoY). On Friday 10th, the U.K. will report on the country’s manufacturing production (MoM) (Feb) and Canada will release data about the country’s employment change (Mar) as well as the country’s unemployment rate.