

# Macroeconomic Overview

## U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+1.81%	+1.41%
Dow Jones Industrial	+1.58%	+2.11%
NASDAQ Composite	+2.95%	-1.85%
Russell 2000	+3.53%	-1.60%
VIX	-11.13%	-28.06%

U.S. equities recorded another strong week, as the S&P 500 posted its biggest weekly gain in a month. The index gained only 0.63% through Friday but most of the gains followed the comment of the Federal Reserve

Chair on Monday. Janet Yellen dismissed near-term rate hike. The Federal Open market Committee members expressed their concerns about global financial and economic outlooks. Small-cap stocks clearly outperformed their larger counterparts last week, with the Russell 2000 gaining 3.53% to close just shy of the 1,118 mark last crossed on January. The small cap benchmark's year-to-date performance remains negative at -1.60%, whereas the DJIA extended its gains from previous week, climbing from 17,557.34 level on Monday to settle at 17,792.75 on Friday after gaining 1.58%. The tech-heavy NASDAQ Composite also had a strong

week, advancing 2.95% to close at 4,914.54. U.S. stock market gains were also pushed higher by generally bullish economic data, and the employment situation report on Friday. Indeed, the US labor market kept improving in March. Nonfarm payrolls increased by 215,000, surpassing the 205,000 consensus. The



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

unemployment rate increased by 10 bps from 4.9% in February to 5.0% in March. The markets still perceived these data as a positive signal because of the increase in the participation rate, which rose from 62.9% to 63%. Despite the strength of the labor market, most investors are pricing a single rate hike, in June, until the end of the year. On Monday, the Institute for Supply Management's manufacturing purchasing managers' index (ISM manufacturing Composite Index), which rose from 49.5 in February to 51.8 in March, showed the first expansion of the US manufacturing sector in six months. The new orders index, which rose from 51.5 in February to 58.3 in March, also sent a strong positive signal to investors. In addition, the average hourly earnings reported an expansion in wages with a 0.3% gain against a decrease of -0.1% in February, beating the market consensus by 10 bps. The Consumer Confidence index progressed at a level of 96.2 in March against a 94.0 revised level of February. Following these economic data and last week trend, volatility felt with the VIX index decreasing by 11.13%. Gold remained quiet stable with a loss of 0.85% at \$1222.25/ounce, while silver decreased by 2.49%, closing at \$15.05/ounce. Crude oil futures for delivery in May decreased sharply, by 7.17% at \$36.63 for WTI and by 2.08% at \$39.60, after the EIA announced last week that crude oil inventories rose by 2.3 million barrels and an increase in the US dollar. In corporate news, the Taiwan based manufacturer Foxconn concluded a \$3.5 billion deal to buy Sharp. In the meantime, Marriott International won the bid to acquire Starwood hotels & Resorts Worldwide Inc for \$13.6 billion after Anbang Insurance withdrew its offer of \$14 billion. Regarding next week economic news, the ISM Non-manufacturing PMI and the Markit Composite PMI and JOLTs report will be announced on Tuesday. As usual on Thursday, the EIA will report crude oil inventories level, and the market will also look forward to the Fed Chair's speech.

## **International Markets**

International equity markets underperformed their US peers, with most European and Asian benchmarks posting large losses last week. The U.K's FTSE 100 Index finished the week -0.86% lower, as the industrial production growth increased only by 0.2% YOY and the manufacturing PMI reached its lowest level since February, while France's CAC 40 lost -2.30%. The Bloomberg European 500 stayed quiet stable with a -0.68% loss, while the Stoxx Europe 600 lost 2.93%. In Asia, Japan's Nikkei 225 lost 4.93% to reach a level not seen since March 1. Chinese stocks followed last week rally trend, with the Shanghai Composite and Shenzhen Composite gaining 1.01% at 3,009.53 and 0.87% at 1,901.51 respectively. China will release its foreign exchange reserve data on Wednesday, and the accounts of the European Central Bank's March meeting will be released on Thursday. The U.K will also release industrial and manufacturing production figures on Thursday, followed by the region's flash GDP data on Friday. Finally, the Eurozone will release retail sales data on Tuesday.