

Macroeconomic Overview

U.S. Markets

Index	Weekly % Change	YTD % Change
S&P 500	+0.20%	+0.99%
Dow Jones Industrial	+0.10%	-0.90%
NASDAQ Composite	+0.43%	+6.71%
Russell 2000	+0.36%	-3.54%
VIX	+4.22%	-21.51%

December, which sent financial shares soaring. Equities were also strongly lifted up by energy stocks, which followed oil sharply higher last week, as well as healthcare. The NASDAQ Composite was again the biggest gainer of the week, gaining 0.43% at 5,053.75 thanks to healthcare and tech, closely followed by the Russell



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

2000's 0.36% increase. The S&P 500 only gained 4.21 points or 0.2% after hitting a two-month high of 2093, while the DJIA's 0.1% gain did not suffice to bring the index back in positive year-to-date territory. Equities' performance was dragged down by several disappointing economic reports, such as US GDP growth, which slowed down to 1.5% for the third quarter, consumer spending which was up just 0.1% in September, and an 11.5%

decrease in new home sales for September. These disappointing figures provided the basis for an increase in volatility as measured by the VIX, which snapped its four-week losing streak and gained 4.22% to close at 15.07. Gold and silver lost -1.92% and -1.72% respectively, while crude oil finished the week sharply higher after Wednesday's EIA report, with Brent and WTI gaining 3.27% and 4.46% respectively. In corporate news, mergers keep on being announced at a record pace, with Walgreens (WBA) offering to buy competitor Rite Aid (RAD) for \$9.4 billion plus debt, while Pfizer (PFE) and Allergan (AGN) are said to be in talks over a merger that would create a healthcare juggernaut with a market capitalization in excess of \$300 billion. The deal could face tough scrutiny from regulators as it would result in a tax inversion for Pfizer, which would adopt Allergan's Irish nationality and underlying tax advantages. A slew of earnings were released last week, with over a third of the S&P 500 reporting third quarter earnings. Apple (AAPL) had another blowout quarter, while profits at energy companies plummeted, with Chevron (CVX) and Exxon Mobil (XOM) both reporting double-digit drops in their quarterly earnings. Next week's economic calendar is going to be lighter, with the October PMI and ISM Manufacturing Indices due on Monday, which are both expected to decrease slightly over the previous month. On Tuesday, investors will await the figures for October vehicle sales, which are expected to slow down from the 10-year high reached in September. A sharp decrease in vehicle sales would imply lower household spending, which could be a decisive factor in the Federal Reserve's decision to lift interest rates in December. Employment situation for October will be released on Friday, with nonfarm payrolls expected to increase 48,000 to 190,000, and unemployment expected to come in 10 bps lower at 5%. If this report comes in well below estimates, it could also be a critical factor in the Federal Reserve's decision.

International Markets

International equity markets had a better week than their U.S equivalents, with France's CAC 40 and Germany's DAX posting the largest gains of 1.45% and 3.43% respectively, while the U.K's FTSE 100 was dragged down by a disappointing GDP report. Economic output in the U.K increased 0.5% in the third quarter, coming short of the 0.6% consensus. The Bloomberg European 500 posted a loss of -0.32% due in part to Deutsche Bank and Barclay's heavy losses, while the Stoxx Europe 600 lost half a percentage point. Japan's Nikkei 225 gained 1.47% helped by a growth in the country's industrial output, as well as the Bank of Japan's announcement that it was leaving its monetary easing program unchanged. Chinese equity markets capped a four-week winning streak, with the Shanghai Composite and Shenzhen Composite losing -0.88% and -0.09% respectively. Japan will release its composite PMI on Tuesday, while the European Union will do so on Wednesday.