

10 May 2019

Overview

Fed Senior Loan Officer Survey: *The survey highlighted weakening demand across several lending categories, including commercial and industrial (C&I) loans, commercial real estate (CRE) loans, residential real estate loans and credit cards. Lending standards were unchanged, while terms eased on C&I loans to large and middle-market firms. Banks tightened standards across CRE loan categories—construction and land development loans, nonfarm nonresidential loans, and multifamily loans.*

EZ Growth Outlook: *The European Commission cut its growth forecast for the euro area economy, citing slowing global trade, weakness in the manufacturing sector and ongoing Brexit uncertainty. The 2019 GDP growth forecast was lowered to 1.2% from 1.3% in February, reflecting downwardly revised projections for Germany (to .5% from 1.1%) and Italy (to .1% from .2%).*

China Credit Growth Slows: *Credit data shows aggregate financing growth slowed more than expected in April. New bank loans and money supply growth both declined from March levels, while shadow banking activity continued to decline. Policy should remain supportive on broad-based and targeted levels, while further trade friction with the U.S. and the imposition of additional tariffs could shift policy priority back to easing.*

Key Financial Indicators							As of:	5/8/2019
Rates	Yield	1 W Change	1M Change	3M Change	6M Change	Change	Change	
Fed Funds	2.50%	0 bps	0 bps	0 bps	25 bps	75 bps	0 bps	
3 Month USD Libor	2.55%	-3 bps	-4 bps	-15 bps	-7 bps	19 bps	-26 bps	
3 Month Euribor	-0.31%	0 bps	0 bps	0 bps	1 bps	2 bps	0 bps	
3 Month U.S. T-Bill	2.43%	2 bps	1 bps	1 bps	7 bps	56 bps	-2 bps	
2-Year U.S. Treasury	2.29%	0 bps	-6 bps	-16 bps	-67 bps	-22 bps	-21 bps	
10-Year U.S. Treasury	2.48%	-3 bps	-4 bps	-15 bps	-75 bps	-48 bps	-20 bps	
10-Year German Bund	-0.05%	-6 bps	-5 bps	-13 bps	-50 bps	-61 bps	-29 bps	
10-Year U.K. Gilt	1.12%	-4 bps	2 bps	-3 bps	-42 bps	-31 bps	-15 bps	
10-Year JGB	-0.06%	-1 bps	-1 bps	-3 bps	-18 bps	-11 bps	-6 bps	
Fixed Income	Yield	OAS	1W Return	1M Return	3M Return	12M Return	YTD Return	
Barclays Capital U.S. Government-Treasury	2.41%	N/A	0.2%	0.5%	1.4%	5.1%	2.0%	
Barclays Capital U.S. TIPS	2.62%	N/A	-0.3%	0.3%	1.9%	3.0%	3.1%	
Barclays Capital U.S. Aggregate	2.97%	43	0.1%	0.5%	1.9%	5.6%	3.1%	
Barclays Capital Global Aggregate	1.80%	46	0.1%	0.3%	1.1%	2.0%	2.2%	
Barclays Capital U.S. ABS	2.67%	35	0.1%	0.4%	1.2%	4.0%	1.8%	
Barclays Capital U.S. MBS	3.15%	37	0.1%	0.4%	1.6%	5.2%	2.3%	
Barclays Capital U.S. Corporate Investment Grade	3.62%	114	-0.1%	0.8%	2.9%	6.9%	5.7%	
BAML Euro Corporate Investment Grade	0.74%	114	0.0%	0.7%	2.4%	3.1%	2.7%	
Barclays Capital U.S. Corporate High Yield	6.21%	367	-0.3%	0.6%	3.6%	6.5%	8.6%	
BAML European Currency High Yield Non-Financial	3.88%	415	-0.7%	0.1%	3.0%	2.2%	2.2%	
CS U.S. Leveraged Loans	6.66%	433	0.0%	0.9%	2.8%	4.4%	6.6%	
CS Western European Leveraged Loans Non-USD	4.80%	409	0.0%	0.7%	1.6%	2.3%	3.6%	
JPM CEMBI Broad Diversified	5.62%	321	0.1%	0.7%	3.1%	7.2%	4.5%	
JPM EMBI Global Diversified	6.03%	348	-0.1%	0.0%	2.2%	8.0%	2.7%	
JPM GB-EM Global Diversified	6.26%	N/A	-0.7%	-1.8%	-2.5%	-2.1%	-4.1%	
Equities	Price	Div Yield	1W Return	1M Return	3M Return	12M Return	YTD Return	
S&P 500	2,879.42	1.89%	-1.5%	-0.5%	6.8%	9.9%	15.6%	
Euro STOXX 600 (Local)	382.23	3.01%	-2.3%	-1.4%	6.7%	-2.0%	13.2%	
U.K. FTSE 100 (Local)	7,271.00	4.46%	-1.5%	-2.4%	2.8%	-3.9%	8.1%	
Japan Nikkei 225 (Local)	21,602.59	2.13%	-2.9%	-0.7%	6.2%	-4.0%	7.9%	
China Shanghai Composite (Local)	2,893.76	2.31%	-6.0%	-10.8%	10.5%	-8.5%	16.0%	
MSCI AC World (Local)	513.29	2.54%	-1.7%	-0.7%	5.1%	4.9%	5.9%	
MSCI Emerging Markets (Local)	1,050.94	2.76%	-2.5%	-2.2%	2.3%	-1.7%	-0.8%	
Commodities/Currencies	Price	1 W Change	1M Change	3M Change	6M Change	Change	Change	
S&P GS Commodity Index	436.78	-2.2%	-3.2%	7.1%	-1.5%	-8.4%	16.7%	
WTI Crude (\$/bbl)	62.14	-2.2%	-3.5%	17.8%	2.4%	-9.7%	37.6%	
Copper (\$/lb)	2.79	-0.6%	-4.9%	-0.9%	1.8%	-8.4%	6.0%	
Gold (\$/oz)	1,285.20	0.1%	-1.1%	-2.3%	5.0%	-1.6%	0.5%	
U.S. Dollar Index	97.62	-0.1%	0.6%	1.0%	0.9%	4.8%	1.5%	
Euro (USD/EUR)	1.12	-0.3%	-0.5%	-1.1%	-2.0%	-5.5%	-2.0%	
British Pound (USD/GBP)	1.30	-0.6%	-0.4%	0.4%	-1.0%	-3.9%	2.1%	
Japanese Yen (Yen/USD)	110.18	-0.9%	-1.1%	0.4%	-3.2%	0.9%	0.4%	
Chinese Yuan (CNY/USD)	6.77	0.5%	0.8%	0.5%	-2.3%	6.3%	-1.4%	

Source: FactSet and Bloomberg

Economics

UNITED STATES

Employment: The April employment report showed the labor market continues to rebound from its February soft patch. Payroll growth increased 263,000, more than expected, while revisions for March and February added 16,000 more jobs than previously reported. The unemployment rate unexpectedly fell to 3.6%, reaching a 49-year low, mostly attributable to a decline in the labor force participation rate. Average hourly earnings increased .2% M/M (+3.2% Y/Y), slightly below estimates, suggesting wage pressures remain modest.

Consumer Credit: Consumer debt increased \$10.3 billion in March, the smallest rise in nine months. Revolving debt (credit cards) fell \$2.2 billion, while non-revolving debt (autos, student loans) rose \$12.5 billion. While the increase was less than expected, household spending remains supported by a solid labor market and steady wage gains.

Trade Balance: The trade deficit widened slightly to \$50 billion in March, in line with estimates. Exports increased 1% to \$212 billion, fueled by a jump in soybean shipments, and imports rose 1.1% to \$262 billion on higher food and pharmaceuticals trade. The trade deficit with China fell to its narrowest level since 2016 as overall trade levels shrunk.

EUROPE

EZ Inflation: Euro area inflation accelerated more than forecast as CPI increased 1.7% Y/Y in April. The core rate jumped to 1.2% Y/Y from .8% in March, hitting a six-month high. The pickup in inflation may have been partly driven by temporary factors, so May data should give a better indication in terms of a read-through for ECB policy.

EZ Investor Sentiment: The Sentix Investor Confidence survey improved again in May – the third month in a row – to its highest level since November 2018. The current situation and expectations measures both increased.

U.K. Leading Indicators: The composite reading for April's PMI came in better than expected at 50.9, up from 50 in March. The services PMI bounced back into expansion territory in April at 50.4, rebounding from 48.9 in March.

ASIA - PAC

China Trade: Exports unexpectedly fell 2.7% Y/Y in April vs. estimates for a 3% gain, while imports increased 4% Y/Y vs. projections for a decline. Rising imports signal better domestic demand, while falling exports indicate trade worries linger.

China Inflation: CPI inflation accelerated to 2.5% Y/Y in April from 2.3% Y/Y in March, the fastest pace in six months. The rise was primarily driven by higher food prices (+6.1% Y/Y). PPI rose .9% Y/Y in April, more than expected and up from .4% Y/Y in March. Higher commodity prices fueled the increase, but the overall inflation level remains subdued.

Japan Leading Indicators: April's manufacturing PMI data improved one point but shows Japan continues to hover around the expansion/contraction line at 50.2. The services PMI dipped slightly to 51.8 in April from 52 in March.

Policy

UNITED STATES

Tariffs: Citing slow progress and signs that the Chinese are trying to “renegotiate” an agreement at the last minute, President Trump has threatened to impose new 25% tariffs on \$200 billion of Chinese exports beginning today, up from 10% currently, and an additional 25% tariff on the remaining tranche of \$325 billion of Chinese exports. The move has increased risks that trade talks between the two countries could break down. Despite this recent development, Chinese Vice Premier Liu He arrived in Washington, D.C. this week to lay the final ground work for a trade deal.

GSE Reform: Federal Housing Finance Agency Director Mark Calabria has suggested that the two Government Sponsored Enterprises, Fannie Mae and Freddie Mac, could be released from conservatorship without needing congressional reforms, although with a timeline that would likely occur after the 2020 elections.

CFPB: A new proposed rule to debt collectors, which has been in the works since 2013, is seen to rule in favor of consumers. The new regulations would, among other things, limit collectors to seven unanswered calls per week to a consumer and would allow consumers to opt out of receiving text messages or emails. The proposal is open for public comment for 90 days.

Climate Change: The Federal Reserve, in a letter to Congress, said that it “has risk management procedures in place to make sure that the central bank and the institutions it regulates are prepared for severe weather events that could stem from climate change,” taking into account how these factors affect economic conditions into their outlook.

GLOBAL

U.K.: Both Conservative and Labour parties received poor results in weekend elections for 8,400 council seats, mainly in rural parts of England, amid backlash for how both parties have handled Brexit negotiations. Prime Minister Theresa May’s Conservative party is down 1,334 seats, a performance much worse than expected. Jeremy Corbyn’s Labour party was down 82 seats. The pro-EU Liberal Democrats and The Green Party were seen as the big winners, with the former up 703 seats and the latter up 194 seats.

Iran: Tehran has set a 60-day deadline, targeted at its 2015 nuclear deal counterparts, to abide by their commitments on oil and banking otherwise the country will resume uranium enrichment. The announcement was aimed at European countries that have been attempting to circumvent the U.S.’ retreat from the deal, but to little effect. Simultaneously, the U.S. has also announced that it has banned trade in Iranian metals, further increasing tensions in the region.

Singapore: Parliament passed a new law requiring social media companies with regional headquarters in the country, such as Facebook, Google and Twitter, to rapidly issue corrections for posts that the government deems false or misleading and potentially harmful to public interest.

Turkey: The High Election Board has ordered a re-run of Istanbul mayoral elections, overturning a rare defeat for President Recep Tayyip Erdogan’s AK Party. The new election is scheduled for June 23.

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