

China in the Red, Fed Minutes Due, The Week Ahead Has More News For You

IN REVIEW

- **NFIB small business optimism index** beat expectations, rising from 102.7 in December to 104.3 in January. Finding qualified labor remained the top business problem.
- **U.S. CPI** rose 0.1% M/M in January. Gasoline prices fell 1.6% M/M, while the shelter index rose 0.4%. Headline accelerated to 2.5% Y/Y from 2.3%, aided by favorable energy base effects. The core CPI rose 2.3% Y/Y (0.2% M/M).
- **U.S. job openings** slid 364 to 6,423 in December—the second consecutive decline. The openings rate fell to 4% while the hirings rate rose to 3.9%. The number of openings still exceeds hires.
- **U.K. GDP** was unchanged in 4Q19. Government spending contributed the most to headline, while business investment and inventories contracted and private consumption was weak. Recent positive data points to a rebound in 1Q20.
- **Eurozone industrial production** underwhelmed, falling 2.1% M/M in December, and weakness was broad-based across countries and industries.
- **U.K. industrial production** rose 0.1% M/M in December after falling 1.1% M/M in November.
- **China CPI** bested expectations, rising 5.4% Y/Y in January, as food prices were up 20.6% Y/Y, with pork prices jumping 116%. Core CPI rose a mere 1.5% Y/Y. The **PPI** edged up 0.1% Y/Y in January.

WATCH LIST

Date		Consensus		Previous
U.S.				
Tue 2/18	NAHB Housing Market Index	75	-	75
Wed 2/19	Building Permits	1450k	▲	1416k
Wed 2/19	Housing Starts	1400k	▼	1608k
Wed 2/19	Producer Price Index	1.6% Y/Y	▲	1.3% Y/Y
Wed 2/19	FOMC Meeting Minutes	--		--
Fri 2/21	Markit Manufacturing PMI (Prelim)	51.5	▼	51.9
Fri 2/21	Existing Home Sales	5.49 mil	▼	5.54 mil
Sat 1/22	Nevada Democratic Caucus	--		--
Europe				
Tue 2/18	German ZEW Survey Expectations	20.0	▼	26.7
Tue 2/18	U.K. Unemployment Rate	3.8%	-	3.8%
Thu 2/20	U.K. Retail Sales			-0.6% M/M
Fri 2/21	EZ Consumer Price Index	1.4% Y/Y	-	1.4% Y/Y
Fri 2/21	Markit EZ Manufacturing PMI	47.3	▼	47.9
Fri 2/21	Markit U.K. Manufacturing PMI	49.8	▼	50.0
Asia Pacific				
Mon 2/17	Japan GDP (Prelim)	-1.0% Q/Q	▼	0.4% Q/Q
Wed 2/19	Japan Trade Balance	- ¥1717.2 bil	▼	- ¥152.5 bil
Wed 2/19	Japan Core Machine Orders	-8.8% M/M	▼	18.0% M/M
Fri 2/21	Japan Consumer Price Index	0.6% Y/Y	▼	0.8% Y/Y
Fri 2/21	Jibun Bank Japan Mfg PMI (Prelim)			48.8

Arrows indicate consensus forecast compared to the previous period.

U.S.

- The U.S. **housing market** is expected to maintain its rosy performance. The NAHB housing market index should remain near its cyclical high, and elevated demand should be reflected in the permits print. However, it won't be surprising if housing starts to take a step back in January after surging in December due to warm weather.

Europe

- **German ZEW Survey** had a strong rebound as trade tensions eased. However, we are watching to see if the downside risk of the coronavirus is affecting confidence.
- **February flash Markit Manufacturing PMIs** will give a first glimpse of how the coronavirus outbreak is affecting manufacturing across Europe.

Asia Pacific

- **Japan GDP** will likely contract in 4Q19, weighed down by the tax hike and tsunami.

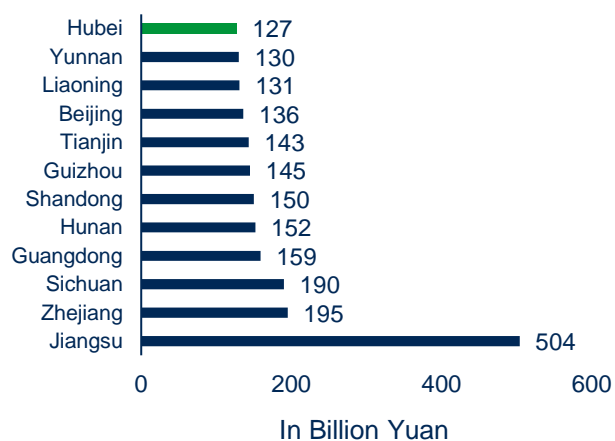
THE HIGHLIGHTS

Covid-2019 Weekly Checkup

China's GDP Forecast: Goldman Sachs Group Inc., UBS Group AG and Macquarie Group Ltd. are among those cutting China growth forecasts for Q1 and the full year; others expect material shocks to GDP. China's annual real GDP is now forecast to grow 5.8%, down from 5.9% last month. Chinese authorities are asking the biggest companies to meet production targets as executives restart factories that have been left idle for weeks.

China's lenders: As industries reel while China's economy is in a lockdown, \$2.1 billion (USD) of offshore notes, with yields of at least 15%, characterizing them as stressed, are due in March, the biggest monthly maturity wall this year. China's most stressed debtors face a major financing capacity test next month, with over a tenth of all bonds coming due as the nation endures the economic impact of the spreading virus. Most were sold by property developers, an industry widely impacted, with China's transport system essentially unplugged. Only Shanghai, Jiangsu, Zhejiang and Shenzhen regulators asked banks to temporarily relax rules and not identify overdue loans for 90 days.

DEBT BORROWED BY LOCAL GOVERNMENTS DUE IN 2020



Source: Bloomberg. As of February 10, 2020.

A Singapore budget response is in the works in response to virus effects. The fiscal stimulus is intended to mitigate recent economic fallout as the country expects to see a 30% decline in tourist arrivals and spending this year. Some forecast Singapore's 2020 GDP drops to 0.9% from 1.4% from the virus.

Strong Employment Gains, Weak Wage Growth

The January U.S. employment report bested expectations. Payrolls rose 225,000 in January; the previous two months were revised up a net 7,000. Trend job gains is averaging a strong 211,000 over the past three months. Unemployment rose from 3.5% to 3.6% over the month but for the right reasons - the labor force rose 50k while labor force and prime age labor force participation rates hit respective cyclical highs at 63.4% and 83.1%. Wage growth underwhelmed, rising 3.1% Y/Y, signaling there's slack to be worked out before wage pressures intensify.

Benchmark revisions, released with this month's report, showed 514,000 fewer jobs. In all, the TCJA boost was less robust and shorter-lived than data initially suggested. End-2019 job growth was stronger than data pointed to, likely aided by Fed rate cuts.

Policy

Phase One Deal: Mastercard won approval to set up a bank card clearing business in China and its \$27 trillion payments market, a continued opening of its financial industry. The PBOC announcement signals a speedy opening of its financial system, as was agreed upon in the trade deal. Though China is looking to delay purchases agreed to under the phase one deal due to the coronavirus, the country appears to be making important steps toward implementation within the deal.

OPEC+ faces the challenge of uncertain oil use as the coronavirus spreads. Estimates of impact on demand in coming months vary widely, with OPEC's internal analysis predicting a modest impact of no more than 400,000 barrels a day. But outside estimates show a bigger hit that some are comparing to demand shock on par with the recession. Brent crude has fallen more than 15% so far this year to trade near \$55 a barrel. Immediate deliveries are trading at a discount to those for later dates which is indicating this epidemic is expected to create an enduring surplus. The IEA cut this week its oil demand growth forecast for 2020. Collectively, OPEC pumped 28.86 million barrels a day in January, and if maintained, the surplus will be 570,000 barrels a day in the second quarter.

Government investigations deepen in the tech industry following the T-Mobile/Sprint merger. The Federal Trade Commission announced a review of post-2010 acquisitions by the country's largest technology firms to determine whether companies like Facebook and Google harmed competition acquiring smaller rivals.

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KEY FINANCIAL INDICATORS

Rates	Yield	1 W Change	1M Change	3M Change	6M Change	12M Change	YTD Change
Fed Funds	1.75%	0 bps	0 bps	0 bps	-50 bps	-75 bps	0 bps
3 Month USD Libor	1.70%	-4 bps	-13 bps	-21 bps	-47 bps	-99 bps	-20 bps
3 Month Euribor	-0.41%	-1 bps	-2 bps	-2 bps	-1 bps	-11 bps	-3 bps
3 Month U.S. T-Bill	1.57%	2 bps	4 bps	0 bps	-40 bps	-86 bps	3 bps
2-Year U.S. Treasury	1.44%	0 bps	-12 bps	-21 bps	-13 bps	-105 bps	-13 bps
10-Year U.S. Treasury	1.63%	-2 bps	-19 bps	-28 bps	-1 bps	-106 bps	-29 bps
10-Year German Bund	-0.38%	-1 bps	-15 bps	-14 bps	23 bps	-49 bps	-19 bps
10-Year U.K. Gilt	0.62%	-1 bps	-16 bps	-19 bps	2 bps	-59 bps	-20 bps
10-Year JGB	-0.05%	-1 bps	-4 bps	0 bps	18 bps	-3 bps	-3 bps
Fixed Income	Yield	OAS	1W Return	1M Return	3M Return	12M Return	YTD Return
Barclays Capital U.S. Government-Treasury	1.59%	N/A	0.2%	1.4%	2.3%	8.5%	1.9%
Barclays Capital U.S. TIPS	1.75%	N/A	0.3%	0.9%	2.4%	9.1%	1.5%
Barclays Capital U.S. Aggregate	2.09%	40	0.3%	1.2%	2.4%	9.4%	1.7%
Barclays Capital Global Aggregate	1.29%	37	0.0%	0.5%	1.6%	6.5%	0.4%
Barclays Capital U.S. ABS	1.75%	28	0.1%	0.6%	1.2%	4.9%	0.9%
Barclays Capital U.S. MBS	2.30%	41	0.2%	0.6%	1.4%	6.5%	0.8%
Barclays Capital U.S. Corporate Investment Grade	2.62%	95	0.4%	1.6%	3.8%	14.2%	2.2%
BAML Euro Corporate Investment Grade	0.36%	91	0.1%	0.9%	1.0%	5.8%	1.0%
Barclays Capital U.S. Corporate High Yield	5.15%	346	0.6%	0.6%	3.2%	9.8%	1.1%
BAML European Currency High Yield Non-Financial	2.90%	330	0.3%	0.5%	2.4%	8.7%	0.7%
CS U.S. Leveraged Loans	5.97%	454	0.1%	0.0%	2.5%	5.9%	0.6%
CS Western European Leveraged Loans Non-USD	4.45%	406	0.0%	0.4%	1.5%	4.2%	0.6%
JPM CEMBI Broad Diversified	4.65%	307	0.4%	1.3%	3.5%	11.9%	2.0%
JPM EMBI Global Diversified	4.76%	301	0.3%	1.3%	4.1%	12.2%	1.8%
JPM GBI-EM Global Diversified	4.94%	N/A	-0.5%	-1.1%	3.2%	8.3%	-0.9%
Equities	Price	Div Yield	1W Return	1M Return	3M Return	12M Return	YTD Return
S&P 500	3,379.45	1.68%	1.4%	3.6%	9.8%	25.6%	4.8%
Euro STOXX 600 (Local)	431.16	3.36%	1.8%	2.9%	6.0%	18.8%	3.7%
U.K. FTSE 100 (Local)	7,534.37	4.35%	0.7%	-0.7%	2.3%	5.6%	-0.1%
Japan Nikkei 225 (Local)	23,861.21	1.88%	2.3%	0.0%	1.5%	14.4%	0.9%
China Shanghai Composite (Local)	2,926.90	2.29%	3.9%	-5.3%	0.4%	9.5%	-4.0%
MSCI AC World (Local)	581.02	2.31%	1.5%	2.5%	7.8%	21.2%	3.8%
MSCI Emerging Markets (Local)	1,109.70	2.63%	2.0%	-0.9%	6.5%	11.5%	0.8%
Commodities/Currencies	Price	1W Change	1M Change	3M Change	6M Change	12M Change	YTD Change
S&P GS Commodity Index	392.04	1.5%	-8.9%	-6.1%	-1.3%	-4.5%	-10.1%
WTI Crude (\$/bbl)	51.17	0.6%	-13.3%	-9.7%	-6.9%	-3.7%	-16.3%
Copper (\$/lb)	2.61	1.0%	-7.5%	-1.4%	1.0%	-6.1%	-6.7%
Gold (\$/oz)	1,563.70	0.7%	0.7%	7.7%	3.9%	19.4%	3.2%
U.S. Dollar Index	99.05	0.8%	1.7%	0.8%	1.7%	2.4%	2.8%
Euro (USD/EUR)	1.09	-1.0%	-2.0%	-1.1%	-2.9%	-3.6%	-2.9%
British Pound (USD/GBP)	1.30	-0.1%	-0.6%	1.1%	7.4%	0.7%	-2.0%
Japanese Yen (Yen/USD)	110.02	0.2%	0.4%	0.8%	4.5%	-0.5%	1.2%
Chinese Yuan (CNY/USD)	6.97	-0.4%	0.6%	-0.4%	-1.4%	2.9%	0.1%

Source: FactSet and Bloomberg. As of February 12, 2020.

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