

World Equities

Equity Market	Current	T-1	T-1, Δ %	T-5, Δ %
DOW	25,444.34	25,379.45	0.26%	0.41%
S&P 500	2,767.78	2,768.78	-0.04%	0.02%
Nasdaq	7,449.03	7,485.14	-0.48%	-0.64%
S&P/TSX	15,470.10	15,404.13	0.43%	0.36%
FTSE 100	7,049.80	7,026.99	0.32%	0.77%
DAX	11,553.83	11,589.21	-0.31%	0.26%
Hang Seng	25,561.40	25,454.55	0.42%	1.17%
Shanghai Index	2,550.47	2,486.42	2.58%	-2.17%
Nikkei 225	22,532.08	22,658.16	-0.56%	-0.72%

U.S. equities closed mostly lower as investors remained cautious towards higher rates and the potential of a global economic slowdown.

The Dow Jones industrial average regained its footing and advanced 64.89 points (0.26%) to close at 25,444.34, led by strong earnings from Procter & Gamble. The S&P 500 finished slightly lower at 2,767.78 as declines in consumer discretionary and health care sectors were mostly offset gains in consumer staples. The Nasdaq composite fell 36.11 points (-0.48%) to settle at 7,449.03, lowered by Facebook, Amazon, and Netflix stocks. For the week as a whole, Dow concluded its three-week losing streak and recorded gains of 0.41% while S&P 500 broke even. However, Nasdaq continued to underperform and stayed in the red three weeks in a row.

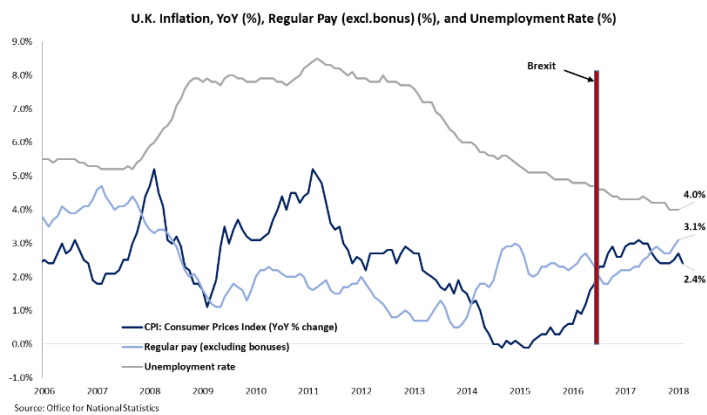
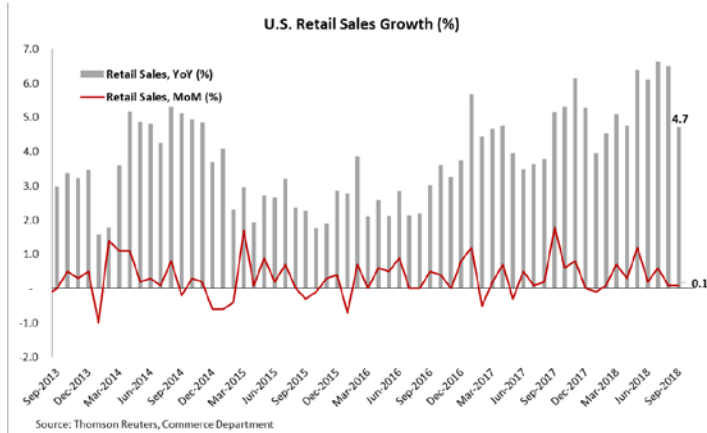
On Monday, no Brexit deal has been struck between the U.K. and the European Union despite diplomatic discussions over the weekend as the Irish backstop remains the key outstanding issue, in which both parties want to prevent a hard border between Northern Ireland and the Republic of Ireland but have not hashed out where the customs checks should take place.

Retail sales in the U.S. ticked up by 0.1% MoM in September, matching the August reading. However, the result was well below the street consensus of 0.7% monthly expansion and it was largely attributable to a decline in gasoline and department store sales, which mostly offset gains in auto sales. On a YoY basis, retail sales rose 4.7% for the same period (vs. 6.5% in August).

On Tuesday, China's inflation increased 2.5% YoY in September (vs. 2.3% in August) amid trade tensions with the U.S. Thus far, both countries have levied tariffs on over \$360 billion goods in combined and the market is already witnessing price increases in certain sectors. More visibility regarding the direction of inflationary pressures should be gained heading into Q4 2018.

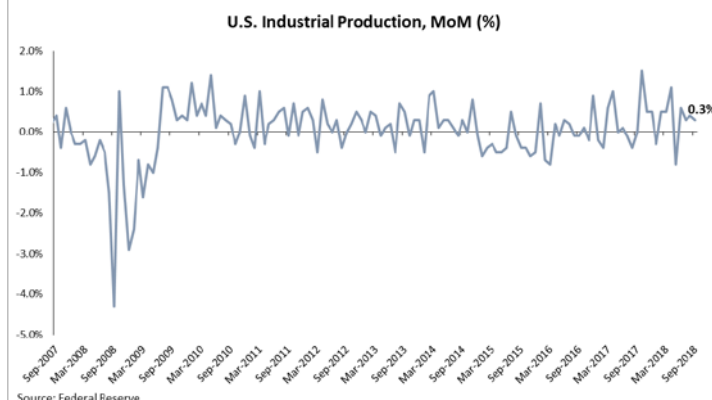
In addition, U.K. unemployment rate was held at 4.0% in the three months to August, the lowest level since 1975, reflecting a tight labour market. Wage growth also attested the strength in the country's employment trend with regular pay (excluding bonuses) expanding 3.1% in the three months to August (vs. 2.9% in the three months to July), the highest since December 2008.

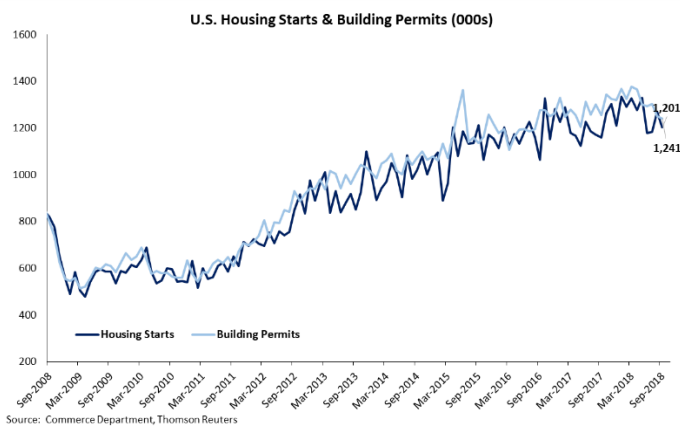
Further, U.S. September industrial production rose 0.3% MoM (vs. 0.4% in August), marginally impacted by Hurricane Florence. Industrial production grew 5.1% on an annualized rate (vs. 4.9% in August). Manufacturing output edged up 0.2% in September (vs. 0.3% in August), lifted by strong motor vehicle production. Nonetheless, against the backdrop of dollar appreciation and ongoing trade disputes, manufacturing activities could be set for deceleration in the months ahead.



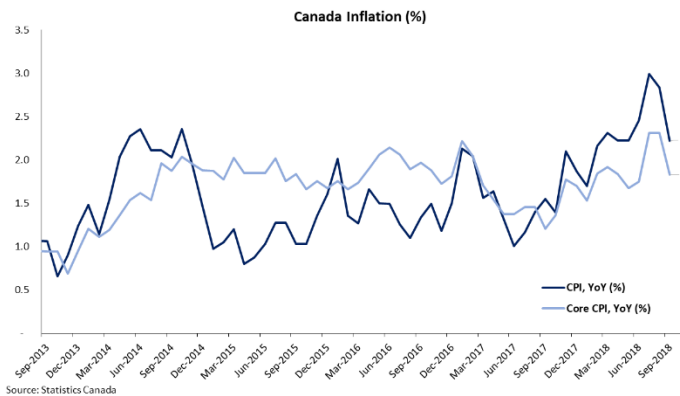
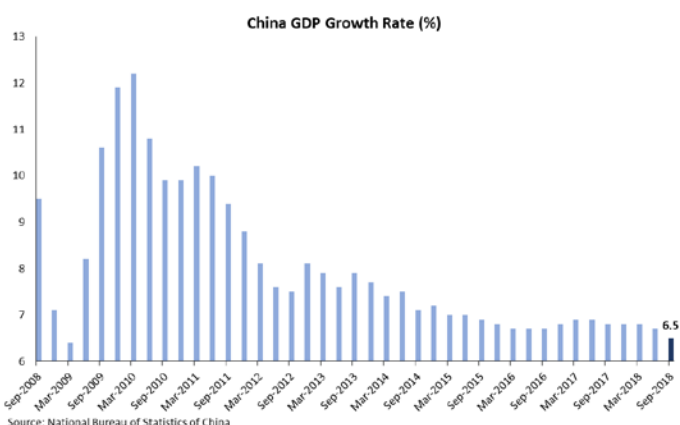
Implementation Date	Tariffs on China (\$Bil)	Tariffs on U.S. (\$Bil)	Comments
Jul-06-2018	\$ 34	\$ 34	5/10/25% tariffs on products including agriculture, autos, chemicals, plastics, and mineral fuels
Aug-23-2018	\$ 16	\$ 16	10% tariffs on consumer/intermediate goods; tariffs will be lifted to 25% on Jan 1 2019
Sep-24-2018	\$ 200	\$ 60	
Total	\$ 250	\$ 110	

	China	U.S.
Untariffed Imports on:	\$ 267	\$ 53





Participants offered their views about how much additional policy firming would likely be required for the Committee to sustainably achieve its objectives of maximum employment and 2 percent inflation. A few participants expected that policy would need to become modestly restrictive for a time and a number judged that it would be necessary to temporarily raise the federal funds rate above their assessments of its longer-run level in order to reduce the risk of a sustained overshooting of the Committee's 2 percent inflation objective or the risk posed by significant financial imbalances. A couple of participants indicated that they would not favor adopting a restrictive policy stance in the absence of clear signs of an overheating economy and rising inflation.



On Wednesday, U.K. inflation reading surprised to the downside and grew 2.4% in September (vs. 2.7% in August). Downward pressures seen in food and ferry prices were bringing the inflation figure lower.

On to the U.S., September housing starts declined 5.3% MoM (vs. +7.1% in August) to a seasonally adjusted annual rate (SAAR) of 1.201 million units, primarily driven by a 15.2% decrease in the multifamily property type, reflecting slowing construction activities. Building permits also dropped 0.6% MoM to a SAAR of 1.241 million units. Supply constraints coupled with 7-year high mortgage rates will likely continue to keep home buyers on the sidelines.

Later on in the afternoon, the Federal Reserve (the Fed) published its [September FOMC minutes](#) with the anticipated languages on gradually lifting interest rates. In the minutes, the Fed is determined to follow through its dot plot schedule despite ongoing criticism from Donald Trump regarding the central bank raising rates too aggressively. In addition, the tone in the minutes has become slightly more hawkish as some FOMC members expressed the needs for interest rates to move beyond the normal trajectory at times.

On Thursday, U.K. retail sales slumped 0.8% MoM in September (vs. +0.4% in August), the largest decline in six months. The contraction was primarily driven by a function of several factors: a plummet in food purchases, two strong months over the summer related to World Cup spending, and unseasonably warm weather.

Moving on to China, September retail sales and industrial production reading have shown mixed results, with the former expanding 9.2% YoY (vs. 9.0% in August), while the latter exhibiting a slower growth of 5.8% YoY (vs. 6.1% in August), the weakest reading since February 2016. The second largest country also released its Q3 GDP results, coming in at 6.5% YoY (vs. 6.7% in Q2), below the street consensus of 6.6%. The GDP growth figure is the lowest since Q1 2009. However, Chinese stock market finished in the green as investor confidence was partially boosted by policymakers' vague announcement of a series of assistance will be offered to help relieve financing issues for corporations.

On Friday, Canada's inflation growth eased further to 2.2% YoY in September (vs. 2.8% in August) as transportation index registered a softer expansion of 3.9% (vs. 7.2% in August). The Bank of Canada (BoC)'s three main inflation gauges also inched lower by 10 basis points, but remained on target. Meanwhile, the country's retail sales unexpectedly fell 0.1% MoM in August (vs. +0.2% in July). The slowdown was generally broad-based with gasoline stations and clothing stores being the laggards. Despite the weak data seen on the inflation and retail sales front, the street continued to expect BoC will hike its overnight rate next Wednesday.

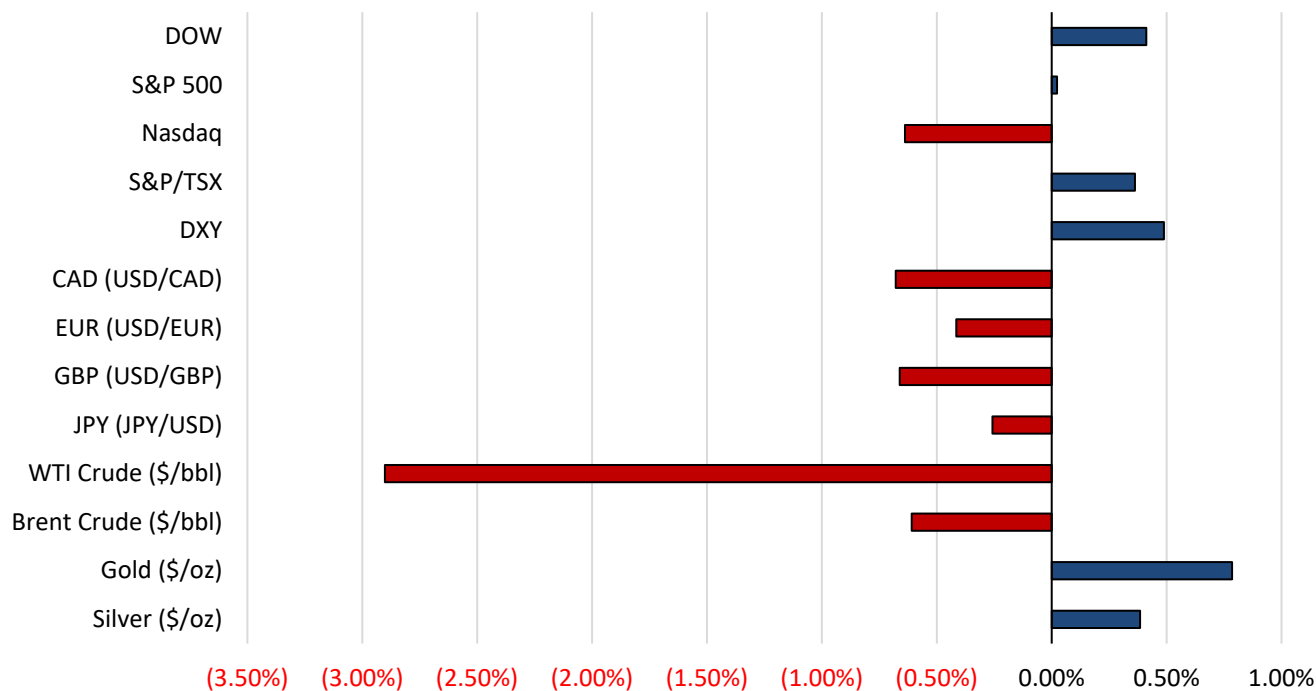
Commodities & FX

Commodities	Current	T-5	T-30	T-365
WTI Crude (\$/bbl)	69.3	71.3	70.8	51.4
Brent Crude (\$/bbl)	79.9	80.4	78.9	55.4
Natural Gas (\$/MMBtu)	3.24	3.16	2.88	3.07
Gold (\$/oz)	1,226.6	1,217.1	1,204.0	1,290.1
Silver (\$/oz)	14.6	14.6	14.2	17.3
Copper (\$/oz)	6,157.0	6,242.0	6,086.0	6,990.0
FX	Current	T-5	T-30	T-365
CAD (USD/CAD)	1.31	1.30	1.29	1.25
EUR (USD/EUR)	1.15	1.16	1.17	1.19
GBP (USD/GBP)	1.31	1.32	1.31	1.32
JPY (JPY/USD)	112.5	112.2	112.3	112.5

Fixed Income

Gov't Bonds	2-Year (%)				5-Year (%)				10-Year (%)			
	Current	T-1	T-5	T-30	Current	T-1	T-5	T-30	Current	T-1	T-5	T-30
U.S.	2.90	2.87	2.85	2.79	3.05	3.03	3.01	2.95	3.19	3.18	3.16	3.06
Canada	2.29	2.31	2.27	2.17	2.40	2.41	2.38	2.31	2.50	2.50	2.50	2.42
Eurozone	-0.59	-0.62	-0.57	-0.53	-0.13	-0.18	-0.10	-0.10	0.46	0.42	0.50	0.49
Japan	-0.12	-0.12	-0.12	-0.11	-0.06	-0.06	-0.07	-0.06	0.14	0.15	0.15	0.12
U.K.	0.80	0.76	0.83	0.84	1.14	1.10	1.19	1.19	1.57	1.54	1.63	1.61

Weekly Performance



Upcoming Events

Date	Events
Wed, Oct 24, 2018	U.S. New Home Sales (Sep); BoC Interest Rate Decision
Thu, Oct 25, 2018	ECB Interest Rate Decision; U.S. Pending Home Sales (Sep)
Fri, Oct 26, 2018	U.S. Q3 GDP; Japan CPI (Sep)