

World Equities

Equity Market	Current	T-1	T-1, Δ %	T-5, Δ %
DOW	24,815.04	25,169.88	-1.41%	-2.65%
S&P 500	2,752.06	2,788.86	-1.32%	-2.49%
Nasdaq	7,453.15	7,567.72	-1.51%	-2.30%
S&P/TSX	16,035.69	16,089.24	-0.33%	-1.20%
FTSE 100	7,161.71	7,218.16	-0.78%	-0.96%
DAX	11,726.84	11,902.08	-1.47%	-2.37%
Hang Seng	26,901.09	27,114.88	-0.79%	-1.66%
Shanghai Index	2,898.70	2,905.81	-0.24%	1.60%
Nikkei 225	20,601.19	20,942.53	-1.63%	-2.44%

U.S. stock market closed lower as investor sentiment worsened due to President Donald Trump’s surprise announcement of tariffs on all Mexican imports, adding further tensions to the trade landscape.

The Dow Jones Industrial Average plummeted 354.84 points (-1.41%) to settle at 24,815.04, with Verizon, Dow Inc, and Cisco leading the decline. The S&P 500 fell 36.80 (-1.32%) to finish at 2,752.06, lagged by the Info. Tech, Telecom, and Energy sectors. Meanwhile, the Utilities and Real Estate sectors inched up slightly. The Nasdaq dropped 114.57 points (-1.51%) to close at 7,453.15. For the week as a whole, the major stock indexes lost an average of 2.5%. Note that the U.S. indexes have stayed in the red for at least four consecutive weeks, with the Dow recording six straight week of losses.

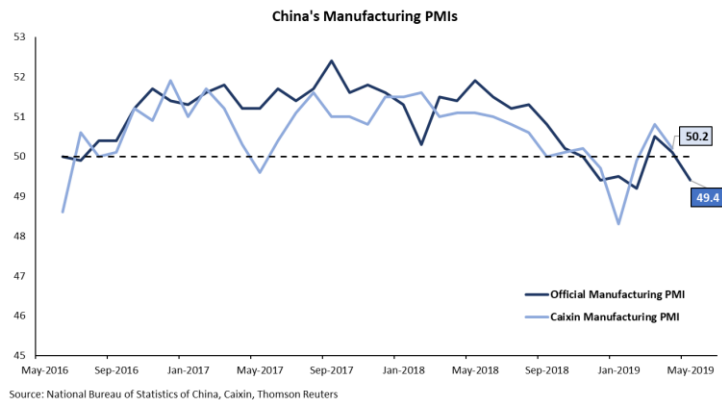
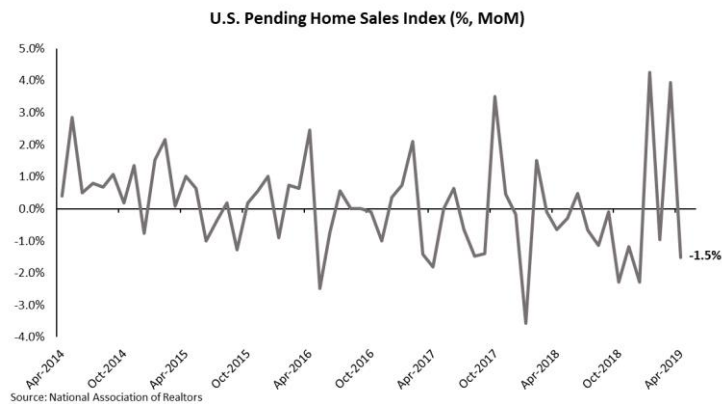
On Tuesday, U.S. consumer confidence strengthened further, rising to a six-month high of 134.1 in May (vs. 129.2 in April) as consumers continued to feel optimistic towards the current economic landscape on the back of a resilient labour market and rising wages.

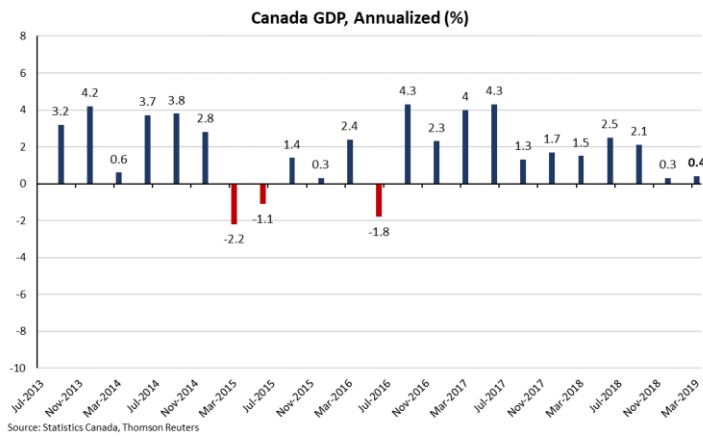
On Wednesday, the Bank of Canada (BoC) held its overnight rate steady at 1.75% and stated its growing confidence that the recent moderation in economic activities is temporary and the Canadian economy is positioned to rebound for the balance of the year. BoC’s message dispelled street expectations that there will be an interest rate cut in 2019.

On Thursday, U.S. pending home sales unexpectedly declined 1.5% MoM in April (vs. +3.9% in March), offering more evidence that the housing market continues to lag the overall economy. Pending home sales are considered a leading indicator of existing home purchases and they measure the health of the housing market in the near term.

In addition, China’s official manufacturing PMI fell back to the contraction territory and declined to 49.4 in May (vs. 50.1 in April). Both the New Export Orders (46.5) and Employment (47.0) sub-indexes dropped further into the contraction zone. It is expected the Caixin manufacturing PMI will tick down to 50.0 or below when the result is released next Monday. The second largest economy has been in contraction mode for the most part so far in 2019 amid trade escalations with the U.S. and investors are concerned about how fast the economy is slowing.

Moreover, the U.S. Q1 GDP growth was revised lower to 3.1% (from 3.2%), still ahead of economists’ expectations of 3.0%. Consumer spending, accounting for ~70% of the U.S. economy, grew a solid 1.3%. Looking ahead, the market is forecasting a sub-2% GDP growth in Q2 as investors are becoming increasingly nervous over the escalating U.S. – China trade conflict and its implications to the global economy. The persistent inversion of the treasury yield curve speaks volume to this concern and continues to point to a higher recession risk.





On Friday, Canada’s economy expanded 0.4% on an annualized basis in Q1 2019, below economists’ expectation of 0.7%. This followed an already soft reading of 0.3% in Q4 2018. The moderate economic growth was driven by a solid increase in household spending (+0.9%) and business investment (+8.7%), partially offset by weak export activities (-1.0%) and housing investments (-1.6%). The GDP growth results marked the slowest pace since the oil shock in Q2 2016. Nonetheless, economists pointed out that the much of the Q1 softness could be attributable to weak oil prices and they expect Q2 GDP results could improve meaningfully.

In addition, the U.S. President Donald Trump announced he will impose a 5% tariff on all Mexican imports (~\$350 billion) starting on June 10, unless the country decides to address the issue of illegal immigrations coming into the U.S. from Mexico. However, this announcement cast doubt on Donald Trump’s reliability as a trading partner as the White House has concurrently started the approval process of the USMCA. Looking ahead, as the tit-for-tat trade tactics between the U.S. and China persist, the odds against a trade agreement have risen further and a full blown trade war is becoming more likely.

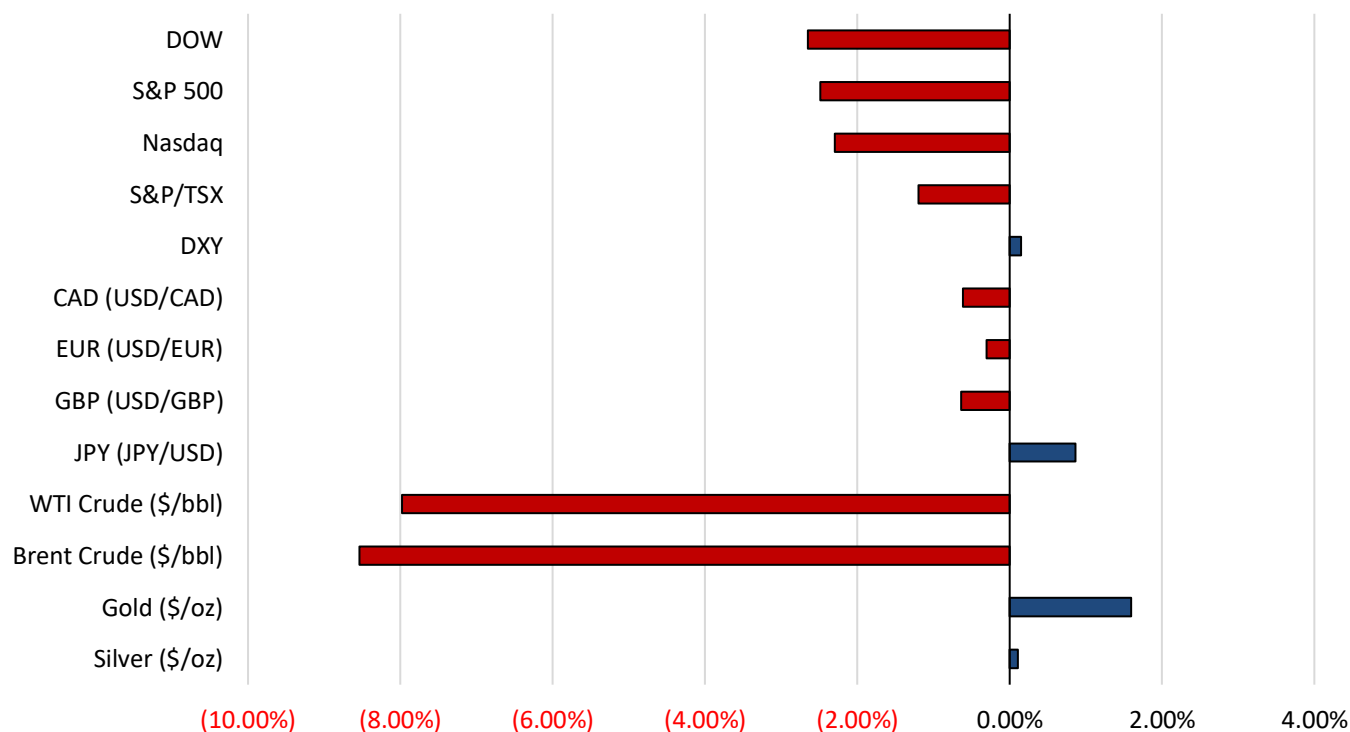
Commodities & FX

Commodities	Current	T-5	T-30	T-365
WTI Crude (\$/bbl)	53.3	57.9	64.0	62.9
Brent Crude (\$/bbl)	61.7	67.5	71.5	73.2
Natural Gas (\$/MMBtu)	2.46	2.59	2.62	2.67
Gold (\$/oz)	1,305.4	1,284.9	1,283.5	1,298.5
Silver (\$/oz)	14.6	14.6	15.0	16.4
Copper (\$/oz)	5,852.0	5,928.0	6,415.0	6,840.0
FX	Current	T-5	T-30	T-365
CAD (USD/CAD)	1.35	1.34	1.34	1.30
EUR (USD/EUR)	1.12	1.12	1.12	1.17
GBP (USD/GBP)	1.26	1.27	1.30	1.33
JPY (JPY/USD)	108.4	109.3	111.4	108.8

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.	1.92	2.06	2.16	2.27	1.91	2.02	2.12	2.28	2.13	2.21	2.32	2.50
Canada	1.43	1.52	1.56	1.56	1.36	1.45	1.50	1.54	1.49	1.55	1.61	1.71
Eurozone	-0.67	-0.65	-0.64	-0.59	-0.58	-0.56	-0.52	-0.42	-0.20	-0.18	-0.12	0.01
Japan	-0.18	-0.17	-0.16	-0.16	-0.20	-0.18	-0.18	-0.17	-0.10	-0.08	-0.08	-0.05
U.K.	0.59	0.61	0.63	0.76	0.63	0.66	0.70	0.90	0.89	0.90	0.95	1.18

Weekly Performance



Upcoming Events

Date	Events
Mon, Jun 03, 2019	China Caixin Manu. PMI (May); U.S. ISM Manu. PMI (May)
Tue, Jun 04, 2019	Eurozone CPI (May)
Wed, Jun 05, 2019	U.K. Services PMI (May); U.S. ADP Nonfarm Payrolls (May); U.S. ISM Non-Manu. PMI (May)
Thu, Jun 06, 2019	ECB Interest Rate Decision
Fri, Jun 07, 2019	U.S. Nonfarm Payrolls (May); Canada Employment Report (May)