



Weekly Brief

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1 May 2016

Market Action

- The past week started positively for risk assets but turned sour on Thursday and Friday with markets reverting to their trends for the first six weeks of the year. Some disappointing earnings reports from leading names, including Apple, and chatter from the Fed about a possible June rate hike pushed investors towards the yields offered by Telecoms and Utilities.

- China's central bank fixed the yuan to its highest level since the August depreciation. Earlier in the week total debt to GDP was reported as 237% according to the Financial Times.

- The Bank of Japan meanwhile surprised markets by holding off on more stimulus and extending its inflation goal out to 2017, the fourth such delay. The Nikkei tumbled over 3% on Thursday and more than 5% for the week.

- Saudi Arabia's Crown Prince announced his "Saudi Vision 2030" plan to reduce the Kingdom's excessive reliance on oil revenues. Among the provisions included in the plan is an IPO of Saudi Aramco which could be worth more than \$2 Trillion, the world's largest sovereign wealth fund, and a goal to become one of the 15 largest economies in the world.

- Several data points out of Europe paint an encouraging picture. Italy's GDP grew better than expected and the unemployment rate fell to its lowest point in over four years. Spain and France also pointed robust GDP growth figures relative to historical levels.

- British GDP slowed in the first quarter to 0.4% according to revised data. Growth for the past year still came in above expectations but concerns are present that the Brexit vote is weighing on economic uncertainty in the country and stifling markets.

- Crude oil rose over 22% in the month of April, the highest monthly gain in seven years. The weak dollar, thanks to easier central banking guidance, and declines in U.S. production have propelled oil over the past month.

<u>Equities</u>	Current	Weekly	Monthly	Year to Date
U.S.				
Dow Jones	17,773.64	-1.28%	0.32%	2.00%
S&P 500	2,065.30	-1.26%	0.07%	1.05%
Nasdaq	4,775.36	-2.67%	-1.93%	-4.63%
Europe				
FTSE	6,241.89	-1.09%	0.62%	-0.01%
DAX	10,038.97	-3.22%	0.62%	-6.55%
Asia				
Nikkei	16,666.05	-5.16%	-1.26%	-12.44%
Shanghai	2,938.32	-0.71%	-2.08%	-16.98%
Currencies				
EUR/\$	€ 1.15	€ 0.02	€ 0.01	€ 0.02
\$/Yen	¥ 107.00	¥ 4.48	¥ 5.46	¥ 4.48
UK/\$	£ 1.46	£ 0.02	£ 0.02	£ 0.02
Bonds				
10 Yr Treasury Yield	1.83	-0.055	0.008	-0.055
Moody's A	3.97	-0.040	-0.100	-0.040
Commodities				
WTI	\$ 45.99	\$ 2.26	\$ 7.67	\$ 2.26
Brent	\$ 48.10	\$ 2.99	\$ 8.05	\$ 2.99
Gold	\$ 1,294.90	\$ 64.90	\$ 66.30	\$ 234.70

Returns (%)			
Sector	1 Week	1 Month	YTD
Materials	-0.34%	3.97%	8.03%
Telecommunications	1.14%	-3.34%	11.49%
Consumer Staples	0.74%	-1.78%	3.32%
Consumer Discretionary	-0.33%	-0.04%	1.25%
Energy	0.49%	8.48%	12.04%
Financial Services	-1.26%	3.05%	-2.51%
Healthcare	-2.95%	2.64%	-3.23%
Industrials	-1.35%	-0.40%	1.33%
Technology	-3.58%	-5.61%	-3.42%
Utilities	2.24%	-1.92%	11.71%

Economic Calendar: May 2 – May 6

Date	Release	For	Est
05/02	Manufacturing PMI	Apr	51.8
05/04	ADP Employment	Apr	195,000
05/04	Unit Labor Costs	Q1	2.4%
05/04	Productivity	Q1	-1.2%
05/04	Durable Goods M/M	Mar	0.8%
05/05	Initial Jobless Claims	04/29	262,500
05/06	Hourly Earnings Y/Y	Apr	2.3%
05/06	Nonfarm Payrolls	Apr	200,000
05/06	Unemployment Rate	Apr	5%

This Week From Blacksummit

[Currency Winds and Market Waves: Banks, Central Banks, & Policy Divergence?](#)

John Charalambakis

Recommended Reads

[Managing Debt in an Overleveraged World](#)

Michael Spence, The Atlantic

[Why is Productivity So Weak?](#)

Neil Irwin, NY Times

[Forecasters Keep Trying to Predict the Future](#)

Barry Ritholtz, Bloomberg View

Image of the Week: Are Investors Doomed to Disappointing Future Returns?

Source: McKinsey

Lowering your sights

After an era of stellar performance, returns on US and Western European equities and bonds could come back down to earth over the next 20 years¹

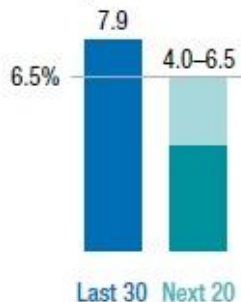
The past 30 years saw returns that exceeded the long-run average

■ Historical real returns
— Last 100 years average return

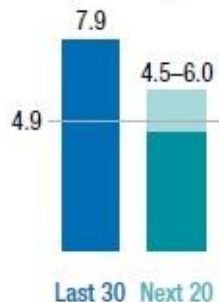
The next 20 years could be more challenging

■ Growth-recovery scenario
■ Slow-growth scenario

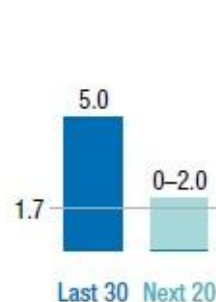
US equities



European equities



US bonds



European bonds

