



Weekly Brief

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Market Action

- As the Fed prepares for its June meeting, investors continued to flock to haven assets and safer equities this week. Bonds rallied, the Telecommunications sector posted gains, and volatility rose over 10% on Friday alone.

- Japanese machine orders plunged 11% thanks largely to a combination of weak global demand, a strengthened Yen, and the Kumamoto earthquake. The data comes a week after President Abe announced the postponement of a sales tax increase.

- Yields on benchmark bonds around the world are hitting new lows simultaneously. The U.S. 10-year bond dipped below 1.70% and approaches its all time low while benchmark Gilts, Bunds and Japanese bonds continue to fall. Weak growth, the risk of Brexit, and soft monetary policy are among the biggest factors driving yields lower.

- The Bank of Korea surprised markets with an interest rate cut on Thursday. The central bank explicitly cited weak demand for the country's exports, high levels of mortgage debt, and the need to help corporate giants recapitalize.

- The ECB's corporate bond buying program officially started this week. To be eligible, bonds have to be liquid, denominated in Euros, issued within the Eurozone, and maintain an investment grade rating. Average yields on corporate debt are around 1% in the Euro area.

- Chinese foreign exchange reserves reached their lowest level since 2011. Capital flight from a weakening Chinese economy continues to be a concern among policy makers.

- Crude oil set new recent highs this week, reaching \$52 per barrel before slipping on Friday. Nigerian crude production of 1.8 million barrels per day represents the lowest level in over 12 months. Iranian crude exports meanwhile are accelerating faster than analysts initially expected.

<u>Equities</u>	Current	Weekly	Monthly	Year to Date
<u>U.S.</u>				
Dow Jones	17,865.34	0.33%	-0.35%	2.53%
S&P 500	2,096.07	-0.15%	0.56%	2.55%
Nasdaq	4,894.55	-0.97%	1.76%	-2.25%
<u>Europe</u>				
FTSE	6,115.76	-1.51%	-0.66%	-2.03%
DAX	9,834.62	-2.66%	-0.66%	-8.46%
<u>Asia</u>				
Nikkei	16,601.36	-0.25%	0.22%	-12.78%
Shanghai	2,927.16	-0.39%	3.34%	-17.29%
<u>Currencies</u>				
EUR/\$	€ 1.13	€ (0.00)	€ (0.01)	€ (0.00)
\$/Yen	¥ 106.91	¥ 0.15	¥ 2.14	¥ 0.15
UK/\$	£ 1.43	£ 0.02	£ 0.01	£ 0.02
<u>Bonds</u>				
10 Yr Treasury Yield	1.64	-0.056	-0.122	-0.056
Moody's A	3.81	-0.040	-0.110	-0.040
<u>Commodities</u>				
WTI	\$ 49.07	\$ 0.45	\$ 4.41	\$ 0.45
Brent	\$ 51.94	\$ 1.03	\$ 4.33	\$ 1.03
Gold	\$ 1,275.90	\$ 33.00	\$ 11.10	\$ 215.70

<u>Returns (%)</u>			
Sector	1 Week	1 Month	YTD
Materials	0.22%	2.82%	9.35%
Telecommunications	2.78%	1.91%	14.63%
Consumer Staples	1.01%	-0.08%	6.64%
Consumer Discretionary	-0.89%	-2.67%	0.15%
Energy	1.39%	2.29%	11.75%
Financial Services	-1.55%	-1.15%	-3.21%
Healthcare	-0.79%	1.45%	-0.75%
Industrials	0.05%	0.86%	3.28%
Technology	-0.32%	2.62%	0.54%
Utilities	0.86%	2.32%	15.95%

Date	Release	For	Est
06/14	Retail Sales	May	0.4%
06/15	PPI Y/Y	May	0.1%
06/15	Capacity Utilization	May	75.3%
06/15	Industrial Production	May	-0.1%
06/15	Manufacturing Production	May	0.1%
06/16	Core CPI	May	2.2%
06/16	Initial Jobless Claims	06/10	270,000
06/16	Philly Fed Index	June	1
06/17	Housing Starts M/M	May	-1.9%

Recommended Reads

[The End of the U.S. Manufacturing Renaissance \(Such as it Was\)](#)
Conor Sen, Bloomberg View

[One Chinese City Has Figured Out the Future](#)
Christopher Balding, Bloomberg View

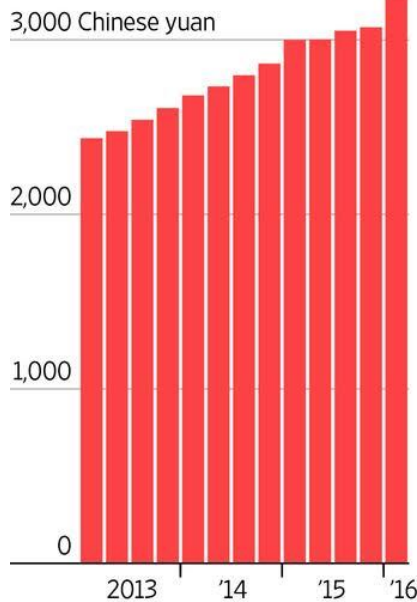
[Why the Oil Price Rally Might Falter](#)
Julian Lee, Bloomberg Gadfly

Image of the Week: Automation's Continued Rise

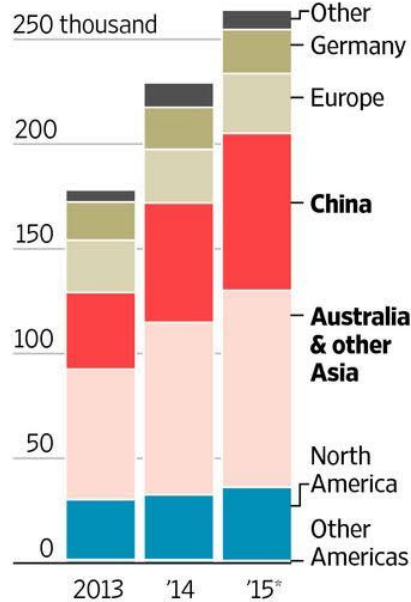
Hard-Wired Labor

As wages rise in China and other parts of Asia, manufacturers are increasingly turning to robots and automation.

Average monthly income for migrant workers in China



Estimated global shipments of industrial robots



*Forecast 3,000 yuan = \$457 Sources: CEIC (wages); International Federation of Robotics
THE WALL STREET JOURNAL.