



Weekly Brief

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Market Action

- After another dismal trading session in the wake of the Brexit vote markets stormed a reversal and posted a strong gains on the week, including London's FTSE which had its best week in years. Despite the risk-on attitude it was defensive sectors (Utilities and Telecoms) that led the week while bonds around the world also gained.

- Bank of England Governor Mark Carney advocated a rate cut for the economy in light of last week's referendum. Carney had strongly advocated that the U.K. remain in the E.U. for the sake of the country's economic well being. Concurrently, analysts and traders are increasingly expecting more monetary action from the ECB soon, possibly in the form of an expanded QE program.

- Oil posted its highest quarterly gain since 2009. Crude rallied 29% over the past three months. Supply data from the EIA this week showed a substantially larger withdrawal than initially forecasted. The weaker dollar has also helped to buoy oil and other commodities.

- Congress formally agreed to, and President Obama signed, legislation to put Puerto Rico's finances under a federal oversight board. Governor Padilla declared a moratorium on debt payments minutes later. While the legislation doesn't stop the default of nearly \$2 billion in payments, it does prevent bondholders from filing lawsuits against the country.

- Eurozone manufacturing activity increased for several countries last month. Germany's sector posted a 28 month high while Spain and Italy also posted stronger than expected figures.

- All U.S. banks passed the Federal Reserve's stress tests and had their capital plans approved. Only the U.S. units of Deutsche Bank and Santander failed to pass the tests, designed to see how the largest banks would perform in dire economic circumstances.

<u>Equities</u>	Current	Weekly	Monthly	Year to Date
<u>U.S.</u>				
Dow Jones	17,929.99	-0.45%	0.80%	1.85%
S&P 500	2,102.95	3.22%	0.17%	2.89%
Nasdaq	4,862.57	3.28%	-1.81%	-2.89%
<u>Europe</u>				
FTSE	6,577.83	7.15%	6.23%	5.37%
DAX	9,776.12	2.29%	6.23%	-9.00%
<u>Asia</u>				
Nikkei	15,682.48	4.89%	-7.51%	-17.61%
Shanghai	2,932.48	2.74%	0.65%	-17.14%
<u>Currencies</u>				
EUR/\$	€ 1.11	€ 0.00	€ (0.00)	€ 0.00
\$/Yen	¥ 102.67	¥ 0.50	¥ 6.83	¥ 0.50
UK/\$	£ 1.33	£ 0.04	£ 0.11	£ 0.04
<u>Bonds</u>				
10 Yr Treasury Yield	1.44	-0.116	-0.394	-0.116
Moody's A	3.68	-0.140	-0.260	-0.140
<u>Commodities</u>				
WTI	\$ 49.28	\$ 1.64	\$ 0.27	\$ 1.64
Brent	\$ 52.23	\$ 1.99	\$ 1.16	\$ 1.99
Gold	\$ 1,344.90	\$ 22.50	\$ 130.20	\$ 284.70

Returns (%)			
Sector	1 Week	1 Month	YTD
Materials	0.57%	-1.37%	6.27%
Telecommunications	4.11%	11.17%	22.64%
Consumer Staples	3.43%	3.72%	8.65%
Consumer Discretionary	3.34%	-0.32%	0.79%
Energy	3.43%	3.52%	14.80%
Financial Services	2.97%	-4.21%	-4.65%
Healthcare	3.99%	1.06%	0.12%
Industrials	3.23%	0.84%	3.90%
Technology	2.52%	-2.43%	-1.04%
Utilities	4.07%	7.07%	21.16%

This Week From Blacksummit

[An Illusion of Value: Zirflation and Nirflation in a Market that is Overfed but Still Malnourished](#)

John E. Charalambakis

Recommended Reads

[Goodbye to All That](#)

John Micklethwait, Bloomberg

[UK Existential Moment: Thinking About the Economy, Sovereignty and Article 50](#)

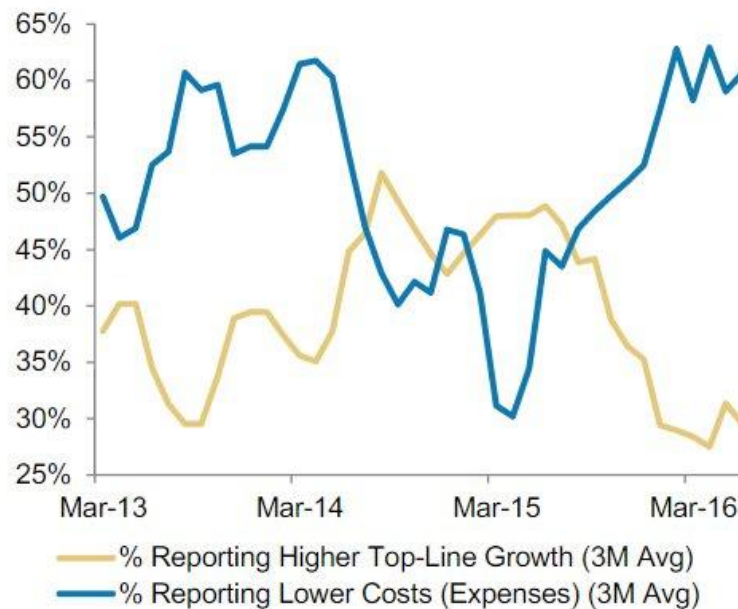
George Magnus

[If Demographics Are Destiny](#)

Ben Carlson

Image of the Week: Top Line Growth Struggles in Corporate America

If Companies Exceeded Your Estimates to the Upside, What Was the Primary Cause?



Source: Morgan Stanley Research