

Macro Comment and Overnight Roundup

psigma

Friday 26th May 2017

US

- The **S&P 500** and **Nasdaq Composite** closed at fresh records on Thursday, as US stocks advanced for a sixth straight session, thanks in part to big gains in shares of Best Buy following its quarterly results.
- The **S&P 500 index** rose 0.4%, to finish at 2,415.07, after setting an intraday record of 2,418.71. 9 of the 11 main sectors were higher, led by gains in consumer discretionary shares. However, energy stocks were off 1.8%. The **Nasdaq Composite Index** added 0.7%, to end at 6,205.26. It also set an intraday record at 6,217.34. The **Dow Jones Industrial Average** climbed 0.3%, to close at 21,082.95, putting it within roughly 30 points of its record of 21,115.55 set on March 1st.
- Investors appeared to shrug off a drop in crude oil prices. On Thursday, **crude prices sank more than 4%**, after Saudi Arabia's oil minister Khalid al-Falih ruled out deeper cuts to production in any extension to an OPEC output agreement. However, OPEC did agree to a nine month extension to the current deal at Thursday's meeting in Vienna, as expected.
- In economic news, **Initial jobless claims rose by 1,000 to 234,000** in the seven days stretching from May 14th to May 20th, largely in line with expectations.
- **Best Buy** soared 22%, after the retailer beat profit expectations, reporting a surprise increase in same-store sales and providing an upbeat outlook.
- **Medtronic** rose 1%, after earnings and revenue topped views.
- **Signet Jewelers** dropped 7.8%, after the retailer's earnings fell short of forecasts. Signet's debt was promptly downgraded by Fitch following its earnings report.

Europe

- **European stocks notched a slight loss Thursday**, hampered by lower volume and a slide in oil prices following news OPEC will hold back from making deeper production cuts. The **Stoxx Europe 600** fell 0.1% to end at 392.14, after moving in and out of positive territory during the session.
- **Germany's DAX 30** fell 0.2% to end at 12,621.72 and **France's CAC 40** slipped 0.1% to end at 5,337.16. In London the **FTSE 100** moved fractionally ahead to close at 7,517.71.
- In economic news, the Office for National Statistics said the **UK's first-quarter gross domestic product estimate was revised lower, to growth of 0.2% from a flash reading of 0.3%**. The ONS noted that the reduction stemmed mainly from downward revisions within the services sector.
- Given the drop in the oil price, shares of **BP** dropped 1.1%, while **Royal Dutch Shell** gave up 0.5%. The energy group has a roughly 14% weighting on the FTSE 100.
- On the midcap FTSE 250, shares of **Petrofac** plunged 30%, after the oil services company said it suspended Chief Operating Officer Marwan Chedid until further notice. Petrofac is under UK investigation on suspicion of bribery, corruption and money laundering, and the company has said it's cooperating with authorities. Chedid has resigned from Petrofac's board.
- In the European oil group, Italian oil producer **Eni SpA** dropped 1.9% and France's **Total** shed 0.9%. Among oil services providers, **Amec Foster Wheeler** fell 5.6% and **Saipem SpA** gave up 3.1%.

- **Daily Mail & General Trust** slid 6.9%, after posting a fall in pre-tax profit for the first half of fiscal 2017, as it booked costs related to the company's restructuring. The result was in line with the expectations set by the company, whose portfolio of businesses include the Daily Mail newspaper.
- **Intermediate Capital Group** closed 14% higher, after the investment manager reported a rise in both its profit and its dividend.

Asia

- **Australian and Japanese stocks lagged** behind other Asian equities on Friday, with oil's sharp overnight pullback putting pressure on those equities. **Japan's Nikkei Stock Average** has been stalling just below 20,000, a level it hasn't reached since December 2015, and Australian equities have been hit by concerns about banks in the wake of a planned new tax on the country's biggest lenders.
- The **Australian S&P/ASX 200** gave up 0.65%, with broad weakness from commodities focussed companies. **BHP Billiton, Woodside Petroleum and Fortescue Metals** fell more than 2%.
- The **Nikkei 225** was off 0.64%. The index hit session lows, as afternoon trading began and a stronger Yen weighed on Japanese stocks.
- Indexes in **China and Hong Kong** were little changed, while **India's Sensex** has gained by 0.66%, taking it to new record highs.
- The **South Korean Kospi** finished up by 0.53%, pushing the index into new record territory. Samsung rose 1.1% in Asian trading and Samsung's 28% surge to start 2017 has been a big factor in Korea's stock-market outperformance.

Bonds

- **10yr and 30yr US treasuries** are currently trading at 2.25% and 2.91% respectively.
- **10yr UK gilts** trade with a yield of 1.02%.
- **German 10yr bund** yields trade at 0.35%.
- **10yr Italian and Spanish bond yields** trade at 2.10% and 1.55% respectively.

Commodities

- The **WTI crude oil** price is \$48.91
- **Brent crude** is \$51.49
- The **gold price** is \$1,262.30
- The **silver** price is \$17.24
- The **COMEX copper price** is \$2.59

Currency

- The **Yen** is trading at 111.33 against the **US dollar**.
- The **pound** is trading at 1.29 against the **US dollar**.
- The **pound** is trading at 1.15 against the **Euro**.

Kind Regards,

The Psigma Investment Team

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