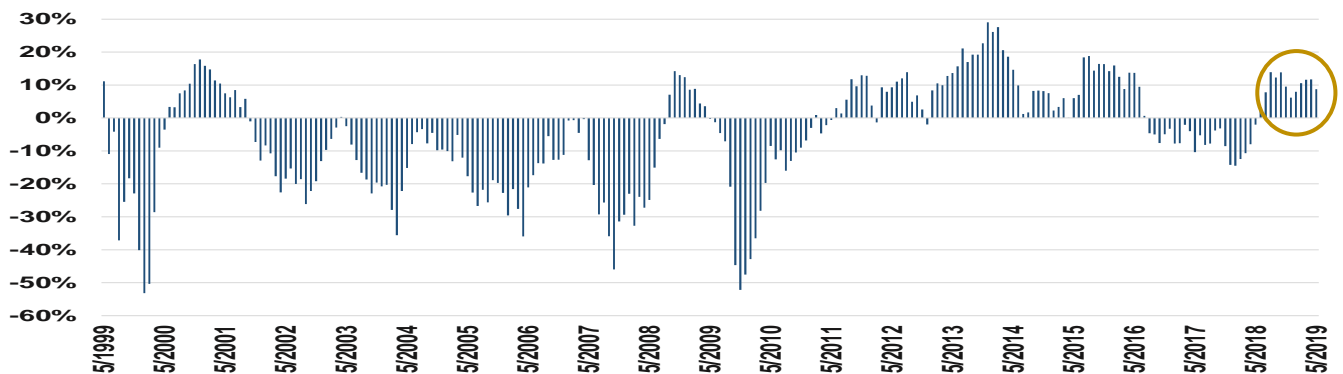


During the current week, macroeconomic figures were mixed. In the **US**, the ISM manufacturing index dropped in May to a low (52.1) since October 2016, but the ISM services index increased at a high (56.9) since February. Both indicate expansion of the sectors and the economy. **Eurozone** PMI manufacturing was at contraction of the sector level in May (47.7), but the services PMI increased at a level (52.9, April: 52.8) indicating expansion of the sector. According to the final reading, Eurozone GDP increased on quarterly basis by 0.4% and on yearly basis by 1.2% in the first quarter of 2019 (10-year average: 1.6%). The **ECB** modified its wording, stating that its rates will remain unchanged at least until mid-2020 (previously: end 2019), as inflation dropped in May at a low (1.2%) since April 2018. **Global** manufacturing PMI (JPMorgan) dropped in May at a low (49.8) since 2012, indicating contraction of the sector. **US-Mexico** trade dispute is ongoing, but it is unclear whether 5% tariffs on imported products from Mexico will be imposed on June 10, or instead a deal will be made. The trade dispute of **US-China** and the uncertainty around the trade relation of **US-EU** have downside effects on manufacturing activity. US-China trade dispute keeps investors in **emerging markets** worried. The total return of the MSCI Emerging markets index is positive year to date (4.8% in \$, 6.2% in €), but last one year total returns remain negative (-10.2% in \$, -6.4% in €). The rolling one-year return (monthly prices) of the MSCI Developed markets index has been higher versus the one-year return of the MSCI Developed markets index for 12 consecutive months (during 1989-2019, consecutive rolling yearly overperformance of developed vs emerging lasts on average: 13 months). Low US yields can provide support for the emerging markets index, but US-China trade dispute remains a worry.

**MSCI Developed equity versus Emerging index:
 difference of rolling one year returns
 (1999-2019)**



Source: Bloomberg

The week ahead:

Eurozone Sentix investor confidence index for June is expected next week (11/6). **US** headline inflation (12/6) may have dropped at 1.9% in May, while the core inflation has probably remained at 2.1%. In **China**, trade balance for May will be announced on June 10 and industrial production on June 14.

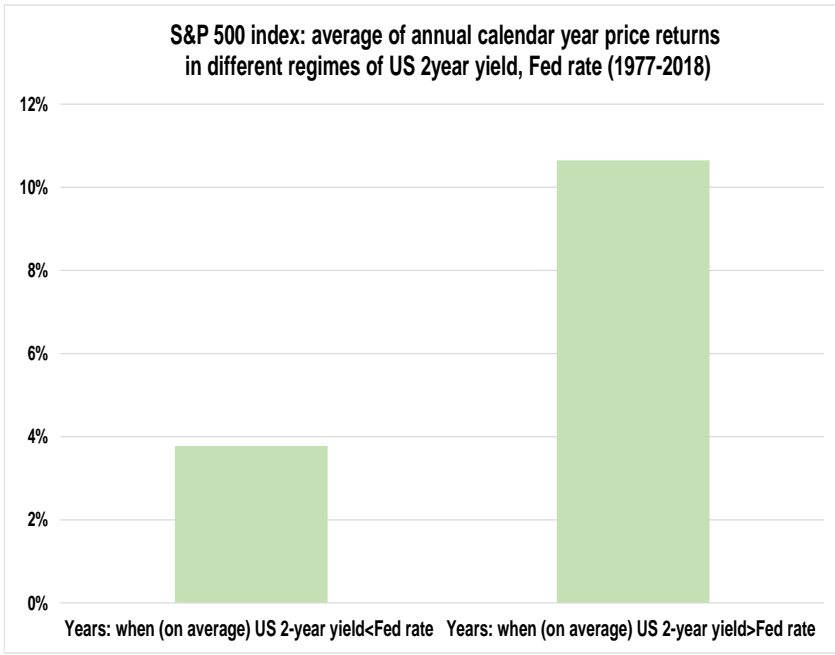
Moderate equity exposure inside a “risk-controlled” balanced portfolio remains appropriate. The target is to capture a part of the potential upside of the global equity market in the medium to long-term horizon, but at the same time trying to avoid a part of the downside, if it happens. Low government yields still “push” investors towards risk taking, but uncertainties remain, including the US-China trade dispute. US employment figures for May will be in focus today (7/6).

Quote of the Week:

The Chairman of the Federal Reserve said (4/6): “We do not know how or when trade negotiations (and other matters) will be resolved. We are closely monitoring the implications of these developments for the US economic outlook and, as always, we will act as appropriate to sustain expansion, with a strong labor market and inflation near our symmetric 2% objective”.

Global Markets in Charts

In calendar years, when the US 2-year government bond yield is (on average) lower than the Fed funds rate, the S&P 500 index tends to exhibit lower average return versus in years when the US 2-year yield is (on average) higher than the Fed funds rate. In 2019 (year to date), US 2-year yield is on average lower than the Fed funds rate.



US 2-year government bond yield has dropped at a low (5/6: 1.77%) since December 2017. The difference of US 2-year yield minus the Fed funds rate is negative on average (-0.1%) during 2019 (year to date). During the last four decades (1977-2018), in these (calendar) years, when the US 2-year yield was (on average) lower than the Fed funds rate, the annual price return of the S&P 500 was (on average) lower (3.8%) versus the opposite case (10.6%). Maximum return was also lower and minimum return was worse. US 2-year yield below Fed funds is associated with worries, which may or may not materialise.

Gold price has benefited from uncertainty about the outcome of the trade dispute and low government bond yields.











Gold price increased at a high (5/6: \$1,344,6/ounce) since mid-February. The drop of government bond yields at low levels is relatively supportive for a “non-yielding asset”, such as Gold. However, it should be noted that a measure of risk, the standard deviation of Gold daily returns, is not low (last one year: close to 10%). Resistance is at the area of \$1,375-80/ounce (6/7/16 high and Fibonacci retracement 38.2%: \$1,922-\$1,046/ounce). Support is at \$1,265/ounce (24/4/19 low and 200 days average).

* Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 10 - 14 June, 2019

Monday 10/6						
Date Time	Country	Event	Period	Survey	Prior	
10/6 00:00	CH	Trade Balance	May	\$23.25b	\$13.84b	
10/6 02:50	JN	BoP Current Account Balance	Apr P	¥1514.5b	¥2847.9b	
10/6 02:50	JN	GDP Annualized SA QoQ	1Q F	2.20%	2.10%	
10/6 02:50	JN	GDP Deflator YoY	1Q F	0.20%	0.20%	
10/6 08:00	JN	Eco Watchers Survey Current SA	May	45.5	45.3	
10/6 08:00	JN	Eco Watchers Survey Outlook SA	May	48	48.4	
10/6 11:30	UK	GDP (MoM)	Apr	-0.10%	-0.10%	
10/6 11:30	UK	Industrial Production MoM	Apr	-0.70%	0.70%	
10/6 11:30	UK	Trade Balance	Apr	£4700m	£5408m	
Eco Event	US	US may impose 5% tariffs on all Mexican goods				
	RU	Russian Energy Minister Novak and his Saudi counterpart Khalid Al-Falih meet				
Tuesday 11/6						
Date Time	Country	Event	Period	Survey	Prior	
11/6 09:00	JN	Machine Tool Orders YoY	May P	--	-33.40%	
11/6 11:30	UK	Jobless Claims Change	May	--	24.7k	
11/6 11:30	UK	Weekly Earnings ex Bonus 3M/YoY	Apr	3.10%	3.30%	
11/6 11:30	UK	ILO Unemployment Rate 3Mths	Apr	3.80%	3.80%	
11/6 11:30	EC	Sentix Investor Confidence	Jun	2.9	5.3	
11/6 13:00	US	NFIB Small Business Optimism	May	102.8	103.5	
11/6 15:30	US	PPI Final Demand YoY	May	2.00%	2.20%	
11/6 15:30	US	PPI Ex Food and Energy YoY	May	2.30%	2.40%	
Eco Event	EC	ECB Governing Council member Olli Rehn speaks (11:00)				
Wednesday 12/6						
Date Time	Country	Event	Period	Survey	Prior	
12/6 02:50	JN	PPI YoY	May	0.70%	1.20%	
12/6 02:50	JN	Core Machine Orders MoM	Apr	-0.80%	3.80%	
12/6 04:30	CH	CPI YoY	May	2.70%	2.50%	
12/6 04:30	CH	PPI YoY	May	0.60%	0.90%	
12/6 15:30	US	CPI YoY	May	1.90%	2.00%	
12/6 15:30	US	CPI Ex Food and Energy YoY	May	2.10%	2.10%	
12/6 15:30	US	Real Avg Hourly Earning YoY	May	--	1.20%	
12/6 21:00	US	Monthly Budget Statement	May	--	\$160.3b	
Eco Event	EC	ECB President Mario Draghi speaks (11:15)				

June 7, 2019

Thursday 13/6						
Date Time	Country	Event	Period	Survey	Prior	
13/6 02:50	JN	BSI Large Manufacturing QoQ	2Q	--	-7.3	
13/6 07:30	JN	Tertiary Industry Index MoM	Apr	0.40%	-0.40%	
13/6 09:00	GE	CPI YoY	May F	1.40%	1.40%	
13/6 10:30	SZ	SNB Sight Deposit Interest Rate	13-Jun	-0.75%	-0.75%	
13/6 12:00	EC	Industrial Production SA MoM	Apr	-0.30%	-0.30%	
13/6 12:00	EC	Industrial Production WDA YoY	Apr	-0.40%	-0.60%	
13/6 15:30	US	Import Price Index MoM	May	-0.40%	0.20%	
13/6 15:30	US	Initial Jobless Claims	8-Jun	--	218k	
Eco Event	EC	Euro-area finance ministers meet in Luxembourg				
	AT	OPEC oil market report				
Friday 14/6						
Date Time	Country	Event	Period	Survey	Prior	
14/6 05:00	CH	Industrial Production YoY	May	5.40%	5.40%	
14/6 05:00	CH	Retail Sales YoY	May	8.00%	7.20%	
14/6 09:45	FR	CPI YoY	May F	1.00%	1.00%	
14/6 12:00	IT	CPI EU Harmonized YoY	May F	0.90%	0.90%	
14/6 15:30	US	Retail Sales Advance MoM	May	0.60%	-0.20%	
14/6 15:30	US	Retail Sales Ex Auto MoM	May	0.50%	0.10%	
14/6 16:15	US	Industrial Production MoM	May	0.20%	-0.50%	
14/6 17:00	US	U. of Mich. Sentiment	Jun P	97	100	
14/6 17:00	US	Business Inventories	Apr	0.40%	0.00%	
Eco Event	UK	BOE Governor Mark Carney speaks in London (15:55)				
Corp. Results		US: Broadcom Inc				

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