



Index	Return		
	Close	Week	YTD
Dow Jones Industrial Average	26,958	0.7%	15.6%
S&P 500 Index	3,023	1.2%	20.6%
NASDAQ	8,243	1.9%	24.2%
Russell 2000 Index	1,559	1.5%	15.6%
MSCI EAFE Index	1,942	1.1%	12.9%
10-yr Treasury Yield	1.80%	0.04%	-0.89%
Oil (\$/bbl)	\$56.60	5.2%	24.6%
Bonds*	\$112.62	-0.2%	8.0%

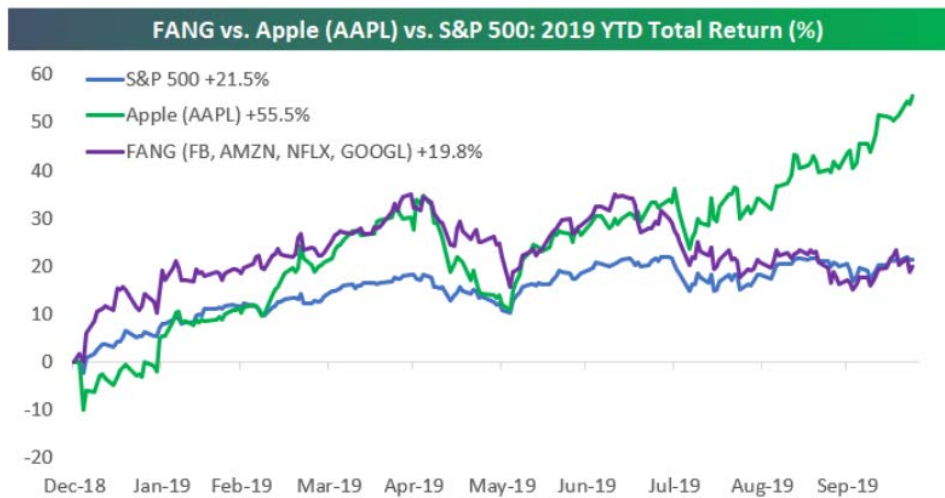
Source: Bloomberg, 10/25/19

*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) rose 1.2% as optimism regarding “phase one” of a U.S.-China trade agreement continued to support risk assets along with improved U.S.-EU trade reports that President Trump is unlikely to implement tariffs on European autos. U.S. economic data was mixed, while Brexit negotiations continued to drag on – surprise, surprise
 - Energy (+4.3%) outperformed as oil prices rose +5.2%
 - Information technology (+2.5%) outperformed with strength from semiconductors, software, and Apple (+4.3%)
 - Apple has distanced itself from its fellow “FANG” members this year



Source: Bespoke

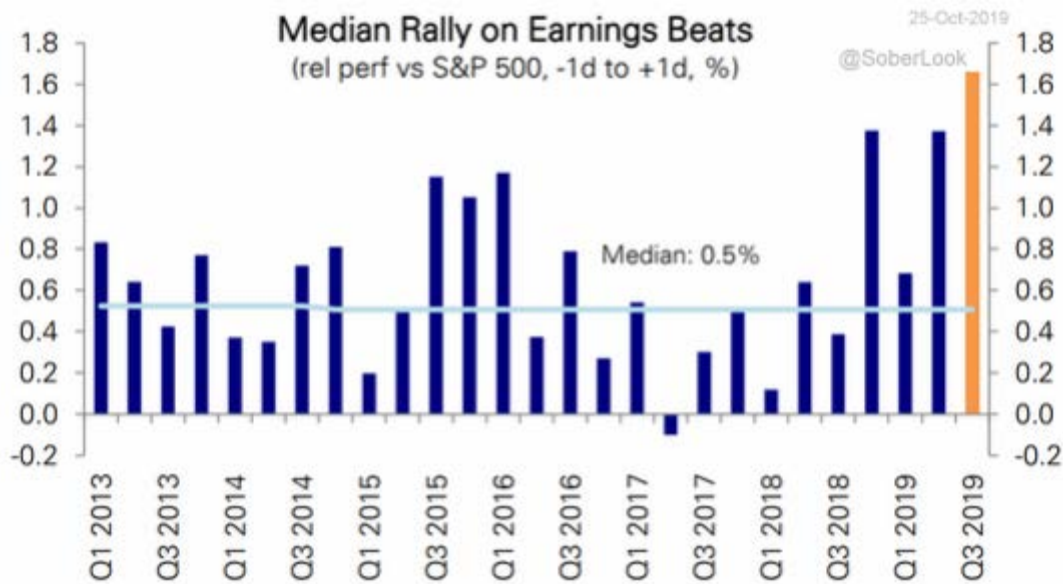


- Industrials (+2.2%) outperformed with strength from rails, airlines, distributors, trucking equipment, and machinery
 - Boeing replaced the executive in charge of the 737MAX program
- Financials (+2.0%) outperformed as banks rose on the steepening yield curve
- Materials (+1.3%) outperformed
- Consumer staples (+0.6%), utilities (+0.5%) and REITs (-1.2%), underperformed as investors favored less defensive sectors
- Healthcare (+0.3%) underperformed with weakness from med-tech offset by strength in biotech and pharmaceuticals
 - Biogen shot up 30% after announcing favorable results for an Alzheimer's drug in development
- Communication services (+0.1%) underperformed as Twitter (-22.3%) plummeted on lingering earnings/guidance headwinds
- Consumer discretionary (-0.8%) underperformed with weakness in restaurants (McDonald's -6.7% & Chipotle -6.4%)
- The U.S. equity market continues to benefit from strong Q3.19 earnings reports as the percentage of companies beating third quarter earnings estimates by more than one standard deviation has been one of the highest on record



Source: Goldman Sachs

- Companies that have beaten earnings estimates have been rewarded with average stock price appreciation of 1.7% vs. 0.5% historical average



Source: Bloomberg Finance LP, Deutsche Bank Asset Allocation

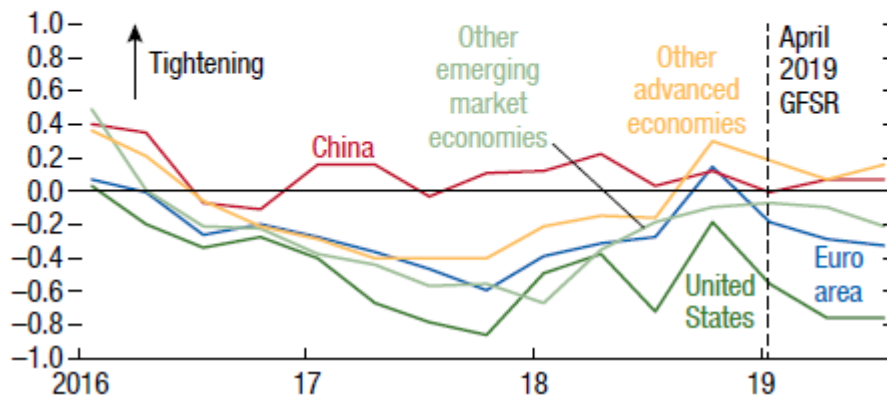
- SoftBank is taking control of WeWork, buying \$1 billion of stock from founder Adam Neumann, who is stepping down. The transaction values the company at approximately \$8 billion, which is a wee bit less than the \$50 billion WeWork’s investment bankers were seeking during a planned IPO less than 60 days ago

U.S. Economic and Political News

- Financial conditions have eased in advanced economies as U.S., European, Japanese, and Chinese central banks continue to implement accommodative monetary policies

Financial conditions have eased in advanced economies ...

1. Global Financial Conditions (Standard deviations from mean)



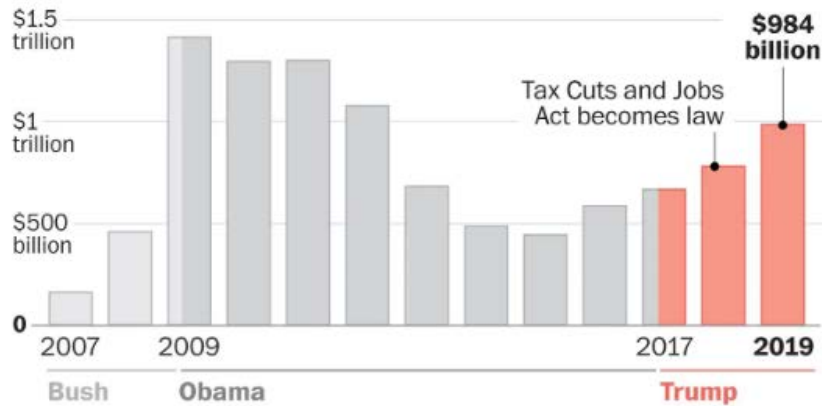
Source: Jefferies



- The U.S. deficit hit \$984 billion in 2019, accord to the Treasury Department, which seems like a reasonably wide degree of overspending vs. tax receipts, considering the strength of the economy

The U.S. budget deficit has more than doubled since 2015

Fiscal-year deficit (The federal fiscal year runs from Oct. 1 to Sept. 30).



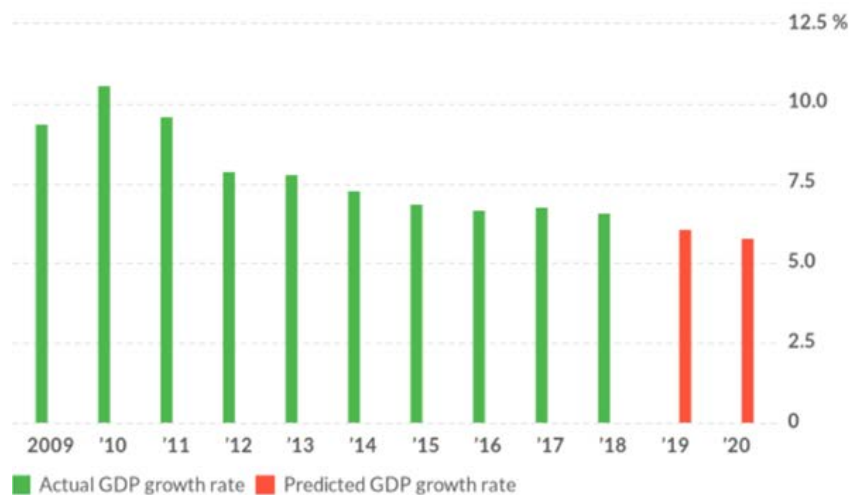
Source: Treasury Department, Office of Management and Budget, The Washington Post

- The FDIC closed two banks Friday, twice as many as it had all year long
 - Say goodbye to the one branch Resolute Bank of Maumee, Ohio as well as the one branch Louis Community Bank of Louisa, Kentucky
- The Richmond Fed manufacturing index lifted to +8 in October from -9 in September
- IHSMARKIT's Services PMI ticked up to 51.0 in October from 50.9 in September, while the Manufacturing gauge rose to 51.5 from 51.1
- Durable Goods Orders fell -1.1% in September, a bit worse than the -0.8% consensus forecast. For the trailing 12 months, orders fell -5.4%, the worst since mid-2016
- Existing Home Sales fell -2.2% in September to a 5.38 million annualized rate
- New Home Sales of 701,000 annualized units nearly precisely matched the 700,000 consensus estimate
- Weekly Jobless Claims printed 212,000, consistent with recent levels
- The University of Michigan's Consumer Sentiment index came in at 95.5 in its final October reading, just shy of the 96.0 consensus forecast



International Markets and News

- European equities (STOXX Europe 600) rose +1.6% as EPFR data showed that European equity funds attracted their biggest inflows since February 2018 in the past week, and Draghi defended the European Central Bank's (ECB) September policy package in his last meeting as president
 - Brexit uncertainty continued as UK Prime Minister Johnson's deal lost a series of votes in Parliament
- Chinese markets (Shanghai Composite Index) rose 0.6% on a string of solid earnings reports and a large liquidity injection (250B yuan or \$35B) by the central bank boosted buying sentiment
 - Last week China reported its GDP grew 6.0% in the third quarter, marking its slowest growth rate since 1992. The 2020 expectations are for the slowing Chinese GDP pace to continue, which may provide motivation for improving trade negotiations with the U.S.



Source: World Bank/IMF

- Japanese equities (Nikkei 225 Index) rose 1.4% despite September exports declining -5.2% year-over-year and October new manufacturing orders also declining (Jibun Bank Flash Manufacturing PMI)
 - As of October 11, ongoing weakness in exports and general economics led the swaps market to indicate a 100% probability the Bank of Japan (BoJ) will trim its short-term interest rate target (currently -0.1%), which has now been reduced to a 50% probability of a rate cut as the U.S.-China "phase one" trade deal was announced, stocks have rallied, and investor sentiment has improved, according to Bloomberg
- Canadian Prime Minister Trudeau won his re-election bid

Commodities

- The price of gold rose 0.8% for the week
- The price of crude oil rose 5.2% and oil remains up 24.6% in 2019 after collapsing in the 2nd half of 2018



This Week:

- Merger mania is alive and well:
 - Prologis announced it is acquiring Liberty Property Trust
 - European luxury goods maker LVMH confirmed it is seeking to purchase U.S. luxury jewelry manufacturer Tiffany
- Richard Branson's Virgin Galactic space company is set to come public
- The European Commission indicated it's agreed to a Brexit extension, which pushes the deadline back from this Thursday into January 2020
- The macro-economic calendar will see the Federal Reserve decision to potentially cut short-term interest rates as anticipated by futures markets (93.5% probability of a rate cut this week, according to Fed Funds Futures)
- Interestingly, perhaps, Sweden's central bank said it probably will raise rates in December. That's a standout comment, from the perspective that Sweden was among the earliest adopters of negative rates. "We've reached the endgame of extreme monetary activism," according to Bleakley Advisory Group's Peter Boockvar
- This week will see earnings season continue. Notable releases include, but are not limited to: Spotify, AT&T, **Checkpoint**, Walgreens Boots Alliance, Beyond Meat, **Alphabet**, Transocean, T-Mobile, XPO Logistics, **Aptiv**, **Chubb**, **Corning**, **General Motors**, ConocoPhillips, GrubHub, **HCA Healthcare**, Incyte, Kellogg, **Mastercard**, **Merck**, Waters, **Marsh & McLennan**, Advanced Micro Devices, Concho Resources, Electronic Arts, Mattel, Mondelez, Stryker, **Yum China**, Zendesk, General Electric, Hess, KBR, Masco, Royal Caribbean Cruises, Yum! Brands, Apple, Apache, Cognizant, **Facebook**, MGM Resorts, **Starbucks**, Tyler Technologies, Vertex Pharmaceutical, Zynga, **Archer Daniels Midland**, **Wabtec**, Clorox, DuPont de Nemours, Dunkin Brands, Estee Lauder, Kraft Heinz, Altria, Wayfair, Fortinet, Mercadolibre, Qorvo, Western Union, **AbbVie**, American International Group, Alibaba, Colgate-Palmolive, Chevron, Newell Brands, Seagate Technology, Exxon Mobil
- U.S. economic data:
 - Monday: Wholesale Inventories, Chicago Fed Index, Dallas Fed Index
 - Tuesday: Case-Shiller Home Price Index, Pending Home Sales, Consumer Confidence
 - Wednesday: MBA Mortgage Purchase Applications, ADP Employment Report, GDP (advance), GDP Chain Price (advance), FOMC Meeting, Fed Funds Rate
 - Thursday: Challenger Job Cuts, Personal Income, Personal Spending, Employment Cost Index, Chicago PMI, Core PCE Deflator
 - Friday: Average Hourly Earnings, Average Weekly Hours, Nonfarm Payrolls, Unemployment Rate, Manufacturing PMI, ISM Manufacturing Index, Construction Spending



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