



# Weekly Brief

**BLACKSUMMIT  
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## Market Action

- Stocks ended October posting some of their best monthly gains in years. 76% of reporting firms have surpassed their earnings expectations thus far in Q3 although sales figures continue to be held back by the strong dollar. It seems companies are on their way to post their first back-to-back earnings declines since 2009.

- Chinese reforms were littered across headlines this week. On Monday the government announced the removal of caps on deposit rates, opening up capital markets to additional competitive forces. On Thursday China announced the formal end of its one-child policy as the Fifth Plenum concluded. Analysts have long argued China needed to scrap the program given its poor demographics but doubts remain on whether it will lead to behavioral changes.

- In addition, the IMF gave a nod towards including the yuan into its Special Drawing Rights. Combined with the United States' softened language on the yuan-dollar exchange rate it seems China is making headway towards attaining greater international presence in current markets.

- The U.S. announced preliminary estimates for Q3 GDP of 1.5%. The number slightly missed expectations and is a far cry from the close to 4% rate of Q2. Renewed concerns over economic weakness have strengthened advocates for maintaining zero-rates into 2016.

- Despite the worst trade data in years, lowered forecasts for economic growth and fears of a recession Japanese leaders maintain the current course is appropriate for the country. Renewed stimulus from monetary and fiscal authorities has been speculated for the past couple of months.

-The election of Justin Trudeau as the new Prime Minister of Canada marks a new turn in policy in for the country. The new leader has promised to run deficits for 4 years to revitalize an economy struggling with the crash in energy prices.

<u>Equities</u>	Current	Weekly	Monthly	Year to Date
<u>U.S.</u>				
Dow Jones	17,663.54	0.10%	8.47%	-0.95%
S&P 500	2,079.36	0.20%	8.30%	1.03%
Nasdaq	5,053.75	0.44%	9.38%	6.92%
<u>Europe</u>				
FTSE	6,361.09	-1.29%	4.94%	-2.85%
DAX	10,850.14	0.52%	12.32%	11.12%
<u>Asia</u>				
Nikkei	19,083.10	1.37%	9.75%	9.35%
Shanghai	3,391.35	6.54%	7.58%	1.22%
<u>Currencies</u>				
EUR/\$	\$1.101	\$(0.00)	\$(0.02)	\$(0.10)
\$/Yen	¥120.61	-¥0.59	¥0.80	¥0.41
UK/\$	£1.54	£0.01	£0.03	£0.01
<u>Bonds</u>				
10 Yr Treasury Yield	2.15	0.056	0.086	0.026
Moody's AAA	4.04	0.15	0.07	0.370
<u>Commodities</u>				
WTI	\$46.39	\$1.79	\$0.83	
Brent	\$49.50	\$1.51	\$0.45	
Gold	\$1,142.35	\$(18.90)	\$28.35	\$(29.65)

<u>Returns (%)</u>			
Sector Name	1-Week	1-Month	YTD
Basic Materials	0.62	13.40	12.20
Communication Services	0.44	6.82	-2.08
Consumer Staples	-1.68	5.70	2.90
Consumer Discretionary	1.68	9.10	12.20
Energy	-0.31	11.20	-14.00
Financial Services	-0.25	6.30	-2.60
Healthcare	2.99	7.80	4.40
Industrials	-0.71	8.80	-4.10
Technology	-0.41	10.50	5.60
Utilities	-1.88	1.10	-7.40

**Economic Calendar: November 2 – November 6**

Date	Release	For	Est
11/01	PMI	Oct	54
11/01	ISM	Oct	51.0%
11/03	Factory Orders	Sept	0.2%
11/04	ADP Employment	Oct	180,000
11/05	Weekly Jobless Claims	10/30	265,000
11/05	Productivity	Q3	-0.2%
11/05	Unit Labor Costs	Q3	2.5%
11/06	Nonfarm Payrolls	Oct	180,000
11/06	Unemployment Rate	Oct	5.1%

**This Week From Blacksummit**

[Shifting Cycles and Portfolio Structures: Hand Me Another Brick to Build a Shelter From the Storm](#)

John E. Charalambakis

**Recommended Reads**

[Is the Economy Really in Trouble? A Debate](#)

Neil Irwin, New York Times

[Resurrecting Glass-Steagall](#)

Simon Johnson, Project Syndicate

[Mark Carney is Compromising the Bank of England's Independence](#)

Tony Yates, The Independent

[History is Getting Its Revenge on Economics](#)

Matt Phillips, Quartz

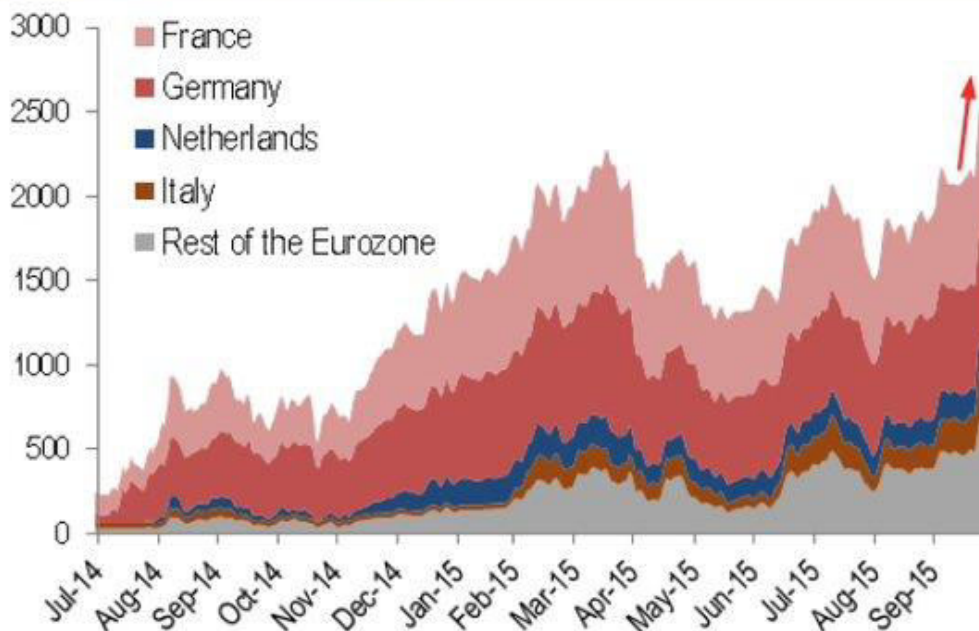
[The Wrong War for Central Banking](#)

Stephen Roach, Project Syndicate

**Image of the Week: A Resurgence in Negative Yields in Europe**

Source: The Daily Shot

**Chart 2: New highs in negative-yielding assets in the Eurozone after the ECB's dovishness last week (€bn)**



Source: Bloomberg, BofA Merrill Lynch Global Research, Bloomberg.