



INCISIVE INVESTOR

Randall Fielder, President & CEO

16225 Park Ten Place Suite 500; Houston, TX 77084

713-955-3555 ; randall@park10financial.com

www.park10financial.com

WEEK IN REVIEW: US GROWTH IS REVISED UP SLIGHTLY

Review of the week ended September 30, 2016

- **Q2 US GDP revised up**
- **Sentiment improves in Eurozone**
- **Oil producers outline potential production cap**
- **US Congress agrees on government funding deal**

US markets had their usual up-one-day-down-the-next scenario this week. A rally in oil prices and an increase in concern over the financial status of Germany's largest lender were major areas of interest during the week. Firmer growth in the US during the second quarter and signs of that there will be improvement in the third quarter were positives.

All three major indices were up for the week between 0.7% and 0.9% due to a nice rally on Friday.

Oil prices were lifted by hopes of an OPEC production cap, with West Texas Intermediate crude rising to \$47.90 per barrel from \$46.25 last week. The 10-year US Treasury note yield fell to 1.56% this week from 1.62% a week ago.

ECONOMIC NEWS

US growth revised slightly higher

Economic growth in the second quarter was revised slightly higher by the US Bureau of Economic Analysis. Gross domestic product expanded by a revised 1.4%, up from an earlier 1.1% estimate. Early indications are that growth picked up further in the third quarter, with estimates by the US Federal Reserve banks of New York and Atlanta averaging 2.5% for the quarter, which ends today.

Oil producers agree on need for cut, but give few details

OPEC members agreed to the need for a production cap to help reduce a surplus in the global crude oil market but revealed few specifics ahead of a meeting in November. It is expected that production will be trimmed between 500,000 and 750,000 barrels per day from the August level of 33.2 million barrels per day. What is unclear is which member countries will



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be exempt from production cuts. Given OPEC's history of failing to adhere to production quotas, markets remain skeptical.

US Congress passes funding package

With a few days to spare, US lawmakers approved a continuing resolution that will fund the government through 9 December. The US government's fiscal year draws to a close at midnight tonight.

Global trade lags GDP growth for first time in years

Global trade is growing slower than the world economy for the first time in 15 years, the World Trade Organization reported this week. The WTO sees trade expanding at a 1.7% rate this year, while global GDP is expected to expand by 2.2%. WTO Director-General Roberto Azevêdo warned that the slowing of trade is a serious wake-up call, particularly in the

context of growing anti-globalization sentiment.

European banks under pressure

Shares of Germany's Deutsche Bank were pressured this week by a looming legal settlement with the US government over mortgage-backed securities sales during the mid-2000s housing bubble. The bank's woes helped push the yield on the 10-year German bund to -0.15%, the lowest since July. Negative interest rates in Europe are pressuring the sector as a whole, leading two large European lenders, Commerzbank and ING Groep to announce large layoffs this week.

Super-brewer deal approved

Shareholders of AB InBev and SABMiller approved the \$80 billion merger of the two giant brewers. The combined entity will produce roughly 30% of the world's beer.

THE WEEK AHEAD

- **Global manufacturing purchasing managers' indices are reported on Monday, October 3**
- **The minutes of the European Central Bank's September meeting are released on Thursday, October 6**
- **The September US employment report is released on Friday, October 7**