



# INCISIVE INVESTOR

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## WEEK IN REVIEW OIL SURGE LIFTS AS IRAN DEAL SCRAPPED

### Review of the week ended May 11, 2018

- **US crude increases above \$71**
- **Trump-Kim summit set for June 12 in Singapore**
- **NAFTA deadline announced**
- **Argentina turns to IMF for support**

As of noon on Friday, global equities showed a solid advance on the week. Yields on US 10-year Treasury notes were unchanged at 2.96% while the price of a barrel of West Texas Intermediate crude oil reached its highest level since December 2014. At midday WTI traded at \$71.17. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), declined to 13.2 from 15.2 a week ago.

U.S. stocks ended mostly higher Friday, with the Dow posting its longest win streak since late last year. Few economic reports on inflation or the economy were able to deter Wall Street from tentatively buying assets perceived as risky. Although comments by President Donald Trump proposing sweep changes to health-care policy briefly pushed the main benchmarks to intraday losses before rebounding.

The Dow Jones Industrial Average DJIA rose 0.4% to 24,831.17, marking its seventh straight positive session — its longest winning streak since a similar stretch that ended Nov. 8, 2017. The S&P 500 SPX, rose 0.2% to 2,727.72, with gains in health-care stocks, up 1.5%, and telecommunications, rising by 2.1%, producing the best returns of the broad-market benchmark's 11 sectors.

The Nasdaq Composite Index COMP meanwhile, lagged behind its peers, finishing at break-even levels for the session, down less than 0.1%, at 7,402.88, and ending its multiday run-up of five consecutive advances, that representing its best string of victories since February.

Overall, stocks booked solid gains as buyers felt supported by solid corporate earnings, and a retrenchment of government bond rates and the dollar, both factors that can prompt

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investors to sell stocks amid pressure from a rapidly rising rates and a strengthening currency, which can be a headwind for countries doing business abroad, making products and services relative more costly to foreign buyers using weaker monetary units.

For the week, the Dow rose 2.3%, the S&P 500 advanced 2.4% and the Nasdaq climbed 2.7%.

## **Amid Iran agreements fears, oil extends increases**

West Texas Intermediate crude oil rallied as high as \$71.79 a barrel this week in the wake of US president Donald Trump's move to pull the US out of the Iran nuclear agreement. Unless a new arrangement is made, sanctions will begin to be reinstated on Iran in the next 90 to 180 days. Iran raised its production over a million barrels a day when sanctions were lifted in early 2016. At least some of that production is expected to be lost, sustaining prices somewhat. Iran's regional rival Saudi Arabia says it will work with others to moderate any potential supply shortages. Tensions between Iran and Israel strengthened upwards further this week, with Iran firing rockets into Israeli territory from Syria, prompting Israel to strike back, destroying a good deal of Iran's Syrian military infrastructure.

## **US/North Korea summit set**

President Trump will meet his North Korean counterpart, Kim Jong Un, on June 12 in Singapore in an attempt to denuclearize the Korean peninsula. US secretary of state Mike

Pompeo traveled to Pyongyang this week for further summit preparations and returned home with three American detainees that had been held by Kim's regime.



## **Ryan enforces NAFTA deadline**

With US, Mexican and Canadian negotiators scrambling to conclude an updated NAFTA agreement, US speaker of the house Paul Ryan has set a May 17 deadline on the process. Ryan says Congress needs an agreement by that date in order for it to be considered in this year's legislative session. Mexico's economy minister, Ildefonso Guajardo, said he expects to know whether a deal can be struck by the end of the day.

## **Argentina request's IMF aid**

Attempts by Argentina to stem capital outflows proved inadequate this week, prompting the government of President Mauricio Macri to turn to the International Monetary Fund for help. In recent weeks, the markets have lost confidence in Macri's

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gradual approach to undertaking much-needed fiscal reforms. Talks are now proceeding with the IMF, and any support package will likely require faster fiscal consolidation. For Macri, who faces voters late next year, turning to the IMF for support is risky, given its deep lack of popularity in Argentina stemming from how past crises have been handled.

## US consumer price increases subdued

The dollar lost a bit of ground and 10-year Treasuries slipped back after another probe above the 3% level this week as the US reported a small milder-than-expected rise in the Consumer Price Index. CPI rose 0.2% in April from March, while ex food and energy prices rose a scant 0.1%. The data suggest the US Federal Reserve can maintain its gradual rate-hiking pace.

## Earnings news

With nearly 91% of the voters of the S&P 500 Index having reported for Q1, earnings per share growth is running at 24.9% compared with the same quarter a year ago, according to Fact Set Research. Revenues are growing at an 8.2% year-over-year rate.

## Major Stock Moves

The Trade Desk Inc. TTD jumped 43.4% after the platform for managing digital-ad campaigns blew out earnings forecasts. It reported that streaming TV advertising surged nearly 2,000% over the year in the first quarter.

Shares of Nvidia Corp. NVDA fell 2.2% after the chip maker's shares fell in late trade, even after the company reported results and an

outlook that topped Wall Street's view. The stock was one of the bigger drags on the overall technology space, and it also weighed on other chip makers. Advanced Micro Devices AMD declined by 1.5%.

Dropbox Inc. DBX ended down by 2.3% even after the cloud-storage company beat earnings and sales forecasts, but results weren't as blowout as Wall Street would have liked.

Shares of PPG Industries Inc. PPG fell 5.4% after the paint maker fired its controller and reassigned employees as it said it found additional accounting errors worth millions.

The exchange traded SPDR S&P Biotech ETF XBI, a broad gauge of biotechnology names, ending 2.9% higher, the SPDR S&P Pharmaceuticals ETF XPH, a popular ETF tracking pharmaceuticals, rose 2.7%, while the Health Care Select Sector SPDR XLV climbed 1.5%. Market participants attributed the gains to Trump's proposals on managing drug pricing and drug and medical-device manufacturing being less concrete than had been feared by investors in the sector.





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## THE WEEK AHEAD

Date	Country/Area	Release/Event
Tue, May 15	China	Retail sales, industrial production
Tue, May 15	United Kingdom	Unemployment rate
Tue, May 15	<u>eurozone</u>	Gross domestic product, industrial production
Tue, May 15	United States	Retail sales, business inventories
Wed, May 16	Japan	Industrial production
Wed, May 16	<u>eurozone</u>	Consumer price index
Wed, May 16	US	Industrial production
Fri, May 18	Japan	Consumer price index
Fri, May 18	Canada	Retail sales, consumer price index



## ESTATE MANAGEMENT CHECKLIST

Is your estate in order? This short quiz may help you assess your overall strategy.

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