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WEEK IN REVIEW

JOBS REPORT FUELS HOPES OF A FED RATE CUT

Review of the week ended June 7, 2019

- **US job reports lower than anticipated**
- **US Potential consequences of weakening global economy**
- **US/Mexico proceed with negotiations**
- **China critical but willing**
- **Global PMI cools**

Stock Market News

The U.S. economy created 75,000 new jobs in May, well below 185,000 predicted by economists. Additionally, weakening economic data support argument for a cut in interest rates as soon as this summer. Finally, major benchmarks notch best week since November.

U.S. stocks closed higher Friday, following a weaker-than-expected jobs report, which supported the case for the Federal Reserve to ease interest rates in the near future, amid fears that the U.S. economy is decelerating as trade tensions between the U.S. and counterparts Mexico and China persist.

The Dow Jones Industrial Average DJIA rose

263.28 points, or 1%, to 25,983.94, while the S&P 500 index SPX gained 29.85 points, or 1.1%, at 2,873.34. The Nasdaq Composite Index COMP advanced 126.55 points to 7,742.1, a gain of 1.7%.

On Thursday, the Dow rose 181.10 points, or 0.7%, at 25,720.66, representing its longest string of gains since March 18, according to Dow Jones Market Data. The S&P meanwhile, rose 17.34 points, or 0.6% to 2,843.49, while the Nasdaq added 40.08 points, or 0.5%, to reach 7,615.55.

For the week, the Dow gained 4.7%, the S&P 500 returned 4.4%, while the Nasdaq climbed 3.9%. The Dow and S&P 500 had their best weekly showing since late November, while it was the Nasdaq's best performance since the week ended Dec. 28, according to FactSet data.

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MACRO NEWS

US job-gain report reveals slow pace in May

Nonfarm payrolls grew a less-than-expected 75,000 in May, while large downward revisions to the prior two months' data shaved 75,000 jobs from the employment rolls. The unemployment rate held stable at 3.6%, still near a 50-year low, while wages increased at a 3.1% annual rate, showing few signs of speeding up. Companies have turned cautious on hiring amid slowing global growth and increasing trade tensions.

Central Banks signal readiness to act



Three of the world's most influential central banks signaled this week that they are ready to take action if the global economy continues to weaken. At a conference in Chicago this week, US Federal Reserve Chairman Jerome Powell dropped the word "patient" from his description of the central bank's policy position. He said instead that the Fed is monitoring the inferences for the US economy of trade developments and will act as appropriate to sustain the expansion. Markets continue to price in rate cuts, with multiple rate cuts possible by the end of the year. Later in the week, European Central Bank President Mario Draghi recognized that some members of the Governing Council raised the possibility of a rate cut at the council's Thursday meeting while also delaying any hike until the middle of 2020. The ECB also laid out the guidelines for another round of cheap loans in order to secure sufficient liquidity in Europe's banking system, though the new loans will be a little more pricey than the ones they are replacing. On Friday, the People's Bank of China specified that it has plenty room to reduce monetary policy further if the trade war deepens. Meanwhile, two central banks lowered rates this week: The Reserve Bank of Australia cut its overnight lending rate to a record low of 1.25% while the Reserve Bank of India trimmed its repo rate for the third time this year, to 5.75%.

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US/Mexico trade discussion commence



Mexican officials arrived in Washington this week to try to short-circuit a planned 5% tariff on products from Mexico set to be put in place on Monday. If a duty is charged and collected by the United States, it will rise 5% each month until it reaches 25% in October. US President Donald Trump said progress had been made in the talks but not enough to prevent the tariff. Mexican President Andrés Manuel López Obrador said he hopes a deal can be reached, praising the US for remaining open to negotiation. Congressional Republicans are against using tariffs to combat non-trade-related matters and have threatened to upend the levy.

China faults US on trade but remain open



China released a white paper on trade this week critical of the US, blaming it for backing away from a trade deal in early May. At the same time, the country repeated its readiness to renew talks. The first direct contact between the two sides will happen this weekend in Fukuoka, Japan at a meeting to prepare for the full G20 summit that will occur later in June in Osaka, Japan, at which US Secretary of the Treasury Steven Mnuchin is set to meet People's Bank of China Governor Yi Gang.

Global PMI falls lower



The global manufacturing sector continues to cool, as illustrated by a contraction in a widely followed sentiment index published this week. The J.P. Morgan global purchasing managers' index fell to 49.8, the lowest level since October 2012. More than half of the world's manufacturing PMIs contracted in May. In the US, manufacturing expanded modestly, with the Institute for Supply Management's PMI reading at 52.1 in May, a decline from April's 52.8.



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Headliners

The Trump administration deliberated tariffs on imports from Australia but decided against them. However, US trade with India is coming under increased scrutiny.

The World Bank lowered its 2019 global growth forecast to 2.6% from its January projection of 2.9%.

The International Monetary Fund lowered its forecast for economic growth in China to 6.2% this year and 6% next year, down 0.1% from its January forecasts. It also raised its 2019 US forecast to 2.6% from 2.3%.

China and Russia agreed this week to develop

a complete and thorough strategic partnership in hopes of taking bilateral ties to a higher level, Chinese state media reported.

Mexico's credit rating was downgraded one notch by Fitch to BBB from BBB+. Its outlook was lowered to negative from stable by Moody's.

The European Commission called on Italy to cut its fiscal shortage by €4 billion and said it will begin an extreme deficit procedure, which could result in fines and the withholding of some funds from the European Union if Italy does not comply.



MAJOR STOCK MOVES

Barnes & Noble Inc. BKS shares were in focus, after the bookseller confirmed it will be acquired hedge fund Elliot Management Corp., for \$6.50 per share, in a deal valued at \$683 million, including the assumption of debt. The stock rose 11.1% to \$6.62 a share.

Shares of Zoom Video Communications Inc. ZM closed up 18.4%, after the firm

announced better-than-expected earnings Thursday evening.

FedEx Corp. FDX announced Friday that it "has made the strategic decision to not renew the FedEx Express U.S. domestic contract with Amazon.com, Inc. AMZN as we focus on serving the broader e-commerce market." FedEx said that it has derived just 1.3% of its total revenue from Amazon over the past 12 months. FedEx shares rose 0.8%, while Amazon ended the day 2.8% higher.

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THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Jun 10	Japan	Q1 gross domestic product
Mon, Jun 10	China	Trade balance
Mon, Jun 10	United Kingdom	Industrial production
Tue, Jun 11	United Kingdom	Unemployment rate
Wed, Jun 12	United States	Consumer price index
Thu, Jun 13	Eurozone	Industrial production
Fri, Jun 14	China	Retail sales, industrial production
Fri, Jun 14	United States	Retail sales, industrial production



DON'T BUY THE HYPE

There are a lot of misconceptions about Social Security. Here's [the truth about three of them](#).

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