



MARKET SUMMARY for week of November 22nd, 2015

Dow: 17,823.81 (+0.51%)

S&P: 2089.17 (+0.38%)

NASDAQ: 5104.92 (+0.62%)

UST 10y: 2.2620% (+0.62%)

EUR/USD: 1.0638 (-0.10%)

Crude Oil: \$39.39 (-2.84%)

Gold: 1,076.7 (-0.11%)

*% indicates weekly change.

GENERAL MARKET SENTIMENT:

POSITIVES:

- The S&P 500 gained 3.5%, its strongest week of 2015.
- NFIB small-business index came in at 96.1, unchanged from the previous reading.
- Headline and Core CPI were right in line with expectations, -0.2% and 0.2% m/o/m respectively.
- The MBA Mortgage composite index rose 6.2% w/o/w, up from -1.3% previously.
- The Philly Fed business outlook survey came in at 1.9, above expected.

NEGATIVES:

- Industrial production fell 0.2% m/o/m, slightly worse than expected. However, construction supplies and manufacturing rose 0.4%, snapping a two-month decline.
- Housing starts fell 11% in October to a 1.06 mm annualized rate, below the 1.16 expected.
- The housing market index came in at 62, slightly below expectations.
- Empire Manufacturing Index came in at -10.74, below expectations and the fourth consecutive negative reading.
- The Bloomberg Consumer Comfort index fell for the third time in four weeks.

Emerging Market Valuations Continue to Sink

Major sell-off in emerging market equities continues

- MSCI Emerging Market Index fell to just 12.8 times 10-year average returns which is way below its previous low of 13.5 during the 1997-1998 Asian Financial Crisis
- This is due to a drop in commodity prices and increase in the value of the dollar
- Dominic Rossi, global chief investment officer for equities at Fidelity International, thinks that this a potential buying opportunity since the factors above “have likely discounted much of the bad news”
- Higher rates in the US, economic headwinds, and dropping commodity prices still create a bleak outlook for emerging markets
- Goldman Sachs predicts that emerging market countries will grow 4.9% next year versus the estimated 4.4% for 2015
- Certain countries such as India, Mexico, and Russia are better positioned to take off as they have improved their assets
- Furthermore government policies in India and Mexico have attracted investors

Prices for Base Metals Plummet

Copper and Nickel hit six- and 12 ½ year lows as China demand slows and dollar strengthens

- Copper and nickel fell to fresh multiyear lows due to a strong dollar, rising output, and slowing demand
- Prices for copper and nickel fell 27 and 42% respectively year to date
- Because most metals are dollar-denominated, a strong dollar makes commodities more expensive to other countries
- The US dollar continues to rise as investor speculate that the fed will raise interest rates in December

- Prices also have a strong effect on emerging market countries that have been relying on mining to grow
- Even as demand falls, analysts don't expect a decrease in production, causing a surplus of metals in the market
- Mining and production companies have been suffering in the stock market due to these prices as shares prices of Glencore, Freeport McMoRan, and Vale have fallen 37, 65, and 37% respectively.

Cut Oil or Drop Rival Peg, Saudi Arabia's Dilemma

In 2016, Saudi Arabia faces a crucial decision in which they will likely have to choose to cut their oil supply or drop their currency's peg (Riyal-Dollar).

- Saudi Arabia is pumping oil at record rates, 10 million barrels a day for the last 18 months, leading OPEC to defend market share by increasing supply.
- Saudi Arabia was forced to tap savings and sell debt to make up for a plunge in oil revenue and to defend its 30 year old peg to the dollar.
- Weak global growth and inflation as well as a strong dollar will remain a "huge" headwind for dollar-based commodity prices, BofA said. Brent crude closed last week at \$44.66 per barrel, down 44 percent from a year earlier.
- The country's peg survived low oil prices in the 1990s and revaluation pressure resulting from surging prices in the late 2000s
- Although dropping the Riyal-Dollar peg is a possibility, it is a lot easier politically to implement a supply cut than allow for a full blown currency devaluation.

Chipotle and Tesla shares drop

E. coli outbreak linked to Chipotle Mexican Grill Inc. and front seatbelt issue in Teslas's Model S cars cause for concerns

Chipotle:

- Evidence suggests that an ingredient or "common meal item" served by Chipotle in several states was the source of the outbreak
- E. coli probe had previously focused on Oregon and Washington; cases now suggest the probe has spread to 6 states including California and NY
- The company's shares tumbled 12 percent to close at \$536.19 in New York, marking the worst drop in more than three years
- Comparable sales have slowed and will be impacted by E. coli, but long-term comps will grow as also the number of restaurants and the potential for Chipotle's newer brands.

Tesla:

- Conducting its largest-ever recall of all 90,000 Model S cars because of a single report of a front seat belt not being properly connected
- "Tesla recently found a Model S in Europe with a front seat belt that was not properly connected to the outboard lap pretensioner"
- The company's shares slid 1.9 percent to \$217.59 at 2:38 p.m. New York time
- Interesting however, some who are bearish on the stock: "we estimate the cost is not material and shows Tesla's heightened focus on safety"

