



## MONDAY MAY 9, 2016

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	17,705.91	-34.72	3.79	88	67
Nasdaq:	4,750.21	+14.05	1.63	108	99
S&P 500:	2,058.69	+1.55			
10 yr note:	1.76%	-2bps			
Volatility:	14.57	-0.15			
EUR-USD:	1.138	-0.002	Crude Oil:	43.44	-1.22
USD-JPY:	108.77	+1.47	CRB-Com:	177.04	-2.88

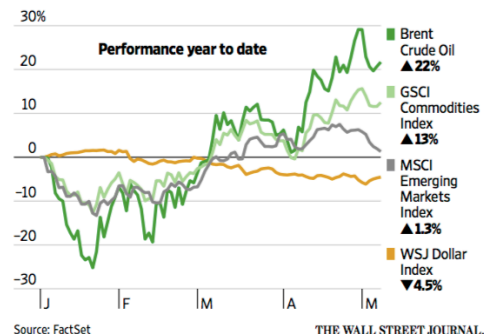


Markets sputter following Friday's bounce off of their lower Bollinger band. The Dow (-0.2%) fell while the S&P 500 (+0.1%) and Nasdaq (+0.3%) gained. Healthcare (+2.0%) and biotech (+2.4%) stocks rallied the most today, even though the biotech sector remains 23% lower so far this year (WSJ). Volatility fell 1%, reflecting easing investor concerns despite Friday's weaker than expected employment report.

Oil prices (-2.7%) restrained further gains in the broader market, hit by dollar strength and weak economic data. Gold, silver and copper all fell 2%, following the Shanghai Composite (-2.8%) lower as Chinese exports unexpectedly fell. Nevertheless the Nikkei (+0.7%) gained on yen (-1.1%) weakness, breaking a string of 6 consecutive losses as the BOJ threatened yen intervention. The WSJ Dollar Index (+0.6%) gained for a 5<sup>th</sup> day today but still remains 4% lower so far this year. European Shares (+0.5%) gained following stronger than expected manufacturing data.

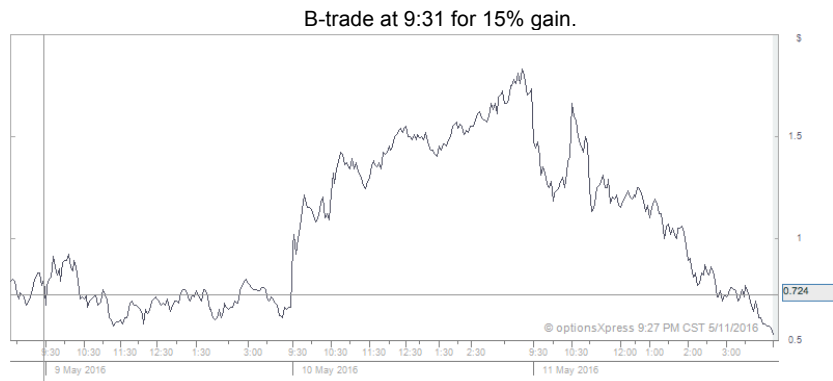
Global bond yields remained depressed, shifting focus to higher-yielding dividend stocks. Low returns on the longest dated bonds are extraordinary: Japanese 40-year government bonds (+0.30%), Germany's 30-year bund (+0.90%) Britain's 50-year gilt (+2.10%) and US 30-year Treasury bonds (+2.60%).

The power of dollar-weakness may be diminishing, as the correlation of Morgan Stanley's Global Risk Demand Index (measuring moves stocks, commodities, and emerging markets) with the dollar peaked at -86% in April, now standing at -76%. Nevertheless the market is still heavily short the dollar, with the most negative bets since February 2013 (CTFC, Scotiabank). With weak interest rate hike expectations for June (16%) and December (61%), any positive economic data with a corresponding increase in the rate outlook could spur a short-covering rally in the dollar.



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B-trade successful today but B-11 would not have been as the option price deflated mid-day. C-Trade would also have worked for capitulation up with VIX<15, and seems like a better option.



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