



WEDNESDAY SEPTEMBER 28, 2016

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	18,339.24	+110.94	3.86	329	443
Nasdaq:	5,318.55	+12.84	1.79	146	175
S&P 500:	2,171.37	+11.44			
10 yr note:	1.57%	+1bps			
Volatility:	12.39	-0.71			
EUR-USD:	1.122	unch	Crude Oil:	47.05	+2.38
USD-JPY:	100.73	+0.31	CRB-Com:	185.90	+2.79

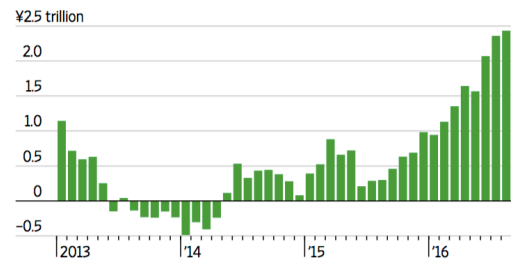


Market rally for a second day on higher volume as volatility (-5.4%) continues to ebb. A 5.3% spike in oil prices led the Dow (+0.6%) and S&P 500 (+0.5%) higher, while weakness in biotech stocks hindered the Nasdaq's (+0.2%) gain. Today's rally was the largest in 5 months for oil, as OPEC countries agreed to cut production following their November meeting. The Canadian dollar (+1%), Norwegian krone (+0.9%) and Russian ruble (+0.9%) all rallied against the dollar on the news. 10-year treasury yields finally broke 8 consecutive daily declines, rising 1bps to 1.57%. European stocks (+0.7%) continued to recover from Monday's selloff while the Nikkei (-1.7%) fell.

Negative rates in Japan has forced investors to search for yield abroad, despite recent gains in currency hedging costs nearly offsetting the yield differential. Major Japanese institutional investors have spent \$448 billion on foreign securities over the past 12 months, 73% greater than they spent over the prior 12 months (BofA, WSJ).

No trade: both C and B11 would have succeeded.

Net Japanese portfolio investment in long-term foreign debt, 12-month moving average



Note: ¥1 trillion = \$9.94 billion
Source: Ministry of Finance

THE WALL STREET JOURNAL.

ECONOMIC REPORTS:

August Durable Goods Orders: unchanged. Orders remain 1.3% lower over the past year amid dormant business investment and global demand. Shipments of core capital goods excluding aircraft (-0.4%) continued a strong of weakness dating back to May, although core capital goods orders gained 0.6% in August (Econoday).

Weekly Mortgage Applications: -0.7%. Mortgage activity falls again despite lower rates. Purchase (+1%) applications gained while refinance (-2%) applications continued to fall.

Rates:

30 Year Fixed:	3.66%	-4bps
15 Year Fixed:	2.95%	-4bps
5/1 Year ARM:	2.92%	-4bps

Weekly Crude Inventories: -1.9 million barrels. Oil inventories fall for a fourth week, amount to nearly a 15 million barrel decline over that period. Gasoline (+2.0 million) and distillate (-1.9 million) inventories were mixed.