



**THURSDAY OCTOBER 13, 2016**

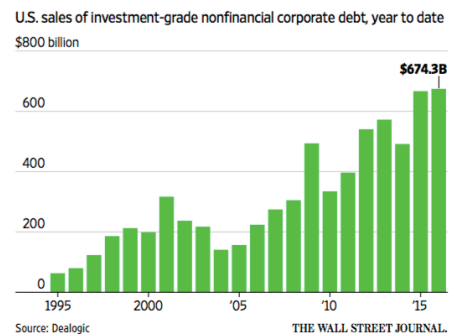
	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	18,098.94	-45.26	<b>3.54</b>	50	55
Nasdaq:	5,213.33	-25.69	<b>1.74</b>	35	52
S&P 500:	2,132.55	-6.63			
10 yr note:	1.74%	-4bps			
Volatility:	16.69	+0.78			
EUR-USD:	1.105	+0.004	Crude Oil:	50.44	+0.25
USD-JPY:	104.11	-0.37	CRB-Com:	189.14	+1.08



Chinese fears reemerge following a weaker than expected trade report, sending Asian (-1.6%), European (-0.9%) and US stocks lower. The Dow and S&P 500 both fell 0.3%, rebounding from the Dow's 185 point loss during the open. Volatility (+5%) gained for a third day.

China's September trade surplus of \$42 billion was well short of expectations as exports (-10% yoy) declined much faster than imports (-1.9% yoy). September's decline showed a steep deceleration from August's -2.8% annual export change and import's +1.5% annual gain. The fact that exports have weakened despite a 8% decline in the yuan on a trade weighted basis highlight the weakness within global trade, which is now expected to grow at its slowest pace since the financial crisis.

Leverage carried by companies rated investment grade and below continues to hit record levels, far surpassing highs hit before the financial crisis. Median debt at speculative-rated companies is currently 5x Ebitda, higher than 4.2x hit in 2008. Similarly investment-grade companies currently hold 2.6x debt, compared with a high of 2.2x in 2009 (Moody's data, WSJ). Higher debt levels have concerned the Fed, as yesterday's minutes show, "A few participants expressed concern that the protracted period of very low interest rates might be encouraging excessive borrowing and increased leverage in the nonfinancial corporate sector."



## **ECONOMIC REPORTS:**

**September Import & Export Prices:** +0.1%, +0.3%. Import prices continue to recover, gaining for their 6<sup>th</sup> month out of the past 7 as oil prices and the dollar rally stabilize. Imported petroleum prices (+1.2%) gained in September but are still down 2.4% from a year earlier. Stripping out energy prices, import prices were flat in September and 0.8% lower over the past year. Including petroleum prices brings annual declines to -1.1%, the smallest annual drop since August 2014.

**Weekly Jobless Claims:** -3,000 to 246,000. Jobless claims remain at historical lows, highlighting a resilient labor market. Both claims and their 4-week average (249,250) are 10,000 below month ago comparisons, foreshadowing another strong employment report in October.

**Weekly Bloomberg Consumer Sentiment:** +0.7 to 42.1. While the Conference Board's confidence indicator hit a 9-year high last month, this weekly gauge has followed the University of Michigan's monthly index, unable to recovery from recent highs hit during the summer.

**Weekly Crude Inventories:** +4.9 million barrels. Oil inventories recovery following 5 weeks of declines which amounted to nearly a 18 million barrel decline. Refineries are operating at 85.5% capacity, down nearly 10 percentage points from summer's heightened activity Both gasoline (-1.9 million) and distillate (-2.4 million) inventories continued to fall.