Good morning

Financial markets in the U.S. and U.K. were closed Monday for holidays. As a result, nothing incremental happened on the U.S.-China trade front, although investors hoped the two sides would resume talks with one month left until the Trump-Xi meeting at the G20 in Japan. The week’s two major macro events scheduled Friday include China’s NBS PMIs for May and the U.S. personal consumption expenditure (PCE) for April. S&P 500 futures are down in the pre-market. In Asia, markets are trending upwards, China’s Shanghai Composite (+0.6%) leads to the upside and Taiwan’s TAIEX (-0.2%) leads to the downside. In Europe, markets are trending downwards, with indices trading between +0.0% and -0.7%. In the commodities space, gold (-0.0%) is down while copper (+0.5%) and crude oil (+0.9%) are edging higher. The US Dollar Index is up this morning. U.S. Treasury Yields are down across the curve, with the 10-year yield trading at 2.29%.

Today, we would highlight the following:

Tensions in Europe weigh on stocks. U.S. markets were set to open slightly lower Tuesday, as U.K. and U.S. investors considered developments over the weekend including European elections and continuing concerns about U.S.-China trade. Futures pointed to opening losses on Wall Street for the S&P 500 and the Dow Jones Industrial Average. In Europe, Italy’s dispute with the European Commission emerged to dominate European trading and the Stoxx Europe 600 was down 0.3 per cent in morning trading as reported by the Wall Street Journal. According to Italian Deputy Prime Minister Matteo Salvini, the Commission could fine Italy 3 billion euros for accumulating debt and deficits that break EU rules. Based on the weekend parliamentary results Italy may be headed towards a general election. The spread of Italian 10-year debt over Germany, deemed the region’s safest asset, reached around 100 basis points between mid-October and mid-March, but since then has widened to 285 basis points. European markets have lagged behind the U.S. for some time. The region is relatively exposed to fluctuations in global trade, and faced a series of headwinds in recent months, from trade tensions with the U.S. to the marked slowdown in Chinese growth. According to the Wall Street Journal, Jeff Mueller, high yield portfolio manager at Eaton Vance Management, described the European economy as “weak.”

Future of the European Union leadership remains in question. According to the Financial Times European elections last week produced a fragmented parliament and triggered a race to secure the top jobs in the world’s largest trading bloc. The new commission and parliament will play a central role in shaping the EU’s stance on key issues such as climate change, global trade and regulation of the tech industry. Green, liberal and nationalist parties across the EU gained seats at the expense of centrist parties, such as German chancellor Angela Merkel’s CDU party, which have dominated the parliament over the past four decades. President Emmanuel Macron’s liberal party on Monday called for “a European Commission president candidate who can build a robust majority way beyond the partisan lines,” suggesting it wanted an alternative to Manfred Weber, the Germany-backed candidate for the commission. Other roles that will also need to be filled later this year include the head of the European Parliament and the European Central Bank, the bloc’s foreign policy chief and the head of the European Council.

All values in CAD dollars unless otherwise noted. Priced as of 7:34 a.m. on May 28, 2019 (unless otherwise stated).

For important disclosures please see pages 4.
Markets today

Equities
S&P Futures are down as continued trade uncertainty sets the stage for U.S. Markets to open lower following the Memorial Day weekend. A hop over the pond and EU horse-trading is all the rage, as leaders head to the political racetrack to begin discussions on appointing the European Commission.

Fixed income
Canadian corporate bond yields sit at the lowest levels since late 2017. With the U.S. and U.K. both enjoying long weekends, the market was a lot quieter yesterday. With that in mind we thought we would review the current status of Canadian investment grade bonds. Spoiler alert: Expensive, but could get more expensive.

### Market Pulse

**Equity New**
- Dow: 25,602 (-0.1%)
- S&P 500: 2,830 (-0.1%)
- Nasdaq: 7,309 (-0.1%)

**Overseas**
- FTSE 100 (UK): 7,279 (0.0%)
- DAX (Germany): 12,043 (-0.2%)
- Euro Stoxx 50: 3,348 (-0.5%)
- Hang Seng: 27,391 (0.4%)
- Nikkei 225: 21,260 (0.4%)
- Shanghai: 2,910 (0.6%)

**Commodities**
- WTI Crude: $59.18 (0.9%)
- Gold ($/oz): $1,289 (0.0%)
- Silver ($/oz): $14 (-0.8%)
- Copper ($/ton): $5,932 (0.5%)
- Natural Gas($/Mmbtu): $2.57 (-1.2%)

**Currencies**
- CADUSD: $0.74 (-0.2%)
- EURUSD: $1.12 (0.0%)
- USDJPY: ¥109.40 (-0.1%)

**Fixed Income**
- 10-yr Treasury: 2.29% (-3.0)
- 10-Yr Canadian: 1.58% (-2.1)
- Germany 10 Yr Yield: -0.15% (-0.2)
- Spain 10 Yr Yield: 0.81% (-0.7)
- France 10 Yr Yield: 0.26% (0.2)

### Advancers and Decliners

**S&P/TSX Top Movers**

**Advancers**
- IAMGOLD CORP: $36.67 (14.59%)
- ALAMOS GOLD INC-CLASS A: $4.03 (4.40%)
- MAXAR TECHNOLOGIES INC: $3.91 (3.44%)
- CANOPY GROWTH CORP: $23.37 (3.32%)
- PRETUM RESOURCES INC: $33.13 (2.79%)

**Decliners**
- SNC-LAVALIN GROUP INC: $35.01 (-27.81%)
- ADVANTAGE OIL & GAS LTD: $2.12 (-6.19%)
- GRAN TIERRA ENERGY INC: $3.02 (-4.73%)
- PARAMOUNT RESOURCES LTD -A: $2.12 (-6.19%)
- BRP INC/CA- SUB VOTING: $37.37 (-4.50%)

**S&P 500 Top Movers**

**Advancers**
- AMERICAN AIRLINES GROUP INC: $36.57 (4.55%)
- ESTEE LAUDER COMPANIES-CL A: $131.98 (3.05%)
- ALTRIA GROUP INC: $45.30 (2.40%)
- SYMANTEC CORP: $20.85 (2.31%)
- MARTIN MARIETTA MATERIALS: $179.62 (2.23%)

**Decliners**
- CAN REAL ESTATE INVEST TRUST: $138.01 (-13.82%)
- JEAN COUTU GROUP INC-CLASS A: $124.37 (-9.13%)
- PURE INDUSTRIAL REAL ESTATE: $10.28 (-5.54%)
- DHX MEDIA LTD: $20.18 (-7.98%)
- SPARTAN ENERGY CORP: $77.14 (-4.22%)

Source: Bloomberg
Technical corner
Bob Dickey: Slow Deterioration.

The major market indexes are holding within 5% of their all-time highs in high-end ranges that go back three months, but the individual stocks that make up those ranges have been showing signs of deterioration during this period. The number of stocks in both the NYSE and the NASDAQ that are in uptrends has been slipping lower over the past two months while the number of stocks hitting new lows has been moving higher. This puts pressure on the indexes that could cause them to break below their low points of support from the past three months that may increase the risk of another 5%–10% of correction over the summer months. We see the long-term market trend as being positive, while the intermediate trend is neutral, but we think the short-term trend is likely to remain more volatile with more downside potential over the next two months.
Important disclosures

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