

HEADLINE NEWS
M&A Facing Greater Scrutiny?

- Last week, we discussed that a record amount of merger and acquisition (M&A) activity had been cancelled this year, either due to altered economics or tighter regulation. Today, CF Industries officially terminated their combination with European fertilizer maker OCI due to the recent U.S. Treasury announcement regarding inversions. Companies are still on the hunt for deals, however, evident by this morning's announcement that Bayer is making a \$122/share offer for Monsanto. Monsanto stock has traded up over the past several trading sessions on speculation of a bid, but remains over 12% below the proposed takeover price. This discount attests to the skepticism that many investors feel over the deal being approved by regulators. Greater scrutiny and regulation will likely continue to be a hurdle that companies must consider when considering the economics of a potential deal.

Key Macroeconomic Data Due this Week

Date	Time	Event	Period	Consensus	Prior
5/25	9:45 AM	Markit PMI Services SA (Preliminary)	MAY	53.2	52.8
5/25	10:30 AM	EIA Crude Oil Stocks	05/20		1.3M
5/26	8:30 AM	Durable Orders SA M/M (Preliminary)	APR	0.3%	1.3% R
5/26	8:30 AM	Initial Claims SA	05/21	275K	278K
5/27	8:30 AM	GDP SA Y/Y (Second Preliminary)	Q1	1.9%	2%

Source: API

S&P 500


Source: FactSet Prices

U.S. Companies Holding \$1.7 Trillion in Cash

- United States non-financial companies carried \$1.7 trillion on their balance sheets as of the end of 2015 according to a study by Moody's highlighted in the Financial Times. Roughly \$1.2 trillion of the total is held overseas as companies have been reluctant to repatriate their earnings to avoid paying U.S. taxes. Apple, Microsoft, Google, Cisco, and Oracle accounted for nearly one third of the total, not surprising given that the technology sector generates the most revenue abroad relative to the other sectors. Some of these companies have increased the amount of money they return to shareholders via dividends and buybacks, but many investors would like to see them spend it on growing their business. We would welcome a tax repatriation holiday passed by Congress but aren't likely to see one until November at the earliest.

Notable Earnings Due this Week

DATE	TIME	TICKER	COMPANY NAME
5/25	Unspecified	HPQ-US	HP, Inc.
5/25	Before Market	TIF-US	Tiffany & Co.
5/25	9:00 PM	COST-US	Costco Wholesale Corp.
5/26	Before Market	DLTR-US	Dollar Tree, Inc.
5/26	After Market	ULTA-US	Ulta Salon, Cosmetics & Fragrance, Inc.
5/26	After Market	PANW-US	Palo Alto Networks, Inc.

Source: API

WTI Crude Oil Spot Price (\$/barrel)

Max: 61.37 (10-JUN-15), Min: 26.19 (11-FEB-16), Last: 48.42 (20-MAY-16)



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FIXED INCOME UPDATE
Yields Up on FOMC Minutes

- Yields moved higher across the curve last week as the minutes from the latest FOMC meeting spooked fixed income investors on Wednesday afternoon. The committee essentially made June a "live" meeting in terms of a rate hike so long as the data and economy warranted it. That was a significant change from how the fixed income market was positioned prior to Wednesday. The market had effectively priced in a 0% chance of a rate hike in June and minimal odds of a hike anytime in 2016. A number of Fed speakers have come out since Wednesday and continued the hawkish rhetoric. We will be focused on any commentary from Janet Yellen, who is scheduled to speak on a panel at Harvard this Friday.

INDEX RETURNS (AS OF 5/20/16)

	MTD	YTD
S&P 500	-0.42	1.31
Dow Jones Ind. Avg.	-1.17	1.62
Barclays MM Short 1-5 Yr.	-0.02	1.04
Barclays MM 1-10 Yr.	0.03	2.00
ML US Gov/Corp 1-10 Yr.	-0.24	2.17

Source: Interactive Data

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