PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 08 January 2018

Weekly Data Center

Equities	Level 05-Jan-18	Returns (%) 1w	3m	YTD	1y
S&P500	2,642	1.5%	6.7%	18.0%	20.6%
DJIA30	24,232	2.9%	10.2%	22.6%	26.3%
EuroSTOXX	3,528	(1.5%)	2.4%	7.2%	16.4%
DAX	12,861	(1.5%)	5.9%	12.0%	22.1%
FTSE	7,300	(1.5%)	(1.9%)	2.2%	8.1%

Credit	On the Run Levels (bps) 05-Jan-18	29-Dec-17	05-Oct-17	31-Dec-17	05-Jan-17
iTraxx Mains	49	49	54	72	79
iTraxx Fin Snr	48	47	52	94	107
iTraxx X-Over	232	236	234	288	339
CDX IG	52	52	57	68	74
CDX HY	319	316	323	355	392

Commodity	Level 05-Jan-18	Returns (%) 1w	3m	YTD	1y
Crude (Brent)	63.7	0.3%	21.5%	14.9%	20.1%
Crude (WTI)	58.4	(0.8%)	23.4%	8.6%	14.3%
Gold	1,281	(0.6%)	(3.4%)	11.6%	9.3%
Silver	16.4	(3.6%)	(7.3%)	3.2%	(0.5%)

Forex	Levels 05-Jan-18	29-Dec-17	05-Oct-17	31-Dec-17	05-Jan-17
EUR	1.19	1.19	1.19	1.05	1.07
GBP	1.35	1.33	1.30	1.23	1.26
AUD	0.76	0.76	0.80	0.72	0.74
YEN	112.17	111.53	110.25	116.96	114.10

EM Equities	Level 05-Jan-18	Returns (%) 1w	3m	YTD	1y
Brazil	72,264	(2.6%)	0.5%	20.0%	21.4%
Russia	2,106	(2.6%)	4.7%	(5.7%)	(0.7%)
India	10,122	(2.6%)	1.5%	23.7%	23.5%
China	3,318	(1.1%)	(1.5%)	6.9%	1.4%
South Africa	59,449	(1.4%)	5.2%	17.4%	19.1%

Rates	Levels (%) 05-Jan-18	29-Dec-17	05-Oct-17	31-Dec-17	05-Jan-17
2-yr US Treasury	1.77	1.74	1.34	1.19	1.15
10-yr US Treasury	2.36	2.34	2.17	2.44	2.45
30-yr US Treasury	2.76	2.76	2.78	3.07	3.11
10-yr German Bund	0.31	0.36	0.38	0.21	0.37
10-yr UK Gilt	1.23	1.25	1.06	1.24	1.50

Key Economic Releases

The week in review

Mon, 01-Jan

Tue, 02-Jan
Eurozone Manufacturing PMI (Actual: 60.6; Cons.: 60.6)
UK Manufacturing PMI (Actual: 56.3; Cons.: 57.9)

Wed, 03-Jan
Japan Manufacturing PMI (Actual: 54.0; Cons.: 54.0)
US ISM Manufacturing (Actual: 59.7; Cons.: 58.2)

Thu, 04-Jan
US Initial Jobless Claims (Actual: 250k; Cons.: 240k)

Fri, 05-Jan
Eurozone CPI YoY (Actual: 1.40%; Cons.: 1.40%)
US Change in Non-Farm Payrolls (Actual: 148k; Cons.: 190k)

The week ahead

Mon, 08-Jan
Eurozone CPI MoM (Cons.: 0.10%; Prior: 0.10%)

Tue, 09-Jan
China CPI YoY (Cons.: 1.90%; Prior: 1.70%)
China PPI YoY (Cons.: 4.80%; Prior: 5.80%)

Wed, 10-Jan
UK Industrial Production MoM (Cons.: 0.40%; Prior: 0.00%)

Thu, 11-Jan
US Initial Jobless Claims (Cons.: 245k; Prior: 250k)
Eurozone Industrial Production MoM (Cons.: 0.80%; Prior: 0.20%)

Fri, 12-Jan
US CPI MoM (Cons.: 0.10%; Prior: 0.40%)
US Retail Sales MoM (Cons.: 0.50%; Prior: 0.80%)

Market Commentary

The new year wishes really turned out to be true for investors as the equities all over the world rose, with the US indices rising to record highs unseen till now. The DJIA crossed the 25,000 threshold in less than a year after it crossed the 20,000 mark as investors shrugged of the jobs report that missed expectations, hoping that the Republican tax cuts would lead to higher corporate earnings and thus keeping the bull roaring. Along with it the S&P 500 and the tech heavy Nasdaq gained simmilar momentum mainly boosted by the technolgy and retail stocks such as that of Alphabet and Amazon which touched record highs. Elsewhere the energy stocks were also strong boosted by a rise in the domestic oil prices. International markets also responded to the spillover gains ignoring the geopolitical tensions between North Korea and the US and also reacting to the strong regional and global economic data. While the EuroStoxx 600 rose by about 0.8% with almost all sectors ending the week in the positive territory, the UK FTSE and German DAX also ended the week in green as the financials sector posted significant gains on account of higher yields in parallel to the automobile and healthcare stocks. Asia too did not disappoint and indices in Japan, South Korea and China posted gains taking the global cue. In the East, Asian stocks while had a good headstart for the 2018 came to traded mixed by Friday following firm US lead as investors await upcoming earnings. While the Australian and Hong Kong equity futures signalled towards more gains as the benchmark indices in Japan and China were in the list of largest gainers during the week.

In the fixed income market, bond yields tick upward after dipping initially as investors brush off disappointing jobs report. The US Treasuries retreated in the face of the strong showing by equities raising the yield on the benchmark 10-year Treasury note and the 30-year Treasury bond to 2.473% and 2.810% respectively. In parallel the FOMC meeting minutes provided an indication of an upcoming fed funds rate hike again in March which will be debated upon in wake of a controlled in flation in the region. For currencies, in spite of the mounting expectations in the market for solid US growth and continued interest rate increases, the dollar has had a difficult time of late, yet the greenback managed to edge up 0.1% against a weighted basket of peers in the last trading session as investors bet on a stronger economy despite a weaker than expected jobs report. In fund flows, US fund investors pulled $8.4bn from stocks and funneled $3.3bn into taxable bonds during the most recent week responding defensively to a strong year of market gains. For the year, non-domestic equity fund inflows of $171.4bn and treasury fund inflows of $34bn printed the largest records dating to 1992. Elsewhere, high-yield bonds made up of the riskiest corporate debt, have been an exception to the festive atmosphere in bonds, posting $21bn outflows for the year. In commodities, oil roared with the quity bull in the start of the week boosted by tightening supply and political tensions in OPEC member Iran, but both the crude and brent fell with US production soaring and remained in red for the week.

While things are looking up for the equities, investors will be more focussed on the earnings calendar in the week along with settling tensions of US and NK. Elsewhere, the impact of Chinese forex stockpile with more than $3tn in reserves will highlight the week.

Economic Commentary

A whole lot of the much anticipated economic data was released last week, which provided a boost to the stock indices in spite of some of them being below expectations. The jobs report which was the highlight of the week, ended up being disappointing, having added only 148,000 net new jobs in December 2017, while the unemployment rate continued to remain 4.1%, which was 0.6% lower than last year, notably at a 17-year low. This and the revisions to the previous jobs report, put the average gain over the past three months at 203,700 jobs, which fortunate for the economy marked the highest three month average thus shrugging of worries over a low jobs data for the last month of 2017. Wage growth, which is also considered a sign of inflation, rose a mere 0.3% month on month and just 2.5% higher than that of a year earlier. The ISM manufacturing index for December continued its expansion streak and ended at 59.7, which was fuelled by a huge rise in new orders, as international demand picked up on account of improving economic conditions abroad, marking its 13-year high. This also contributed to a rise in prices from 3.5 to 69, as new orders continued to pour in and factories struggled to meet their deadlines as evidenced by order backlogs. On the construction front, spending rose for the month, on account of storm repairs, but remains lower when seen on a year to date basis.

Continuing the trend seen in the US which ended the year on a more or less positive note, the future of the global economy looked promising as seen in the manufacturing report. UK manufacturing index for the month of November stood at 58.2 while that of the Eurozone ended at 60.1. Manufacturing activity remained strong and also beat expectations and improved in some instances in the last month of 2017, which made policy makers question their take on quantitative easing programs and interest rates which has been the backbone of the global economy after the recession in 2008. While the Euro-Divorced UK printed an upbeat data, the headline consumer prices in the eurozone dipped in December as the rising producer prices hinted at signs of underlying inflation. In the US as the Fed continues its tightening campaign, these global economic data would help provide a clear picture on the stance of the other larger banks in this front. Apart from this the Brazilian industrial production data, which grew by 0.2%, for the month of November and marked a growth of 4.7% on a yearly basis was a clear indication that the economy is on a recovery trail, from its worst recessionary period in history. Chile also showed signs of bouncing back from its weak economic period as seen by an increase in the economic activity index which rose by a strong 0.7% in November.

The upcoming week has a few economic data releases which include the US CPI for the month of December, Retail sales and business inventories of the US. On the global front UK's Industrial Production data is expected to be out on Wednesday.

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Founded in 2013 by former credit traders from Deutsche Bank, Oxane Partners has grown to a team of more than 65 highly skilled financial analysts and technology experts. Oxane Partners is headquartered in London with a delivery centre in India.

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Sources used for preparing the report: Bloomberg; Wall Street Journal, Financial Times, Thomson Reuters