Weekly Data Center

Equities	Level	Returns (%)			
	12-Jan-18	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)				
	12-Jan-18	05-Jan-18	12-Oct-17	31-Dec-17	12-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	Returns (%)			
	12-Jan-18	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				
	12-Jan-18	05-Jan-18	12-Oct-17	31-Dec-17	12-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	Returns (%)			
	12-Jan-18	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 (%)				
	12-Jan-18	05-Jan-18	12-Oct-17	31-Dec-17	12-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, 08-Jan

Tue, 09-Jan
China CPI YoY (Actual: 1.80%; Cons.: 1.90%)
China PPI YoY (Actual: 4.90%; Cons.: 4.80%)

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

Thu, 11-Jan
US Initial Jobless Claims (Actual: 261k; Cons.: 245k)
Eurozone Industrial Production MoM (Actual: 1.00%; Cons.: 0.80%)

Fri, 12-Jan
US CPI MoM (Actual: 0.10%; Cons.: 0.10%)

The week ahead

Mon, 15-Jan

Tue, 16-Jan
UK CPI MoM (Cons.: 0.40%; Prior: 0.30%)
UK PPI MoM (Cons.: 0.20%; Prior: 0.30%)

Wed, 17-Jan
US Industrial Production MoM (Cons.: 0.40%; Prior: 0.20%)
Eurozone CPI MoM (Cons.: 0.40%; Prior: 0.10%)

Thu, 18-Jan
US Initial Jobless Claims (Cons.: 250k; Prior: 261k)
China GDP YoY (Cons.: 6.70%; Prior: 6.80%)

Fri, 19-Jan

Market Commentary

The equities bull continued to roar in the second week of 2018 as major indices notched a trifecta of records Friday to cap off another meteoric week for stocks all over the globe. In the US, stocks mostly rose over the past week, as surging optimism around a steadily expanding US economy and expectations of stronger corporate profits for the fourth quarter while getting increasingly comfortable with more rate hikes this year, powered indices to new heights. Markets also witnessed investors rotating into economically sensitive stocks such as retailers and energy and out of slower-growing defensive ones such as utilities and real estate. While the S&P500 added 1.60% for the week, shares of consumer-discretionary gained 1.3%, led by retail stocks that continue to benefit from a strong holiday sales season. Financial shares gained momentum on the back of earnings report from JP Morgan and Wells Fargo and a further rise in treasury yields, widening the profit spread for the banking heavyweights. European stocks also ended in green as investors digested new earnings data and spill overs fuelled by a positive trade seen stateside. Investor sentiment was boosted with German coalition party leaders reaching a breakthrough in preliminary talks to form a new government. Germany's DAX ended up 0.32% in the last trading session while boosting the pan-European STOXX to finish up 0.31% provisionally. While investors still hoping for a correction in the market under the guidance of positive implications of the tax reform, corporate earnings will be the next test for the seemingly unstoppable $30 trillion stock market.

In the fixed income market, the US treasury yields ticked higher and broke above 2% for the first time since September 2008 on the back of a steaming up economy and consumer prices. While the US yields maintained highs, the German Bund yield fell from a 5-month high of 0.54% to stand 2bps lower at 0.51% as the minutes of a hawkish central bank were released midweek. Investors also hoovered up billions of dollars of riskier corporate debt since the start of the year, fuelled by a rally in equities and high-yield bond prices. The spread between yields on junk bonds and risk-free US Treasuries slid to 333bps earlier this week, the lowest level since July 2007 as the appetite for riskier investments helped push risk premiums investors demand to own junk debt. In the fund flows, investors risk appetite was on the display as US-based equity mutual funds and ETFs attracted $1.45bn and $10.6bn of net inflows respectively, while the investors yanked $2.2bn from money market funds. In the currencies, the euro surged to 3-year highs against the dollar amid hopes for a new coalition government in Germany and earlier revision of ECB's stimulus package on the back of rising confidence in the European economic expansion. In the commodities, oil gained ground on both sides of the Atlantic as Brent crude settled 0.9% higher at $69.87 a barrel while a weaker dollar helped gold jump $16 to a 4-month high of $1,339 an ounce.

In the week, as the US earnings season gathers pace the investors will keep an eye on a possible government shutdown and across the pond, all eyes are on inflation data suggesting on the clarity of multiple rate hikes in the US. Elsewhere, Chinese economic expansion and industrial production will highlight the calendar alongside more inputs from ECB on the monetary policy.

Economic Commentary

The economic calendar for the week is highlighted by the consumer prices fuelling into the probability of multiple rate hikes in the current year. The labour data, import price index and producer price index all came in a bit on the soft side in the first few days of the week. Job openings edged down for a second straight month in November, a respite from the sharp run-up over the first three-quarters of 2017. On the inflation front, import prices rose 0.1% in December, lifted by a 1.8% increase in fuel prices. Despite a depreciating trend for the dollar and robust production data for the US firms, the December import price index and PPI showed few signs of imminent price pressures from these sources. The CPI met expectations for headline growth, up 0.1% in December, and topped expectations for the core index which rose 0.3% while hovering between 1.7% and 1.9% every month since March, a stable string of readings that suggests a continued gradual pace of monetary policy tightening by the FOMC. On the consumer front, retail sales rose 0.4% in December, boosted by stronger sales from non-store retailers, building material retailers and food service places. While feeding into the headline GDP, the November print was upwardly revised to a robust 1.4% reading bringing the 3-month average annualized rate to 8.9%, the fastest pace of growth since September 2003.

Across the Atlantic, Germany highlighted the calendar with chancellor Angela Merkel's Conservatives and the centre-left Social Democrats taking a big step toward forming a new German government. In the monetary policy, an account of the ECB's last meeting showed it may revise the outlook for their massive monetary stimulus program early this year. Elsewhere, a curiosity of the current economic expansion in the Eurozone has been the disconnect between “soft” and “hard” economic data. While narrowing the disconnect, data released this week showed that German industrial production jumped 3.4% adding up to a stronger real GDP data. Production of capital goods led the way, with production of durable consumer goods increasing 4.6%. Across the English Channel, the UK also printed in strong industrial production to rise 0.4% on the back of strong retail spending. The recovery has been driven by both the manufacturing and the service sectors, supported by the weaker pound and a buoyant global economy, while construction output continues to lag, the longest spell of rising output from Britain’s factories in 23 years has left the economy on course to record its fastest rate of growth since late 2016.

While the economic calendar prints will define the monetary policies across the globe, the decision makers will focus on the core inflation data from the global financial houses in the US and Europe and real GDP numbers from the global production houses in China.

About Oxane Partners

Oxane Partners is a boutique advisory firm empowering alternative asset managers across their investment lifecycle. We support investment teams through all the phases of an investment including pre-screening, investment analysis, and portfolio monitoring. By unifying our asset expertise with our proprietary technology platforms, we assist our clients become more agile and outperform the competition.

Our collaborative engagement approach helps our clients evaluate more opportunities faster and better manage their existing portfolios while still maintaining the rigour of their investment process. Oxane Partners has supported more than 50 investment firms including private equity firms, hedge funds, investment banks of varying sizes across the globe. We have successfully managed over 200 projects, advised on more than $40 billion of assets and are currently monitoring $15 billion across asset classes and jurisdictions.

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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