Weekly Data Center

Equities	Level	Returns (%)			
	19-Jan-18	1w	3m	YTD	1y
S&P500	2,810	0.9%	9.7%	5.1%	24.1%
DJIA30	26,072	1.0%	12.6%	5.5%	32.1%
EuroSTOXX	3,649	1.0%	1.3%	4.1%	10.9%
DAX	13,434	1.4%	3.4%	4.0%	15.8%
FTSE	7,731	(0.6%)	2.8%	0.6%	7.2%

Credit	On the Run Levels (bps)				
	19-Jan-18	12-Jan-18	19-Oct-17	31-Dec-17	19-Jan-17
iTraxx Mains	45	44	56	45	69
iTraxx Fin Snr	43	42	61	44	87
iTraxx X-Over	232	228	246	233	286
CDX IG	48	47	53	49	66
CDX HY	300	297	313	306	352

Commodity	Level	Returns (%)			
	19-Jan-18	1w	3m	YTD	1y
Crude (Brent)	68.7	(1.9%)	19.3%	2.8%	28.2%
Crude (WTI)	63.4	(1.4%)	23.6%	4.9%	23.4%
Gold	1,332	(0.4%)	3.2%	2.2%	10.5%
Silver	17.0	(1.1%)	(1.3%)	0.5%	0.0%

Forex	Levels				
	19-Jan-18	12-Jan-18	19-Oct-17	31-Dec-17	19-Jan-17
EUR	1.22	1.22	1.19	1.20	1.07
GBP	1.39	1.37	1.32	1.35	1.23
AUD	0.80	0.79	0.79	0.78	0.76
YEN	110.77	111.06	112.54	112.69	114.86

EM Equities	Level	Returns (%)			
	19-Jan-18	1w	3m	YTD	1y
Brazil	81,220	2.4%	6.5%	6.3%	27.0%
Russia	2,286	1.1%	10.3%	8.4%	5.7%
India	10,895	2.0%	7.4%	3.5%	29.2%
China	3,488	1.7%	3.5%	5.5%	12.5%
South Africa	60,913	1.4%	5.2%	2.4%	15.1%

Rates	Levels (%)				
	19-Jan-18	12-Jan-18	19-Oct-17	31-Dec-17	19-Jan-17
2-yr US Treasury	2.06	2.00	1.53	1.88	1.22
10-yr US Treasury	2.66	2.55	2.32	2.41	2.47
30-yr US Treasury	2.93	2.85	2.84	2.74	3.05
10-yr German Bund	0.57	0.58	0.40	0.43	0.38
10-yr UK Gilt	1.34	1.34	1.28	1.19	1.41

Key Economic Releases

The week in review

Mon, 15-Jan

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

Wed, 17-Jan
US Industrial Production MoM (Actual: 0.90%; Cons.: 0.50%)
Eurozone CPI MoM (Actual: 0.40%; Cons.: 0.40%)

Thu, 18-Jan
US Initial Jobless Claims (Actual: 220k; Cons.: 249k)
China GDP YoY (Actual: 6.80%; Cons.: 6.70%)

Fri, 19-Jan

The week ahead

Mon, 22-Jan

Tue, 23-Jan
Japan CPI YoY (Cons.: 1.10%; Prior: 1.00%)

Wed, 24-Jan
Eurozone Manufacturing PMI (Cons.: 60.3; Prior: 60.6)

Thu, 25-Jan
US Initial Jobless Claims (Cons.: 235k; Prior: 220k)
ECB Refinancing Rate (Cons.: 0.00%; Prior: 0.00%)

Fri, 26-Jan
US GDP QoQ (Cons.: 3.00%; Prior: 3.20%)
UK GDP QoQ (Cons.: 0.40%; Prior: 0.40%)

Market Commentary

The weekend was highlighted by the DC drama over the partial government shutdown in the US. Despite of the negative impacts of the political risks on the greenback strength, the prospect of a government shutdown couldn’t put a lid on this boiling market. The US equities ended another week of record close as investors looking beyond the beltway, witnessed fundamentals in US companies as sound as they've been in a long time. Even under the partial funding pressure, the major indices posted nearly a 1% weekly gain as the investor spirits been buoyed as earnings season picked up pace this week, led mainly by the banks and against the backdrop of recent tax cuts and solid US economic data, with more than 79% of the companies printing in results surpassing expectations. The earnings while rolling into the week will confirm continuity of synchronized corporate growth and start to provide clarity on the impact of tax reform on profits and prospects for rising shareholder distributions. In the single currency region, European stocks rose in the last trading session with gains for industrial and tech shares helping the region’s benchmark inching 0.6% for the week, bag a third straight weekly win as investors appeared to set aside political concerns across the Atlantic. While the tech stocks in Europe continued to build on recent gains putting the technology Index on track for a 3% weekly rise aided from a positive note forecasting the US shipments of chips set to reach $50.1bn in 2021, the industrial equities posted in improved momentum amid the rolling earnings season. Elsewhere, the Asian equities performed at their best amid spillovers from the west.

In the fixed income securities, the yield on the benchmark 10-year US Treasury note, that has not been above 3% in late 2013, climbed to its highest level in 3 years, reflecting rising expectations among investors of a stronger economy amid further testing from the increasing inflation testing. Also, the bond market have priced in the prospect of a more active US central bank this year pushing the policy sensitive 2-year Treasury note yield to jump to 2.07%. Elsewhere in bonds, Kuwait highlighted the weekend by joining hands with Qatar, Saudi Arabia and Abu Dhabi planning to tap the debt market in the Q1 to help plug budget deficits by selling more than $8bn of dollar-dominated bonds. In the fund flows, the US fund investors pulled $3.1bn from high-yield "junk" bonds during the latest week, offering new warning signs about risk appetite despite global market’s continuing triumph. Elsewhere, Stock and bond funds based in the US took in money overall during the week, with equities attracting $9.1bn, taxable bonds taking in $2.5bn and municipal bond funds reeling in $1.2bn. In the currencies, while the dollar slipped to its lowest since December 2014 with investors selling it on the view that other central banks will join the US Fed in raising interest rates and a possible pressure from the government shutdown in the country, the strong euro is likely to preoccupy global markets and ECB policymakers as the strength might curb exports impacting the decade high pace of Eurozone economy at 2.5%. In commodities, the crude printed in the ‘relentless’ growth that could see the US topple Russia, Saudi Arabia as world’s largest oil producer in near term at 10mn bpd production as confirmed by IEA. In the week, the Brent crude futures hit a peak of $70.37 a barrel on Monday, while pairing in the recent gains to trade at $68.69 in the end eyeing for the $100 mark. Elsewhere, the gold witnessed a pushup amid the weaker dollar.

The week will be highlighted by both the Bank of Japan and the European Central Bank meetings. With speculative trade on the timing of the eventual stimulus withdrawal by both central banks driving the euro and the yen higher over the past couple of weeks, markets will be ultra-sensitive to the language spoken by policymakers.

Economic Commentary

The economic calendar witnessed the colder weather as the data cooled down from a breakneck pace. The industrial side of the economy continued to put up an impressive 0.9% growth performance in December. Part of the beat stemmed from a 5.6% jump in utilities output as cooler weather blanketed much of the country. Additionally, the mining activity also posted in a 1.6% increase as the sector benefitted from the rebound in oil prices over the past year which has helped fuel new drilling and production. However, the growth in the manufacturing sector accounting for about three-quarters of industrial output was more restrained. Production rose just 0.1% in December followed by an upwardly revised gain in November and sharp upturn in October leaving manufacturing output rising at a 7.8% annualized pace over the past three months. Despite December’s scant increase, we believe manufacturing growth will remain strong in the near term. After a tough few years, the sector is now benefiting from much higher levels of business confidence, stronger global growth and a weaker dollar. Elsewhere, the initial claims for state’s unemployment benefits dropped by 41k to a seasonally adjusted 220k for the week to the lowest level in since 1973. With the recent week marking the 150th straight week of claims below the 300k threshold, the calendar depicted a near full employment labor market, with the jobless rate at a 17-year low of 4.1%.

Across the Atlantic, on the release front Eurozone final CPI edged lower to 1.4% while the core CPI print matched expectations at 0.9%. The consumer prices raised at an average year-over-year rate of 1.6% in H1 17 and 1.4% in H2 17 mostly a function of energy prices. The strength of oil prices, if sustained, would boost headline inflation more than the euro's strength would dampen it. However, these conflicting impulses warn of higher headline inflation and softer core. Also across the English Channel, the newly divorced Britain welcomed the first fall in the consumer prices to an expected 3%. While the inflation is still 1% above the Bank of England’s target, markets are penciling an interest rate rise perhaps in August, but this seems unlikely unless the economy picks up steam. Moreover, consumer lending, which was keeping policymakers awake at night in September and October, has fallen back and the FCA recently pointed out that most of the lending was to people who had plenty of money after all, easing the pressure on the Monetary Policy committee to raise interest rates further. Elsewhere, the Chinese economy grew 6.8% on a year-earlier basis in Q4 indicating the economic growth in China has stabilized and the economy continues to grow at a relatively strong rate. However, December numbers for retail sales and industrial production were mixed. While the retail sales increased only 9.4% year-over-year in December on the back of subdued internal demand, the industrial production was up a higher-than expected 6.2% in December getting a push in the momentum from a better business sentiment and investment climate in the country.

In the week, most of the policymakers will focus on the growth rate numbers from the United States and the single currency Eurozone to compare the steam of economy with the recent release of consumer prices taking directions to further strengthen the monetary policy in the respective region.

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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