Weekly Data Center

Equities	Level	Returns (%)			
	26-Jan-18	1w	3m	YTD	1y
S&P500	2,873	2.2%	12.2%	7.5%	25.1%
DJIA30	26,617	2.1%	13.7%	7.7%	32.4%
EuroSTOXX	3,647	(0.0%)	0.3%	4.1%	9.9%
DAX	13,340	(0.7%)	1.6%	3.3%	12.6%
FTSE	7,666	(0.8%)	2.4%	(0.3%)	7.0%

Credit	On the Run Levels (bps)				
	26-Jan-18	19-Jan-18	26-Oct-17	31-Dec-17	26-Jan-17
iTraxx Mains	43	45	53	45	69
iTraxx Fin Snr	41	43	56	44	85
iTraxx X-Over	231	232	238	233	289
CDX IG	46	48	54	49	64
CDX HY	292	300	314	306	342

Commodity	Level	Returns (%)			
	26-Jan-18	1w	3m	YTD	1y
Crude (Brent)	70.2	2.2%	18.6%	5.0%	26.3%
Crude (WTI)	66.1	4.3%	25.6%	9.5%	23.0%
Gold	1,349	1.3%	6.5%	3.6%	13.5%
Silver	17.4	2.3%	3.7%	2.8%	3.6%

Forex	Levels				
	26-Jan-18	19-Jan-18	26-Oct-17	31-Dec-17	26-Jan-17
EUR	1.24	1.22	1.17	1.20	1.07
GBP	1.42	1.39	1.32	1.35	1.26
AUD	0.81	0.80	0.77	0.78	0.75
YEN	109.00	110.77	113.98	112.69	114.53

EM Equities	Level	Returns (%)			
	26-Jan-18	1w	3m	YTD	1y
Brazil	85,531	5.3%	12.7%	11.9%	29.2%
Russia	2,295	0.4%	12.1%	8.8%	3.0%
India	11,070	1.6%	7.0%	5.1%	28.7%
China	3,558	2.0%	4.4%	7.6%	12.6%
South Africa	61,596	1.1%	5.2%	3.5%	15.3%

Rates	Levels (%)				
	26-Jan-18	19-Jan-18	26-Oct-17	31-Dec-17	26-Jan-17
2-yr US Treasury	2.12	2.06	1.61	1.88	1.22
10-yr US Treasury	2.66	2.66	2.46	2.41	2.50
30-yr US Treasury	2.91	2.93	2.97	2.74	3.09
10-yr German Bund	0.63	0.57	0.42	0.43	0.48
10-yr UK Gilt	1.44	1.34	1.38	1.19	1.52

Key Economic Releases

The week in review

Mon, 22-Jan

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

Wed, 24-Jan
Eurozone Manufacturing PMI (Actual: 59.6; Cons.: 60.3)

Thu, 25-Jan
US Initial Jobless Claims (Actual: 233k; Cons.: 240k)

Fri, 26-Jan
US GDP QoQ (Actual: 2.60%; Cons.: 3.00%)
UK GDP QoQ (Actual: 0.50%; Cons.: 0.40%)

The week ahead

Mon, 29-Jan

Tue, 30-Jan
Eurozone GDP YoY (Cons.: 2.70%; Prior: 2.60%)

Wed, 31-Jan
Japan Industrial Production QoQ (Cons.: 3.20%; Prior: 3.60%)

Thu, 01-Feb
US Initial Jobless Claims (Cons.: 235k; Prior: 233k)
US ISM Manufacturing MoM (Cons.: 59.0; Prior: 59.7)

Fri, 02-Feb
US Non-Farm Payrolls MoM (Cons.: 183k; Prior: 148k)

Market Commentary

Cash has just started to pour into global stock markets at a record-setting pace as the equities continued to roar from the start of 2018. The US Indices scaled new highs on Friday, driven by strong earnings from the technology driven companies as well as a weaker dollar, putting the three main indexes on track for their best four-week rally since 2016. The stronger than expected earnings calendar helped investors look beyond data that showed the US economic growth unexpectedly slowed in the fourth quarter as strong consumer spending resulted in a surge in imports. Of the 133 S&P 500 companies that have reported quarterly earnings so far, 79.7% have topped expectations versus an average of 72% over the previous four quarters, amongst all the S&P healthcare index was the biggest gainer among the 11 major S&P sectors inching 1.3% led by gains in chemical and drug makers. The trading remained balanced as the declining issues outnumbered advancers on the NYSE by 1,420 to 1,413 whereas 1,451 issues rose against a 1,403 on Nasdaq. Amid the best start to a year ever measured in global equities, the S&P 500 has now spent longer trading within 5% of its all-time high than ever before and unsurprisingly, the concern over whether the rally is too hot are getting more and more pronounced. By contrast, European stock indices spent most of the week under pressure from the strength of the euro and sterling. But they gained some respite on Friday, with the Stoxx index rising 0.5% and the FTSE 100 rising 0.7%.

In the fixed income markets, the yield on the 10-year US Treasury note was up 4bps at 2.66%, while the two-year hit a fresh nine-year high of 2.13%. Whereas, in the single currency region, German bond yields edged off six-month lows on Friday as the European Central Bank surprised markets by striking a modestly dovish tone in the face of a robust euro. The US technology stock funds highlighted the week by taking in more cash in this week than any since the turn-of-the-century bubble. Tech mutual funds and ETFs based in the US gulped down $1.7bn while the US-based stock funds took in $23.4bn where most of the money went into domestic equities. While the week witnessed the weaker dollar, investors also warmed further towards gold as the funds invested in the precious metal printed the largest inflows since July 2016 to take in $1bn. In the currencies, the greenback heading for a weekly decline while on the course for its biggest monthly decline for almost two years was 0.7% softer against the yen at ¥108.67 after Bank of Japan governor confirmed the country was “finally close” to achieving the BoJ’s 2% inflation target. The dollar however gained strength from the President Trump’s Davos speech, but couldn’t push back the Euro as it climbs another 0.2%. Elsewhere, the British sterling briefly climbed above $1.43 this week, but was back down to $1.4153 on Friday. In the commodities, Brent oil hit a three-year high of $71.28 a barrel midweek while settling at $70.52 on Friday while the Crude also followed the similar pattern to pave its way towards a 3 digit print further in the year. Gold spent the week largely tracking moves in the dollar as the metal touched $1,366 an ounce in early trade midweek, before easing back to $1,350 on Friday.

In the week ahead, investors will focus on the Fed meeting, the tsunami of corporate earnings and President Trump's State of the Union address from the United States whereas keeping an eye for the central banks reactions to the recent meetings at Bank of Japan and European Central Bank.

Economic Commentary

This week’s economic data continued to support the case for ongoing robust economic growth as the U.S. economy expanded at a slower-than-projected pace in the fourth quarter on drags from trade and inventories, offsetting strength in consumer spending and business investment that signals solid momentum entering 2018. While the report dashed expectations for the longest streak of 3% or better growth since 2005, a key measure of underlying demand delivered the strongest performance since 2014 and inflation picked up, which will help keep the US Fed on track to raise interest rates in coming months. Fourth-quarter GDP was dragged down mainly because the trade deficit widened, as imports rose at double the pace of exports while for the full year GDP, the value of all goods and services produced grew at 2.5% in the fourth quarter from a year earlier signifying the strongest annual performance since 2014. The expansion is now in its ninth year and is poised to become the country’s second-longest on record later in 2018. Elsewhere, the number of Americans filing for unemployment benefits rebounded from a 45-year low last week, though by less than expected, pointing to tightening labor market conditions.

Across the Atlantic, policymakers at the European Central Bank reaffirmed the current path of monetary policy this week. The Governing Council of the ECB maintained the monthly pace of net asset purchases at €30 billion with the intention of maintaining this pace with key ECB interest rates remaining at their present levels. Economic conditions have clearly improved in the Eurozone, with economic growth strengthening to a 2.6% year-over-year pace, consumer and business sentiment reaching cycle-highs and unemployment steadily falling. Across the British channel, the United Kingdom, real GDP growth slowed in Q4 after registering a 1.5% year-over-year pace. Output growth was solid in the manufacturing and business services and finance sectors, but weakness in construction and mining and quarrying weighed on growth. Q4 weakness in the distribution, hotels and restaurants sector may reflect the decline in purchasing power that the UK consumers have experienced over the past few quarters. However, during these trying times the inflationary impulses that hit the economy via rising import prices are starting to weaken, which coupled with a tight labor market should help lift consumer spending growth. Sticking to the theme of ECB, the Bank of Japan remained fully committed to its accommodative monetary policy stance at the conclusion of its policy meeting this week. In addition, the BoJ made no changes to its economic forecast and still sees real GDP growth gradually moderating throughout the forecast period.

The coming week will highlight the further strength of the US economy possibly backed by a strong ISM manufacturing print and a stronger labour market strength data. Elsewhere, the Eurozone GDP and the UK manufacturing PMI will further reaffirm the monetary policy stance of the ECB.

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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