Weekly Data Center

Equities	Level	Returns (%)			
	02-Feb-18	1w	3m	YTD	1y
S&P500	2,762	(3.9%)	7.1%	3.3%	21.1%
DJIA30	25,521	(4.1%)	8.5%	3.2%	28.3%
EuroSTOXX	3,523	(3.4%)	(4.5%)	0.6%	8.3%
DAX	12,785	(4.2%)	(4.9%)	(1.0%)	10.0%
FTSE	7,443	(2.9%)	(1.5%)	(3.2%)	4.2%

Credit	On the Run Levels (bps)				
	02-Feb-18	26-Jan-18	02-Nov-17	31-Dec-17	02-Feb-17
iTraxx Mains	45	43	50	45	72
iTraxx Fin Snr	44	41	50	44	89
iTraxx X-Over	249	230	225	233	296
CDX IG	50	45	53	49	66
CDX HY	321	292	314	306	346

Commodity	Level	Returns (%)			
	02-Feb-18	1w	3m	YTD	1y
Crude (Brent)	68.1	(3.0%)	12.2%	1.8%	20.7%
Crude (WTI)	65.5	(1.0%)	20.0%	8.3%	22.2%
Gold	1,333	(1.2%)	4.5%	2.3%	9.7%
Silver	16.6	(4.7%)	(3.1%)	(2.0%)	(5.1%)

Forex	Levels				
	02-Feb-18	26-Jan-18	02-Nov-17	31-Dec-17	02-Feb-17
EUR	1.25	1.24	1.17	1.20	1.08
GBP	1.41	1.42	1.31	1.35	1.25
AUD	0.79	0.81	0.77	0.78	0.77
YEN	110.17	108.58	114.08	112.69	112.80

EM Equities	Level	Returns (%)			
	02-Feb-18	1w	3m	YTD	1y
Brazil	84,041	(1.7%)	13.8%	10.0%	30.1%
Russia	2,282	(0.6%)	10.1%	8.2%	2.9%
India	10,761	(2.8%)	3.2%	2.2%	23.2%
China	3,462	(2.7%)	2.3%	4.7%	9.6%
South Africa	58,657	(4.8%)	(1.1%)	(1.4%)	11.3%

Rates	Levels (%)				
	02-Feb-18	26-Jan-18	02-Nov-17	31-Dec-17	02-Feb-17
2-yr US Treasury	2.14	2.12	1.61	1.88	1.20
10-yr US Treasury	2.84	2.66	2.35	2.41	2.47
30-yr US Treasury	3.09	2.91	2.83	2.74	3.09
10-yr German Bund	0.77	0.63	0.37	0.43	0.43
10-yr UK Gilt	1.58	1.44	1.26	1.19	1.38

Key Economic Releases

The week in review

Mon, 29-Jan

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

Wed, 31-Jan
Japan Industrial Production QoQ (Actual: 2.70%; Cons.: 1.50%)

Thu, 01-Feb
US Initial Jobless Claims (Actual: 230k; Cons.: 235k)
US ISM Manufacturing MoM (Actual: 59.1; Cons.: 58.6)

Fri, 02-Feb
US Non-Farm Payrolls MoM (Actual: 200k; Cons.: 180k)

The week ahead

Mon, 05-Feb
US ISM Non-Manufacturing MoM (Cons.: 56.7; Prior: 55.9)
Eurozone Services PMI MoM (Cons.: 57.6; Prior: 57.6)

Tue, 06-Feb

Wed, 07-Feb

Thu, 08-Feb
US Initial Jobless Claims (Cons.: 233k; Prior: 200k)
BOE Bank Rate (Cons.: 0.50%; Prior: 0.50%)

Fri, 09-Feb
UK Industrial Production MoM (Cons.: -0.90%; Prior: 0.40%)

Market Commentary

And the bull stopped roaring. Things turned ugly on the Street on Friday as stocks tumbled as nearly $1 trillion decline in market value this past week followed an unprecedented month of inflows into equities in January. After a 5.8% rise in January on the back of a $100bn inflows, the Dow witnessed a 2.5% decline in the single trading session as the backbone equities plummeted in early trade and the blue-chip index also fell nearly 1100 points, the most since the throes of the financial crisis in October 2008. Although the magnitude of the falls was much greater a decade ago when the Dow traded around 8000 points yet Friday's swift drops still took many traders, analysts and investors by surprise. Stocks sensitive to rates continued to lead the market lower as the real estate stocks in the S&P 500 were down 3.7% and utilities plummeted 4.6% over the last month, while the consumer discretionary stocks which tend to outperform during periods of inflation due to rising wages are up 8% over the same time. For rest of the globe, spilling effects of the losses were expected as the Stoxx600 ended the week down 3.1% printing its biggest fall since February 2016, meanwhile the major stock indexes in China, South Korea and Japan all ended the week down more than 1%. Even after this long-awaited correction by investors all over the globe, they are still betting on the strong foundation of the equities backed by their earning potential as the projections for US corporate earnings in 2018 have been upgraded significantly over the past month following changes to the US tax code, while results for the fourth quarter have largely exceeded everybody's expectations.

The fixed income market highlighted the week as the yield on the benchmark 10-year Treasury currently at 2.84% is pacing to top 3.5% for the first time since April of 2011, because of which risk-free bonds are becoming an increasingly attractive place for yield-focused investors. While for the single currency region, the yield on the 10-year German bund also rose as foreign investors continued to sell off debt. It hit a high of 0.768% to a highest level since 2015 when it yielded as high as 0.791%. The yield curve steepened sharply on Friday as the two-year note fell to 2.15% and also got a boost from higher-than-expected consumer confidence numbers as investors began to bet on accelerating inflation from this growing economy. That rise in yields prompted a broad sell-off in stocks on Friday, as investors reacted to data increasing probability of early rate hike. With a sudden surprise there already are signs investors are moving into actively managed stock funds in order to sidestep the impact of rising rates. The US-based active stock mutual funds, which lost $7.2bn in outflows as investors moved toward "passive" stock exchange traded funds attracted $2.4bn in new assets during the week. At the same time, the lowest end of the credit spectrum has been facing cash withdrawals as rising rates increase the cost of refinancing debt as the US-based high-yield "junk" bond funds posted outflows of $1.8bn, their third consecutive week of cash withdrawals. In the currencies, the greenback finally found some support from the rise in yields, with the euro back below $1.25 and yen topping the ¥110 level for the first time in more than a week, whereas, commodities priced in the US currency suffered hefty losses with Brent oil down sharply settling at $68.58 a barrel while the gold was down 1.4% and settled at $1,330 an ounce for a lowest close in two weeks.

For the week, investors will mainly focus on the relatively more promising economic prints clarifying the Federal Reserve stand on the rate hike in the coming months. Elsewhere, the increasing expectations from the corporate earnings will be tested in the open market as the spooked investors will pour in more money in the stock markets.

Economic Commentary

The past week marked a particularly tumultuous period for the US economy. Most key economic data came in well ahead of expectations, causing many forecasters to reassess their expectations about how tax reform will impact US economic growth and whether they should upgrade their forecasts. After the yield on the 10-year Treasury spiked, as concerns about rising inflation and larger budget deficits pushed yields past key benchmarks, more forecasters have raised their expectations for Federal Reserve rate hikes, adding a fourth hike in December 2018. The strong start to 2018 appears to be fairly broad based. Manufacturing is clearly leading the way. The ISM manufacturing survey ticked down 0.2 points to 59.1, but new orders remained exceptionally strong and the backlog of unfilled orders increased. While the index declined slightly, it does not signal a slowing in manufacturing activity or the economy. A rising consumer confidence in the last month also show the economy had strong momentum at the end of 2017 that was carrying over into the new year. As for the highlighter the January employment report came in well ahead of expectations as the nonfarm employment rose by 200k with a solid increase in construction and manufacturing hiring. The unemployment rate was unchanged at 4.1%, but average hourly earnings jumped up to a 2.9% year-to-year gain.

Across the Atlantic, the GDP prints highlighted the calendar as the Eurozone outpaced US and UK in the economic growth as the region grew at 2.5% in the 2017 after years of anaemic growth caused by a series of debt crises. The eurozone is in the midst of a broad cyclical expansion, after years of economic stagnation and rolling crises, fuelled by recovering confidence and monetary stimulus from the European Central Bank. In the UK is estimated to have grown by 1.8% in 2017 down from 2016's 1.9% rate, mainly reflecting the impact of higher inflation in the wake of the 2016 Brexit vote and weaker investment from companies due to uncertainty about future trade arrangements. However, the divergence in the year-on-year growth rates is stark, with the eurozone GDP up by 2.7% in the fourth quarter and the UK showing growth of just 1.5% by this measure impacted mainly by the recent economic outlook degradation by the IMF. Elsewhere, the things aren't perfect in the Eurozone as unemployment is falling but remains high among young workers, and that's still holding back some countries. Integrating migrants remains an economic and political challenge and the region's aging population presents numerous challenges for health care systems and national pensions. Considering the manufacturing prints, the UK manufacturing PMI was a bit lower than expected in January, at 55.3 but well above the 50 demarcation point between expansion and contraction, while in Japan industrial production increased a larger-than-expected and strong 2.7% point to a relatively strong growth contribution from the developed side of the global economy.

For the week, Bank of England meeting will highlight the calendar as the recently Eurozone divorced Britain will confirm its stand on the monetary policy. Elsewhere the services sector print from the US and trade balance figures from China and Japan will remain in the focus.

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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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