Weekly Data Center

Equities	Level	Returns (%)			
	09-Feb-18	1w	3m	YTD	1y
S&P500	2,620	(5.2%)	1.4%	(2.0%)	13.5%
DJIA30	24,191	(5.2%)	3.1%	(2.1%)	19.9%
EuroSTOXX	3,326	(5.6%)	(7.9%)	(5.1%)	1.5%
DAX	12,107	(5.3%)	(8.2%)	(6.3%)	4.0%
FTSE	7,092	(4.7%)	(5.2%)	(7.7%)	(1.9%)

Credit	On the Run Levels (bps)				
	09-Feb-18	02-Feb-18	09-Nov-17	31-Dec-17	09-Feb-17
iTraxx Mains	56	45	53	45	74
iTraxx Fin Snr	57	44	52	44	92
iTraxx X-Over	280	249	243	233	299
CDX IG	60	50	56	49	65
CDX HY	354	321	329	306	324

Commodity	Level	Returns (%)			
	09-Feb-18	1w	3m	YTD	1y
Crude (Brent)	62.4	(8.3%)	(2.0%)	(6.6%)	13.0%
Crude (WTI)	59.2	(9.5%)	3.6%	(2.0%)	11.7%
Gold	1,317	(1.3%)	2.5%	1.1%	7.2%
Silver	16.4	(1.4%)	(3.7%)	(3.4%)	(7.3%)

Forex	Levels				
	09-Feb-18	02-Feb-18	09-Nov-17	31-Dec-17	09-Feb-17
EUR	1.23	1.25	1.16	1.20	1.07
GBP	1.38	1.41	1.31	1.35	1.25
AUD	0.78	0.79	0.77	0.78	0.76
YEN	108.80	110.17	113.47	112.69	113.25

EM Equities	Level	Returns (%)			
	09-Feb-18	1w	3m	YTD	1y
Brazil	80,899	(3.7%)	10.9%	5.9%	24.5%
Russia	2,197	(3.7%)	0.6%	4.1%	1.1%
India	10,455	(2.8%)	1.4%	(0.7%)	19.1%
China	3,130	(9.6%)	(8.7%)	(5.4%)	(1.7%)
South Africa	55,903	(4.7%)	(6.6%)	(6.1%)	7.7%

Rates	Levels (%)				
	09-Feb-18	02-Feb-18	09-Nov-17	31-Dec-17	09-Feb-17
2-yr US Treasury	2.07	2.14	1.63	1.88	1.18
10-yr US Treasury	2.85	2.84	2.34	2.41	2.39
30-yr US Treasury	3.16	3.09	2.82	2.74	3.00
10-yr German Bund	0.75	0.77	0.38	0.43	0.31
10-yr UK Gilt	1.57	1.58	1.27	1.19	1.25

Key Economic Releases

The week in review

Mon, 05-Feb
US ISM Non-Manufacturing MoM (Actual: 59.9; Cons.: 56.7)
Eurozone Services PMI MoM (Actual: 58.0; Cons.: 57.6)

Tue, 06-Feb

Wed, 07-Feb

Thu, 08-Feb
US Initial Jobless Claims (Actual: 221k; Cons.: 232k)
BOE Bank Rate (Actual: 0.50%; Cons.: 0.50%)

Fri, 09-Feb
UK Industrial Production MoM (Actual: -1.30%; Cons.: -0.90%)

The week ahead

Mon, 12-Feb

Tue, 13-Feb
UK CPI MoM (Cons.: -0.60%; Prior: 0.40%)
Japan GDP QoQ (Cons.: 0.20%; Prior: 0.60%)

Wed, 14-Feb
US CPI MoM (Cons.: 0.30%; Prior: 0.10%)
Eurozone GDP QoQ (Cons.: 0.60%; Prior: 0.60%)

Thu, 15-Feb
US Initial Jobless Claims (Cons.: 228k; Prior: 221k)
US Industrial Production MoM (Cons.: 0.20%; Prior: 0.90%)

Fri, 16-Feb
UK Retail Sales MoM (Cons.: 0.60%; Prior: -1.60%)

Market Commentary

The playtime is officially over as a global market meltdown wiped out $5.2 trillion in the last 2 weeks. US Stocks witnessed their worst weekly decline in two years as all major benchmarks plummeted in tandem, with the S&P showing a 10% correction from its recent highs. Following historically low levels of volatility in 2017, fear in the market has returned, driven primarily by investors' reaction to rising interest rates. As the VIX surged to 50, its highest level in several years, the effects were seen on the DJIA which recorded intraday swings exceeding 500 points in each of the past six trading days. The impact trickled down globally, as European stocks plunged too, amidst the broad sell-off at Wall Street. While the pan-European benchmark Stoxx 600 posted its biggest single day percentage drop since June 2016, the UK blue chip FTSE 100 Index also dropped to a one-year low, burdened additionally by a weakened pound. Germany’s DAX 30 and France’s CAC 40 were similarly weak, as banking, utilities, and energy sectors emerged as noticeable underperformers. Among Asian markets, the widely watched Nikkei 225 stock average declined 8.1% with all the major Japanese market indices including the TOPIX being lower year to date. While the week certainly emphasized many traders, the expectations on the Street remains positive amidst a belief that recent volatility shouldn't affect the rest of 2018. Strong fundamentals and no macroeconomic signs of recession have prevented sentiments from going into extreme panic so far.

In the fixed income markets, Treasury yields steadied at 2.788% on Friday after a volatile week that saw the benchmark 10-year yield hit four-year highs. The perception remains that further weakness in stocks may slow down the Fed's rate increases, and this was observed in shorter-dated treasuries as the rate-sensitive 2-year treasury yield traded at 2.06% after falling earlier to just above 2%. One new source of pressure on bonds is the budget deal that President Trump signed on Friday where the bipartisan agreement boosts federal spending limits by $300bn over the next two years. US based stock funds also bore the brunt of market turmoil, as the week gone by saw a $23.9bn withdrawal by investors in favor of perceived safe havens whereas, the ETFs alone constituted the bulk of outflows at $21 bn while mutual funds outflows racked up another $3bn. Tech stock funds also suffered $1.1bn in withdrawals, making it their worst week since 2016. On the currency front, the dollar rose on Friday, putting it on track for its strongest week against a basket of currencies in nearly 15 months as traders resorted to the greenback amidst tremendous volatility in stock and bond markets globally. Euro, on the other hand, was down 0.10 % at $1.2233, marking its steepest weekly decline since November 2016, following expectations that ECB will shrink its balance sheet sooner than expected. Among commodities, oil prices fell for a sixth consecutive day, and remain on track for their biggest weekly losses in 10 months, with record US crude outputs adding to concerns of a steep increase in global supplies. Gold remained steady for the week, with tumbling equities and a firmer dollar acting as counterbalancing forces.

The upcoming week promises to be a crucial one for the markets as participants hope for a strong rally to overturn the massive corrections from last week. A good wind down to the earnings season could provide that boost with 59 companies from the S&P expected to report results in the coming week.

Economic Commentary

In a week light on US data releases, the few readings on the economy continued to point towards strong underlying economic fundamentals, despite extreme market volatility. The ISM non-manufacturing index rebounded sharply this month after service sector activity had slowed down in the closing stages of 2017. The headline index rose to hit a new high of 59.9, driven primarily by an improvement in new orders, but the breadth of positive stimulants across industries was also notable as optimism stemmed from the tax changes, and an increase in general prices. Elsewhere, the number of Americans filing for unemployment benefits unexpectedly fell last week dropping to the lowest level in nearly 45 years as the labor market tightened further. The global economy is currently experiencing synchronous growth, as most nations are seeing rising demand. The upshot in foreign demand along with a weaker dollar has been a boon for US exports, which rose 1.8% in the latest reading. However, American demand propelled a 2.5% monthly rise in imports, which resulted in a larger than expected widening of the trade deficit. Still, the larger volume of trade between the US and the rest of the world augurs well for both domestic and foreign economies, even if it results in a slight widening of the trade deficit.

Across the Atlantic, the European Union remains on track to continue its fastest expansion since the global economic crisis, with the GDP estimates for 2018 being upwardly revised to 2.3% from 2.1% in November. The global increase in trade, relatively low inflation, and beneficial monetary policy from the ECB are fundamental drivers of sustained growth in the single currency area. However, slow wage growth and higher borrowing costs could act as hindrances, not to mention the uncertainty surrounding Brexit and other geopolitical tensions that could also dim the growth forecast. Across the English Channel, the Monetary Policy Committee voted unanimously in favor of keeping the interest rate at 0.5% at Bank of England meeting. However, it came with the caveat of a possible acceleration of interest rate hikes in the near future as BoE seeks to bring inflation down to its 2% target. Elsewhere, the EU divorced UK has controlled the inflation reading to 3% in the latest print after hitting a five-year high of 3.1% in November but has since dropped to 3% in the latest reading. Following the BoE’s hawkish announcement, UK government bonds sold off, as some investors now expect that monetary policy would need to be tightened somewhat earlier and by a greater extent than previously anticipated. Among Asian Economies, steady and sustainable economic growth looks to be the Bank of Japan’s long-term goal as the latest forecast for GDP growth in fiscal 2018 was nudged 0.2% higher to a range of 1.3% to 1.5%, while holding inflation steady at 1.4%

In the upcoming week, all eyes would be on Wednesday's inflation report as much of the market volatility experienced recently has been driven in part by fears of rapidly rising interest rates and inflation. Other economic releases include retail sales on Wednesday and consumer sentiment on Friday.

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