PANORAMIC VIEW OF THE WEEK

Weekly Data Center

Equities	Level	Returns (%)			
	23-Feb-18	1w	3m	YTD	1y
S&P500	2,747	0.6%	5.8%	2.8%	16.2%
DJIA30	25,310	0.4%	7.6%	2.4%	21.6%
EuroSTOXX	3,441	0.4%	(3.7%)	(1.8%)	3.2%
DAX	12,484	0.3%	(4.0%)	(3.4%)	4.5%
FTSE	7,244	(0.7%)	(2.3%)	(5.8%)	(0.4%)

Credit	On the Run Levels (bps)				
	23-Feb-18	16-Feb-18	23-Nov-17	31-Dec-17	23-Feb-17
iTraxx Mains	56	51	49	45	74
iTraxx Fin Snr	58	51	48	44	94
iTraxx X-Over	274	261	238	233	294
CDX IG	55	51	53	49	62
CDX HY	329	320	316	306	317

Commodity	Level	Returns (%)			
	23-Feb-18	1w	3m	YTD	1y
Crude (Brent)	67.1	3.5%	6.1%	0.4%	19.4%
Crude (WTI)	63.5	2.9%	9.5%	5.1%	17.3%
Gold	1,329	(1.4%)	2.9%	2.0%	6.3%
Silver	16.5	(0.7%)	(3.3%)	(2.4%)	(9.1%)

Forex	Levels				
	23-Feb-18	16-Feb-18	23-Nov-17	31-Dec-17	23-Feb-17
EUR	1.23	1.24	1.19	1.20	1.06
GBP	1.40	1.40	1.33	1.35	1.26
AUD	0.78	0.79	0.76	0.78	0.77
YEN	106.89	106.21	111.22	112.69	112.61

EM Equities	Level	Returns (%)			
	23-Feb-18	1w	3m	YTD	1y
Brazil	87,293	3.3%	17.2%	14.3%	29.4%
Russia	2,337	3.6%	8.8%	10.8%	10.9%
India	10,491	0.4%	1.4%	(0.4%)	17.4%
China	3,289	2.8%	(1.9%)	(0.5%)	1.2%
South Africa	58,715	(0.7%)	(2.6%)	(1.3%)	12.5%

Rates	Levels (%)				
	23-Feb-18	16-Feb-18	23-Nov-17	31-Dec-17	23-Feb-17
2-yr US Treasury	2.24	2.19	1.73	1.88	1.18
10-yr US Treasury	2.87	2.87	2.32	2.41	2.37
30-yr US Treasury	3.16	3.13	2.74	2.74	3.01
10-yr German Bund	0.65	0.71	0.35	0.43	0.23
10-yr UK Gilt	1.52	1.58	1.25	1.19	1.15

Market Commentary

The US treasury yields dominated yet another week on the global stock markets, however easing down into the weekend dragging the volatility index, VIX, 6.5% lower in the last trading session after starting the week at 21.3 points, as persistent hand-wringing about rising bond yields and the re-emergence of long-dormant inflation receded on Wall Street. The big gains for the utilities, energy and technology sectors helped Wall Street’s main equity indices recoup all of the losses incurred earlier in the week. The S&P 500 index added 1.6%, buttressed by broad sector gains and highlighted by advances of more than 2% in the energy and technology sectors, while the DJIA rose 1.4% benefiting from sharp gains in underlining rising demand for bank stocks, likely to profit as benchmark yields march higher. While embracing the wrath of volatility, European stocks traded flat for the week, as markets stabilise and volatility calms following a turbulent start to the month that sent the pan-European STOXX index to a near 6-month low. DAX in Frankfurt gained 0.2% backed by a stronger earnings calendar, that helped revive sentiment on financials of the banking stocks, while the FTSE 100 lost 0.1% amidst Brexit negotiations. Earnings expectations have also risen on both sides of the Atlantic, on the back of a favourable tax regime in the US and a recovering economy backing the investment sentiment in the EU. Elsewhere, emerging market stocks booked a weekly gain of 1% where investors wrestled on the pace of rising rates in the US.

The fixed income markets witnessed the hottest week in recent years, as the US Treasury Department auctioned multi-billion dollar in notes at alarming yield levels amid worst bid-to-cover since 2008. After the Treasury is through selling $229bn of the $258bn planned in bills and notes at highest yields in 9 years, it announced to lift quarterly refunding of 2- and 3-year note auctions by $2bn/month over the next 3 months, while increasing 5-, 7- and 10-year notes and 30-year bond offerings by $1bn/month, swelling the sales to record levels. Investors have already braced themselves for these issuances, amid rising concerns of President Trump's $300bn government spending to boost economic growth, enough to keep a lid on deficits. In the fund flows, the US fund investors inched back into the markets, putting $2.5bn into bonds and $1.1bn into stocks when, nearly $4.6 billion cascaded out of those products in the last 7 sessions. Emerging market stocks proved as a big winner bagging in nearly $2bn in equities and $5.7bn in other funds, as investors started cherry-picking opportunities after the weekly sell-off in the US equities. Elsewhere, the risk-off sentiment spread to bonds, with HY bond funds posting their 2nd biggest cash withdrawals of $6.3bn. In currencies, the greenback managed to stay in green, 0.2% up against the basket of peers the Fed meeting minutes confirmed the pace of rising interest rates. GBP, another highlighter of the week, reversed its position to heavily long against its European counterpart on the back of modest economic growth in the country, firming up the UK rate expectations. In commodities, the firmer tone of the US currency failed to keep oil prices from reaching fresh 2-week highs, although gold was on course for its worst week so far this year.

In the coming weeks, investors will closely scrutinise Powell's outlook on both the US economy and inflation as the US Fed try to determine the pace of tightening this year. Elsewhere, the US politics on information warfare with Russia and the European Central Bank's meeting discussions will remain on investors decision calendar.

Key Economic Releases

The week in review

Mon, 19-Feb

Tue, 20-Feb

Wed, 21-Feb
US Manufacturing PMI (Actual: 55.9; Cons.: 55.5)
UK GDP QoQ (Actual: 0.40%; Cons.: 0.50%)

Thu, 22-Feb
US Initial Jobless Claims (Actual: 222k; Cons.: 230k)

Fri, 23-Feb
Eurozone CPI MoM (Actual: -0.90%; Cons.: -0.90%)

The week ahead

Mon, 26-Feb

Tue, 27-Feb
Japan Industrial Production MoM (Cons.: -4.00%; Prior: 2.90%)

Wed, 28-Feb
US GDP QoQ (Cons.: 2.50%; Prior: 2.60%)

Thu, 01-Mar
US Initial Jobless Claims (Cons.: 226k; Prior: 222k)
Eurozone Manufacturing PMI MoM (Cons.: 58.5; Prior: 58.5)

Fri, 02-Mar

Economic Commentary

On this week's lighter economic calendar, the treasury yields continued to dominate the market's attention as President Trump’s administration increased the amount of long-term debt it sells to $66bn in this quarter. The increase in the volume of sales was mostly anticipated on the back of a rise in government spending by $300bn to boost the economic growth under President Trump's regime. To back this boost in the economic trend, the Q1 GDP looks on track to handily exceed 3%, with a boom-like 3.5% in the cards for the Q2. Although the core CPI is rising at an unthreatening 1.8% year-over-year pace, it should reach the Feds 2% target in the next few months, keeping the Fed wedded to its plan of raising interest rates 3 times this year. While the supply of these treasury instruments remains a big concern in coming quarters reflecting a boost in the investment sentiment in the country, the public and private spending will remain in focus to boost the underlying GDP component. Elsewhere, the PMI numbers for the industrial and services sector came in bullish as both the sectors continued to expand at an accelerated pace. A sharp and accelerated rise in incoming new business helped to boost the headline PMI, as business activity growth accelerated in February, while manufacturing production growth was little-changed since January.

Across the English Channel, the UK labour market gave off mixed signals this week, as average weekly earnings growth picks up slightly at the end of last year. The unemployment rate ticked higher to 4.4%, however, the employment growth over the October-December period remained disappointed, rising by 88k jobs relative to expectations for a gain nearly twice that size. The Bank of England noted in its most recent policy statement that slowing job gains and rising wages would be consistent with minimal spare capacity in the labour market, though the lack of a truly robust print suggests it will remain in wait and see mode for now as it weighs another rate hike. In the Eurozone, the headline CPI was confirmed at an expected 1.3% year-over-year with the core CPI left unrevised at 1%. The inflation figures, however, matching the expectations came in to confirm the monetary policy stand of the European Central Bank to remain on the track of stable interest rate regime. Elsewhere, the national CPI rose 1.4% in Japan on a year-over-year basis, up from 1.0% in December on the back of higher energy costs, almost matching market forecasts but still below the 2% goal of the Bank of Japan. Though far from mission accomplished for the Bank of Japan, this week’s print brings core inflation up to its fastest pace in the past 18 months, growing challenges for Governor Haruhiko Kuroda as he prepares for his second term in April, with the central bank unable to reach its inflation target despite years of massive stimulus.

In the week, the calendar will be highlighted by the US GDP confirming the effect of public spending, owing to a further increase in the volumes of sales of Treasury instruments in the US. Across the Atlantic, the manufacturing prints from the UK and Germany will remain in picture.

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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