PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 05 March 2018

Weekly Data Center

Equities	Level	Returns (%)			
	02-Mar-18	1w	3m	YTD	1y
S&P500	2,691	(2.0%)	1.9%	0.7%	13.0%
DJIA30	24,538	(3.0%)	1.3%	(0.7%)	16.8%
EuroSTOXX	3,325	(3.4%)	(5.7%)	(5.1%)	(1.8%)
DAX	11,914	(4.6%)	(7.4%)	(7.8%)	(1.2%)
FTSE	7,070	(2.4%)	(3.2%)	(8.0%)	(4.2%)

Credit	On the Run Levels (bps)				
	02-Mar-18	23-Feb-18	02-Dec-17	31-Dec-17	02-Mar-17
iTraxx Mains	55	56	49	45	70
iTraxx Fin Snr	56	58	48	44	87
iTraxx X-Over	273	274	232	233	277
CDX IG	56	55	52	49	60
CDX HY	338	329	319	306	307

Commodity	Level	Returns (%)			
	02-Mar-18	1w	3m	YTD	1y
Crude (Brent)	64.4	(4.0%)	1.2%	(3.6%)	18.4%
Crude (WTI)	61.3	(3.5%)	5.0%	1.4%	16.4%
Gold	1,323	(0.4%)	3.3%	1.5%	7.2%
Silver	16.5	(0.1%)	0.5%	(2.4%)	(7.0%)

Forex	Levels				
	02-Mar-18	23-Feb-18	02-Dec-17	31-Dec-17	02-Mar-17
EUR	1.23	1.23	1.19	1.20	1.05
GBP	1.38	1.40	1.35	1.35	1.23
AUD	0.78	0.78	0.76	0.78	0.76
YEN	105.75	106.89	112.17	112.69	114.41

EM Equities	Level	Returns (%)			
	02-Mar-18	1w	3m	YTD	1y
Brazil	85,761	(1.8%)	18.7%	12.3%	30.2%
Russia	2,289	(2.1%)	8.7%	8.5%	11.7%
India	10,458	(0.3%)	3.3%	(0.7%)	17.5%
China	3,255	(1.0%)	(1.9%)	(1.6%)	0.8%
South Africa	57,745	(1.7%)	(2.9%)	(3.0%)	11.3%

Rates	Levels (%)				
	02-Mar-18	23-Feb-18	02-Dec-17	31-Dec-17	02-Mar-17
2-yr US Treasury	2.24	2.24	1.77	1.88	1.31
10-yr US Treasury	2.86	2.87	2.36	2.41	2.48
30-yr US Treasury	3.14	3.16	2.76	2.74	3.07
10-yr German Bund	0.65	0.65	0.31	0.43	0.32
10-yr UK Gilt	1.47	1.52	1.23	1.19	1.21

Key Economic Releases

The week in review

Mon, 26-Feb

Tue, 27-Feb
Japan Industrial Production MoM (Actual: -6.60%; Cons.: -4.00%)

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

Thu, 01-Mar
US Initial Jobless Claims (Actual: 210k; Cons.: 225k)
Eurozone Manufacturing PMI MoM (Actual: 58.6; Cons.: 58.5)

Fri, 02-Mar

The week ahead

Mon, 05-Mar
US ISM Manufacturing MoM (Cons.: 59.0; Prior: 59.9)

Tue, 06-Mar
US Factory Orders MoM (Cons.: -1.30%; Prior: 1.70%)

Wed, 07-Mar

Thu, 08-Mar
US Initial Jobless Claims (Cons.: 220k; Prior: 210k)
ECB Main Refinancing Rate (Cons.: 0.00%; Prior: 0.00%)

Fri, 09-Mar
US Change in Nonfarm Payrolls MoM (Cons.: 205k; Prior: 200k)
UK Industrial Production MoM (Cons.: 1.50%; Prior: -1.30%)

Market Commentary

Protectionism and Trade-Wars continue to highlight President Trump's reign in the US. Even though a 99% rhetoric so far and no hard details, global stocks reacted negatively to the news of hefty tariffs, planned to impose on steel and aluminium imports, that heightened the fears of a trade war. After coming under pressure early in the last trading session, stocks showed a significant turnaround over the course of the trading day. The major averages bounced well off their lows of the session, with the Nasdaq and the S&P 500 climbing into positive territory. Despite the recovery, stocks with exposure to steel were punished, while those that would be less impact by retaliatory penalties outperformed, pushing the major averages to move lower for the week. Amidst the rally, the major contribution was from the biotechnology and healthcare stocks, while significant strength also emerged among natural gas stocks, despite a modest decrease in the price of the natural gas. The falls in the US followed drops in UK and continental European share markets, after Asia traded lower overnight as Asian investors braced for the retaliatory comments from the global production houses in the East. Blue-chip shares in London were in negative territory all day while metals groups and miners were the big losers, pushing down the UK's FTSE 100 Index by 1.5%, whereas, the production heavy German DAX Index and the French CAC 40 Index plummeted by 2.3% and 2.4%, respectively responding to the 25% tariffs on imported steel and 10% levy on aluminium in the US.

In the fixed income markets, the US treasuries pulled back after showing a strong move to the upside during the week. Subsequently, the yield on the benchmark 10-year note advanced by 5.3bps to 2.857% as the tariff announcement sparked fear of a more robust inflation in coming months. However, the rising concern of the retaliation to this announcement is the position of China as a buyer of the US treasuries. Even with a holding of just under $1.2tn and drifting down further, China isn't going to sell them, but they could buy less which might create a demand supply gap of $13bn to $15bn per auction in the planned auctions in this year. In the weekly fund flows, US based junk bond funds posted $703mn of outflows whereas, higher up in the credit-quality spectrum, US based IG corporate bond funds attracted $1.37bn in new cash as investors appeared to be cautiously optimistic ahead of Fed Chair Powell's testimony where he flip-flopped from hawkish to dovish during two speeches. Elsewhere, US based equity funds attracted $13.3bn of net cash and ETFs attracted $13.6bn of inflows, implying that investors are cheering the idea of a stronger economy and perhaps rotating into those securities, like banking sector, will benefit from interest rate rise. In currencies, the dollar index lose ground on Friday amid the tariff fears and traded at lowest vs Japanese yen in more than a year after BoJ governor confirmed a massive stimulus program in 2019. The pound bought $1.3801 whereas the euro rose to $1.2306 as the dollar weakened in the basket. In commodities, WTI oil futures-maintained gains to snap a three-session slide after another small rise in the number of US rigs drilling for crude, but suffered a down week finally trading at $61.25 a barrel.

Italian elections and the retaliation from the East to President Trump's tariffs plan will highlight the week. Elsewhere, investors will look for further tones of the US Fed while focussing on more speeches from the new Fed Chair, driving the volatility in the stock markets and upcoming US treasury auctions driving the global bond yields.

Economic Commentary

The economic calendar highlighted yet another week of expanding US economy with a base to sustain in the tighter monetary policy regime. The US factory sector data released this week showed another divergence between the "hard" and "soft" data. On the hard data front, private equipment spending looks to be cooling after increasing at a double-digit pace in Q3 and Q4 of 2017 as the durable goods orders fell 3.7% in January, with much of the decline concentrated in the volatile nondefense aircraft component. The survey data on the US manufacturing, however, continued to reach new heights, where the headline print of 60.8 for the ISM manufacturing index was the highest since 2004 and the latest affirmation of broadening business confidence. In another survey data the print for consumer confidence also confirmed an expanding economic footprint with more upbeat sentiment about the availability of jobs and expected income growth. Consumption growth started the year off on a bit of a soft note, but rising confidence and solid income growth will bode well for consumption growth over the remainder of the year. In times of such pronounced survey strength, the gap between hard and soft data is usually narrowed by business surveys getting reined in, rather than the hard orders data feeding directly into GDP calculations.

The calendar weighed heavy in the East as China reported the manufacturing and industrial prints. The manufacturing PMI suffered its largest fall since 2011 in February, reading a near 50 mark, an unexpectedly sharp slowdown that left it near the zero-growth level. Chinese attributed the slowdown to the lunar new year holiday, when migrant workers return to their home villages and output typically dips, making this an unfavourable comparison with recent figures of PMI. Amidst a decreased manufacturing reading the small and medium sized manufacturing component reflected a robust growth in the recent PMI readings indicating economic expansion in the indices reflecting stocks of finished products and stocks of purchases. Elsewhere, across the English Channel, the UK manufacturing print came in stronger than expected amid the Brexit negotiation as new orders recorded the largest monthly gain since November as depleted stocks of finished goods raised the forward-looking new orders to inventory ratio. All this information, together with the release of a strong February manufacturing PMI for the United States, continues to point to a relatively strong and steady manufacturing sector across the global economy. In some sense, this week's numbers for the manufacturing sector are a sign that global growth has steadied over the past several quarters, which in turn will push the positive business climate and a stronger investor sentiment around the globe.

The calendar for the week will be highlighted by the employment figures in the US and UK along with the readings for the non-manufacturing sectors on both sides of the Atlantic. Elsewhere, the ECB meeting for deciding the pace of monetary policy tightening will highlight the rest.

About Oxane Partners

Oxane Partners is a boutique advisory firm empowering alternative asset managers across their investment lifecycle. We support investment teams through all the phases of an investment including pre-screening, investment analysis, and portfolio monitoring. By unifying our asset expertise with our proprietary technology platforms, we assist our clients become more agile and outperform the competition.

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.

For more information, please visit www.oxanepartners.com.

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