Weekly Data Center

Equities	Level	Returns (%)			
	23-Mar-18	1w	3m	YTD	1y
S&P500	2,588	(6.0%)	(3.5%)	(3.2%)	10.3%
DJIA30	23,533	(5.7%)	(4.9%)	(4.8%)	13.9%
EuroSTOXX	3,298	(4.1%)	(7.2%)	(5.9%)	(4.5%)
DAX	11,886	(4.1%)	(9.1%)	(8.0%)	(1.3%)
FTSE	6,922	(3.4%)	(8.8%)	(10.0%)	(5.7%)

Credit	On the Run Levels (bps)				
	23-Mar-18	16-Mar-18	23-Dec-17	31-Dec-17	23-Mar-17
iTraxx Mains	61	49	45	45	75
iTraxx Fin Snr	68	52	44	44	90
iTraxx X-Over	292	251	231	233	294
CDX IG	69	54	49	49	68
CDX HY	355	328	310	306	331

Commodity	Level	Returns (%)			
	23-Mar-18	1w	3m	YTD	1y
Crude (Brent)	69.9	6.7%	8.0%	4.5%	39.9%
Crude (WTI)	65.8	5.6%	12.7%	9.0%	40.1%
Gold	1,347	2.5%	5.7%	3.4%	8.2%
Silver	16.6	1.4%	1.5%	(2.2%)	(5.8%)

Forex	Levels				
	23-Mar-18	16-Mar-18	23-Dec-17	31-Dec-17	23-Mar-17
EUR	1.24	1.23	1.19	1.20	1.08
GBP	1.41	1.39	1.34	1.35	1.25
AUD	0.77	0.77	0.77	0.78	0.76
YEN	104.74	106.01	113.29	112.69	110.94

EM Equities	Level	Returns (%)			
	23-Mar-18	1w	3m	YTD	1y
Brazil	84,377	(0.6%)	12.2%	10.4%	32.8%
Russia	2,286	(0.4%)	8.7%	8.3%	11.4%
India	9,998	(1.9%)	(4.7%)	(5.1%)	10.0%
China	3,153	(3.6%)	(4.4%)	(4.7%)	(2.9%)
South Africa	56,406	(2.9%)	(4.1%)	(5.2%)	8.4%

Rates	Levels (%)				
	23-Mar-18	16-Mar-18	23-Dec-17	31-Dec-17	23-Mar-17
2-yr US Treasury	2.25	2.29	1.89	1.88	1.25
10-yr US Treasury	2.81	2.84	2.48	2.41	2.42
30-yr US Treasury	3.06	3.08	2.83	2.74	3.03
10-yr German Bund	0.53	0.57	0.42	0.43	0.43
10-yr UK Gilt	1.45	1.43	1.24	1.19	1.23

Key Economic Releases

The week in review

Mon, 19-Mar

Tue, 20-Mar
UK CPI YoY (Actual: 2.70%; Cons.: 2.80%)

Wed, 21-Mar
FOMC Rate Decision (Actual: 1.75%; Cons.: 1.75%)

Thu, 22-Mar
US Initial Jobless Claims (Actual: 229k; Cons.: 225k)
BOE Bank Rate Decision (Actual: 0.50%; Cons.: 0.50%)

Fri, 23-Mar
US Durable Goods Orders (Actual: 3.10%; Cons.: 1.60%)

The week ahead

Mon, 26-Mar

Tue, 27-Mar

Wed, 28-Mar
US GDP QoQ (Cons.: 2.70%; Prior: 2.50%)

Thu, 29-Mar
US Initial Jobless Claims (Cons.: 230k; Prior: 229k)
UK GDP QoQ (Cons.: 0.40%; Prior: 0.40%)

Fri, 30-Mar
China Manufacturing PMI (Cons.: 50.8; Prior: 50.3)

Market Commentary

The week was all about finding an answer to one question. Will increased political risks and unwinding of Quantitative Easing by global Central Banks lead to unprecedented rise in financial volatility? Post the resurgence of trade fears, the fear-gauge of the market, which has more than doubled so far this year, skyrocketed 31% to hit 24.04 on Thursday. US stocks had the worst week in more than two years as uncertainty about the economic expansion and political turmoil in the White House threatened the bull run that began nearly a decade ago. The combination of events, what have been pillars of the latest stage of the rally: global economic growth, low borrowing costs and seemingly insatiable demand for the shares of high-growth tech companies, took a hit during the latest week marked by fears of a trade war, tightening monetary policy, a data mining scandal at Facebook and the latest turns of the revolving door at the Trump White House. All the major benchmarks posted their biggest declines since the week of Jan 8 and both the S&P 500 and the DJIA moved into the red for the year with the week also ending with 8 of 11 S&P 500 sectors in correction. European stocks also slipped in the negative territory as the spill overs of US China trade war spooked investors enjoying a multi-year bull run, with Germany's DAX moving down 1.6%, the French CAC 40 lowering 1.5% and Britain's FTSE 100 easing 0.6% in the red. Going further into the week, although the face value of the retaliatory US tariff will be small from China's side, President Trump may push other countries to take sides and forming blocks, resulting in a divided world and broadening the scale of the trade war. This is the biggest risk lying ahead.

With investors seeking out safer assets, many jumped into government bond markets in Europe and the United States. The US 10-year Treasury yields, which fell almost 8 bps on Thursday, were set for their biggest two-week fall since September. In Europe, benchmark issuer Germany's 10-year bond yield hovered close to 10-week lows and was on track for its biggest 2-week drop since August, down 13 bps. In the fund flows, investors pulled $9.6bn from US equity funds, just one week after those products took in $20 billion, illustrating the unstable mood gripping investors. Utilities funds took in $311mn, while real estate sector products pulled in $196mn, getting respite from rate hike fears further deepening the selloff in equities. Elsewhere, HY "junk" bond funds and financial sector funds posted their largest withdrawals in 5 weeks, while precious metals commodities funds collected their 5th straight week of inflows. In the currencies, the greenback fell 0.2% as many investors also turned to the yen, a currency likely to benefit from a full-fledged trade war. The Japanese currency gained 0.3% for the first time since November 2016. The Swiss franc, another currency bought in times of market uncertainty, rose 0.2% versus the dollar, although it remained flat against the euro. In commodity markets, oil prices recouped overnight losses after Saudi Arabia said that OPEC and Russian-led production curbs introduced in 2017 will need to be extended into 2019. The US crude futures were up 0.3% at $64.48 per barrel after losing 1.3% on Thursday and Brent rose 0.45% to $69.22 before giving up most of those gains. Safe-haven spot gold rose more than 1% to $1,342 an ounce, while copper and iron prices both fell, as investors bet demand for the metals would suffer in a trade war.

During the week, while the trader will focus on the sectors directly impacted by the retaliations for trade war started from the West and gaining the opportunity from arising volatility, the investors will move between asset classes in search of the safer havens for best returns.

Economic Commentary

In a somewhat quiet week for economic indicators, the leading story was clearly the FOMC's decision to raise the federal funds rate. The Fed raised the upper bound limit one quarter of a percentage point to 1.75% on Wednesday in a widely expected move, despite less-than-stellar economic data in Q1 2018. Business fixed investment and household spending moderated from Q4 2017, but an upgrade to labour market conditions encouraged the FOMC. The decision to continue rate hikes amid softer economic data affirms the Fed's confidence in this economy's underlying strength and its determination to normalize rates. The other data point that highlighted the calendar is the current account deficit, for which the US President has already took action during the week. The US current account deficit widened in Q4 to a 9-year high of $128.2bn. The entire deficit comes from the goods sector, with a $214.3bn deficit, which was partially offset by a $60.4bn surplus in international services trade. Foreigners made $54.1bn of direct investment in the US current account in Q4, gladly financing the deficit. Elsewhere, Durable goods orders rose 3.1% in February following a weak prior two month. Core capital goods orders were particularly strong this month, doubling market expectations and rising 1.8%. The gap between the sky-high soft survey data and the hard data such as spending and orders was narrowed in February but remains wider than historical norms.

Across the English Channel, while the Brexit plans take a hit by a rebellion group surfacing for the first time since the negotiation started, the calendar was highlighted by the meeting at BoE where the Monetary Policy Committee decided to maintain its main policy rate at 0.50% as the UK government mandates that the BoE hit an inflation target of 2% over the medium term. The surge in CPI inflation last year reflects, at least in part, the sharp depreciation of the British pound in the aftermath of the Brexit referendum in June 2016. But sterling has stabilized over the past year, and CPI inflation is beginning to recede back toward target. Everything else equal, the MPC would want to remain on hold in coming months to watch the incoming price data. But everything else is not necessarily equal. Data released this week showed that the labour market is doing quite well at present. Specifically, payrolls rose by 168k between October and January pushing the unemployment rate down to 4.3 percent, the lowest rate in 42 years. The strength in the labour market has caused earning growth to trend higher in recent months which has raise unit labour costs, slowing down the return of CPI inflation to the BoE's 2% target. Furthermore, it appears that the economy continues to expand at a reasonable rate in the first quarter. In the current policy statement, the MPC reiterated its previous view that ""the UK economy has only a very limited degree of slack" and that spare capacity will be used up by the end of next year.

With a relatively light calendar, the major economic data will focus on the personal spending and consumer spending in the US and the manufacturing and industrial production print in China and Japan respectively.

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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