PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 07 May 2018

Weekly Data Center

Equities	Level	Returns (%)			
	04-May-18	1w	3m	YTD	1y
S&P500	2,663	(0.2%)	(3.6%)	(0.4%)	11.5%
DJIA30	24,263	(0.2%)	(4.9%)	(1.8%)	15.8%
EuroSTOXX	3,551	0.9%	0.8%	1.3%	(2.1%)
DAX	12,820	1.9%	0.3%	(0.8%)	1.4%
FTSE	7,567	0.9%	1.7%	(1.6%)	4.4%

Credit	On the Run Levels (bps)				
	04-May-18	27-Apr-18	04-Feb-18	31-Dec-17	04-May-17
iTraxx Mains	56	54	45	45	64
iTraxx Fin Snr	60	57	44	44	70
iTraxx X-Over	274	271	249	233	258
CDX IG	62	60	50	49	63
CDX HY	341	338	321	306	329

Commodity	Level	Returns (%)			
	04-May-18	1w	3m	YTD	1y
Crude (Brent)	74.9	1.4%	10.1%	12.1%	56.8%
Crude (WTI)	69.7	2.4%	6.5%	15.4%	53.2%
Gold	1,315	(0.7%)	(1.4%)	0.9%	7.0%
Silver	16.5	0.1%	(0.4%)	(2.4%)	1.2%

Forex	Levels				
	04-May-18	27-Apr-18	04-Feb-18	31-Dec-17	04-May-17
EUR	1.20	1.21	1.25	1.20	1.10
GBP	1.35	1.38	1.41	1.35	1.29
AUD	0.75	0.76	0.79	0.78	0.74
YEN	109.12	109.05	110.17	112.69	112.46

EM Equities	Level	Returns (%)			
	04-May-18	1w	3m	YTD	1y
Brazil	83,118	(3.8%)	(1.1%)	8.8%	28.1%
Russia	2,289	(0.5%)	0.3%	8.5%	14.5%
India	10,618	(0.7%)	(1.3%)	0.8%	13.4%
China	3,091	0.3%	(10.7%)	(6.5%)	(1.2%)
South Africa	57,649	0.3%	(1.7%)	(3.1%)	7.9%

Rates	Levels (%)				
	04-May-18	27-Apr-18	04-Feb-18	31-Dec-17	04-May-17
2-yr US Treasury	2.50	2.48	2.14	1.88	1.31
10-yr US Treasury	2.95	2.96	2.84	2.41	2.35
30-yr US Treasury	3.12	3.12	3.09	2.74	3.00
10-yr German Bund	0.54	0.57	0.77	0.43	0.39
10-yr UK Gilt	1.40	1.45	1.58	1.19	1.12

Key Economic Releases

The week in review

Mon, 30-Apr

Tue, 01-May

Wed, 02-May
FOMC Rate Decision (Actual: 1.75%; Cons.: 1.75%)
Eurozone GDP YoY (Actual: 2.50%; Cons.: 2.50%)

Thu, 03-May
US Initial Jobless Claims (Actual: 211k; Cons.: 225k)
Eurozone CPI YoY (Actual: 1.20%; Cons.: 1.30%)

Fri, 04-May
US Change in Non-farm Payrolls (Actual: 164k; Cons.: 193k)

The week ahead

Mon, 07-May

Tue, 08-May

Wed, 09-May
China CPI YoY (Cons.: 1.90%; Prior: 2.10%)

Thu, 10-May
US Initial Jobless Claims (Cons.: 218k; Prior: 211k)
US CPI YoY (Cons.: 2.50%; Prior: 2.40%)

Fri, 11-May

Market Commentary

The latest week hinted that, US corporate profit growth is outpacing European profit growth at the fastest pace on record, but the anomaly is unlikely to last. The drivers of that divergence, such as the US tax cuts, a weak dollar, and disparity between share buybacks on either side of the Atlantic are fading, and some could even reverse in the second half of the year. US stocks logged sharp gains Friday, with major indexes shaking off an early slide as technology stocks rallied, overshadowing uncertainty over tense trade talks between the US and China and a weaker-than-expected rise in April nonfarm payrolls. Friday's gains were broad based, with all 11 S&P 500 sectors higher on the day, with technology stocks leading the gains at 2%. However, these gains weren't enough to push the Dow and S&P into positive territory for the week, with both posting 0.2% weekly declines. The Nasdaq turned positive for the five-session stretch, however, up 1.3%. Confirming an active trading in the last trading session, advancing issues outnumbered declining ones on the NYSE by a 3-to-1 ratio; on Nasdaq, with a 2.77-to-1 ratio favouring advancers. The volume on US exchanges was 6.37 billion shares, compared to the 6.57 billion average for the full session over the last 20 trading days. The S&P 500 posted 16 new 52-week highs and 6 new lows, while the Nasdaq Composite recorded 94 new highs and 47 new lows. Across the Atlantic, the European shares bounced back on Friday as good company results rolled in, but bank stocks were left behind after poor updates from retail banking heavyweights. Broad-based gains lifted the pan-European STOXX 600 by 0.6%. The banking index, recently penalised by softer economic data and cooling expectations about monetary policy tightening, was among the worst-performing sectors. The recent fall in the euro has helped Europe outperform Wall Street in recent weeks, with the euro zone index posting its sixth straight week of gains.

In the fixed income, US Treasury yields fell on Friday after a government report showed the world's largest economy created fewer jobs last month, with slower wage growth than expected, suggesting the pace of Federal Reserve interest rate hikes will be gradual. Yields on US benchmark 10-year notes and 30-year yields slid to two-week lows, while those on two-year noted fell to a one-week trough. The yield curve flattening continued with the spread between US 2-year and 10-year notes contracting to 43.90 basis points, the tightest in two weeks. The treasuries were also pressurised under the recent announcement from Treasury department about a higher supply of debt issue to offset the impact of a Fed that has been winding down its purchases. In the latest fund flows, Investors did some opportunistic buying because of higher yields in the debt market as US-based government-Treasury funds attracted $530mn of net new cash, marking the group's sixth straight week of inflows. Further out in the credit quality spectrum, US-based high-yield "junk" bond funds attracted inflows of $526mn in the week, following the previous week's outflows of $2.49bn. Overall, US-based taxable bonds attracted $916mn in the week, marking the group's eighth straight week of inflows, whereas the US-based money market funds, whose yields have also climbed higher, attracted $844mn in the week. In the currencies, the dollar consolidated three weeks of gains on Friday on expectations the ECB and US Fed Reserve would increasingly diverge on monetary policy, although concerns US economic momentum may be peaking near-term cap gains. That pushed the gap between German and US government debt yields to its highest for nearly three decades on Friday and that gap could get even wider if monthly US payrolls data surprises on the upside. In the commodities, oil prices rose about 2% on Friday, with US crude hitting its highest in more than three years, as global supplies remained tight and the market awaited news from Washington on possible new US sanctions against Iran.

In the week, US dollar will continue to highlight the trading sessions as the investors will focus on the inflation numbers in the US and Bank of England's sterling selling plans in the UK. Elsewhere, the sudden resurgence in dollar will be hampering Argentinian borrowing costs and pushing European stock markets to new heights.

Economic Commentary

The data calendar was packed this week and largely reinforced the Fed's view that the economy is growing moderately with roughly balanced risks to the outlook. Friday's jobs report ended a busy week of data on a solid note. The economy added 164,000 jobs in April, and the jobless rate fell 0.2 %age points to 3.9%. The payroll gain was less than the consensus estimate, but still represented a solid rebound from March and pointed to strong underlying demand for labor. As the Fed's preferred inflation gauge to hit the y-o-y target of 2% in March, this week's print will encourage the FOMC to forge ahead with its plans to increase interest rates with next move's probability increasing in June. In other prints, the factory sector is growing, although it may be approaching capacity as strong demand both domestically and abroad is testing production limits. The ISM manufacturing survey slipped again in April but remains close to its February high and still points to solid expansion in coming months. Headline factory orders rose in March, representing a surge in commercial aircraft orders. The underlying details were less indicative of increasing growth in business equipment spending. Business equipment has boosted topline GDP in each of the past six quarters, but the softening in core orders suggests the fastest quarterly growth rates may be behind us. Elsewhere, the non-manufacturing prices paid also increased in April to its strongest reading since 2012, excluding hurricane-induced spikes. The non-manufacturing ISM composite also eased in April but remains elevated, pointing to continued growth in the services and construction sectors.

Across the Atlantic, markets have been reacting to several weaker economic data points coming from the Eurozone. This is in contrast to the relatively strong pace it exhibited during the last quarter of last year. The release of the advanced number for GDP growth in the Eurozone for Q1 confirmed what markets had been pricing for a while. Perhaps the biggest concern for the European Central Bank (ECB) was the news on inflation, which also came in below market expectations. Consumer prices increased just 1.2% on a year earlier basis versus expectations of a 1.3 % increase. This was down from a 1.3% print for the year ending in March. Furthermore, the core CPI was even lower on a year-earlier basis, increasing 0.7% compared to a 1.0% rate in March, year over year. The fact that core prices are still slowing down will keep the ECB from changing monetary policy any time soon. Eurozone retail sales increased less than expected 0.1% in March, month on month, compared to market expectations of a 0.5 % increase. At the same time, the year-over-year rate declined from 1.8% in February to just 0.8% in March. Markets were expecting the year-over-year rate at 1.9%. However, it was not all bad news as the February month-on-month print was revised up from 0.1% to 0.3%. The Eurozone economy grew 0.4% in Q1, not annualized and by 2.5% on a year-earlier basis. This performance matched market expectations. However, not all the news on the economy was weaker as the result for Q4-2017 was revised slightly upwards from an original 0.6 %, not annualized sequential growth, to 0.7%. Meanwhile, the year-over-year gain was revised up from 2.7% to 2.8%, which makes the 0.4% sequential growth and the 2.5 % print in Q1 a little bit stronger than what markets were expecting.

In the week, the calender will highlight the GDP numbers in the UK while keeping a close track of the implications of huge borrowing costs in Argentina. Elsewhere, the inflation prints from US and China will further confirm the Central Bank's stand on the monetary policy.

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