Weekly Data Center

Equities	Level	Returns (%)			
	11-May-18	1w	3m	YTD	1y
S&P500	2,728	2.4%	4.1%	2.0%	13.9%
DJIA30	24,831	2.3%	2.6%	0.5%	18.7%
EuroSTOXX	3,566	0.4%	7.2%	1.8%	(1.6%)
DAX	13,001	1.4%	7.4%	0.6%	2.3%
FTSE	7,725	2.1%	8.9%	0.5%	4.6%

Credit	On the Run Levels (bps)				
	11-May-18	04-May-18	11-Feb-18	31-Dec-17	11-May-17
iTraxx Mains	54	56	56	45	62
iTraxx Fin Snr	58	60	57	44	67
iTraxx X-Over	268	274	280	233	255
CDX IG	59	62	60	49	62
CDX HY	331	341	354	306	327

Commodity	Level	Returns (%)			
	11-May-18	1w	3m	YTD	1y
Crude (Brent)	76.5	2.2%	22.6%	14.5%	52.5%
Crude (WTI)	70.7	1.4%	19.4%	17.0%	47.8%
Gold	1,319	0.4%	0.2%	1.3%	7.7%
Silver	16.7	0.8%	1.9%	(1.6%)	2.0%

Forex	Levels				
	11-May-18	04-May-18	11-Feb-18	31-Dec-17	11-May-17
EUR	1.19	1.20	1.23	1.20	1.09
GBP	1.35	1.35	1.38	1.35	1.29
AUD	0.75	0.75	0.78	0.78	0.74
YEN	109.39	109.12	108.80	112.69	113.86

EM Equities	Level	Returns (%)			
	11-May-18	1w	3m	YTD	1y
Brazil	85,220	2.5%	5.3%	11.5%	26.2%
Russia	2,345	2.4%	6.7%	11.2%	17.1%
India	10,807	1.8%	3.4%	2.6%	14.7%
China	3,163	2.3%	1.1%	(4.4%)	3.3%
South Africa	58,423	1.3%	4.5%	(1.8%)	8.0%

Rates	Levels (%)				
	11-May-18	04-May-18	11-Feb-18	31-Dec-17	11-May-17
2-yr US Treasury	2.53	2.50	2.07	1.88	1.33
10-yr US Treasury	2.97	2.95	2.85	2.41	2.39
30-yr US Treasury	3.10	3.12	3.16	2.74	3.03
10-yr German Bund	0.56	0.54	0.75	0.43	0.43
10-yr UK Gilt	1.44	1.40	1.57	1.19	1.16

Key Economic Releases

The week in review

Mon, 07-May

Tue, 08-May

Wed, 09-May
China CPI YoY (Actual: 1.80%; Cons.: 1.90%)

Thu, 10-May
US Initial Jobless Claims (Actual: 211k; Cons.: 219k)
US CPI YoY (Actual: 2.50%; Cons.: 2.50%)

Fri, 11-May

The week ahead

Mon, 14-May

Tue, 15-May
US Retail Sales MoM (Cons.: 0.30%; Prior: 0.60%)

Wed, 16-May
US Industrial Production MoM (Cons.: 0.60%; Prior: 0.50%)
Eurozone CPI YoY (Cons.: 1.20%; Prior: 1.30%)

Thu, 17-May
US Initial Jobless Claims (Cons.: 215k; Prior: 211k)

Fri, 18-May

Market Commentary

This week it was not just America First, but America Alone. After the protectionist stand of the US president in recent weeks, the Trump trade again highlighted the markets after he announced to cease the support in nuclear agreement with Iran. Stocks around the world increased in demand this past week, partly because general risk appetite has improved in spite of Trump's move on Iran. That suggests that investors are fairly positive on the outlook for stocks, certainly a contrast to earlier in the year. The US equities broke out of a tight trading range this week as the S&P 500 and DJIA closed above their 50-day moving averages this week. The US stocks closed out a strong week with slight moves on Friday, with equities mostly rising but investors finding few reasons to push shares significantly higher. The DJIA rose on Friday as Wall Street booked a week of solid gains following a strong rally in energy stocks, where it also posted a seven-day winning streak. Meanwhile, oil prices rallied to lift shares of energy companies. And shares of technology companies that came under pressure earlier in the year extended their recovery as the technology heavyweights reeled in cash for the week. Telecoms and healthcare stocks pushed the S&P 500 to its weekly gain of 2.4%, as the technology benchmark rose 2.1%, while healthcare staged a rally, rising 1.5% after Mr Trump unveiled a plan to keep drug prices in check. The recent moves suggest the stock market could finally be regaining its footing following a wave of volatility that had pulled major indexes down more than 10% from their all-time highs. Elsewhere, European stock markets eased slightly Friday after a strong rally saw many indexes strike multi-week highs. The Stoxx Europe 600 closed up 0.1%, boosted by gains in shares of basic-resources companies.

In the fixed income markets, the difference between yields on short- and long-term US Treasuries further narrowed on Friday, touching their flattest level in more than 10½ years, marking the resumption of an overall flattening of the so-called yield curve evident this year as investors anticipate a potentially faster pace of interest rate rises from the Federal Reserve, but also remain wary of the longer-term economic outlook. On Friday, the yield on the 2-year Treasury, which is more sensitive to Fed policy expectations, was down 0.3bps at 2.5349% and the yield on the benchmark 10-year was down 0.5bps at 2.9659%. The downward pressure on longer-term yields manifested in Treasury auctions this week, with longer-dated bonds seeing solid demand. In the fund flows, US fund investors are wavering on one of their favourite bets of the last year, walloping emerging-market stocks and hunkering down in short-term bonds. Funds offered in the United States but invested in shares in emerging markets recorded $870mn in withdrawals, the most since November 2016, during the week. The risk-averse move in emerging markets was paired with a rush into short-term debt as US President pulled out of an international nuclear deal with Iran, raising the risk of conflict in the Middle East and casting uncertainty over global oil supplies. Elsewhere, investors are also rewarding smaller US-listed companies seen as sheltered from trade disputes and benefiting from corporate tax cuts, as small-cap funds tracked by Lipper pulled in $1.2bn during the week. In currencies, the dollar fell for a third day on Friday against a basket of currencies as traders booked gains on its recent run-up spurred by the widening interest rate gaps in favour of the US and signs of cooling growth in the rest of the world. Elsewhere, the Swedish crown continued its rally, as more traders exited their bearish bets on hints that some Riksbank officials are open to raising interest rates despite worries about low inflation and the euro rose for a second day as the greenback retreated further from a 2018 peak reached earlier this week.

In the week, while traders will focus on the treasury yield curve, keeping a close eye on the oil prices, the investors will focus on the trade talks due in Washington between Chinese Vice Premier and US Treasury Secretary. Elsewhere, the markets will continue to highlight the impact of emerging market yields on the risk return matrix.

Economic Commentary

The economic calendar largely focused on inflation this week, with the release of the PPI, the CPI and import prices. Data released this week shed light on price pressures building in the US economy. On the whole, it is clear that inflation is moving upward but is not yet unwieldy, which clears the way for the Fed to gradually raise rates this year. FOMC meeting minutes and speeches by Fed presidents also suggest that FOMC members are inclined to keep to a gradual approach to policy normalization. Measured reaction by the committee to last year’s inflation soft patch is further evidence of a gradual approach. The CPI came in softer than expected in April. Headline CPI rose 0.2% during the month while core CPI rose by a more tepid 0.1%. The recent increase in energy prices was apparent with a 1.4% increase in the energy index in April. An increase in food prices also helped push the headline higher. The softer read on core CPI follows a ramp up in Q1, which had some worried that the Fed would need to tighten policy faster than was priced into the market. Elsewhere, Small business optimism rose slightly in April after losing some ground in March. That followed a cycle high hit in February after the tax cuts boosted the mood on main street. The mood is still very upbeat. Strong demand is translating into rising earnings on net for firms. Small businesses are also seeing greater ability to increase prices, with the measure of price increases rising to a cycle high in March and easing to its second-highest point of the cycle in April.

Across the Atlantic, the ECB continues to send a message of cautious optimism to the markets, and this was underscored by the release of the ECB Economic Bulletin on Thursday. The report stated that the eurozone economy continues to show solid and broad-based expansion but did acknowledge that growth in the first quarter slowed. As for inflation, policymakers remain confident that inflation will continue to move towards the inflation target of 2%. However, inflation remains subdued and has not shown signs of an upward trend. The report reaffirmed that the ECB plans to maintain interest rates at current levels for an extended period of time, and well past the horizon of the net asset purchases. Elsewhere, ECB chair, Mario Draghi has thrown his weight behind French demands to complete the eurozone’s banking union and create a rainy-day fund for member states, as he sought to boost momentum for reform ahead of a leaders’ summit next month. Across the English Channel, the Bank of England still expects to raise its key interest rate over the coming years, saying Thursday that a slowdown in economic growth during the first three months of the year was likely temporary and probably not as severe as first estimated. Additionally, the BOE continued to stress that any rise in the key rate will be “gradual and limited,” probably amounting to one move a year in each of the next three years. Its new forecasts indicate that would be sufficient to bring inflation down to its 2% target by early 2020 from 2.5% in March. Elsewhere, in the global production house, China’s annual consumer inflation cooled to 1.8% in April as compared to 2.1% in March on the back of settling retail prices. China has set its 2018 consumer inflation goal at around 3%. And China’s producer price inflation picked up for the first time in seven months rising 3.4% from a year earlier.

The weekly calendar will be highlighted by the retail sales print across the US and China confirming a more strengthening consumer prices numbers in the coming months. Elsewhere, the global growth prints will be addressed as the Japanese GDP prints come in the week.

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 $40bn of assets and are currently monitoring $15bn 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.

Disclaimer:

This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. This material is not financial research and was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis. Investors are urged to consult with their financial advisors before buying or selling any securities. This information may not be current and Oxane Partners has no obligation to provide any updates.

This material is provided for educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. The information contained in this presentation is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by Oxane Partners to buy, sell, or hold any security. Views and opinions are current as of the date of this presentation and may be subject to change, they should not be construed as investment advice.

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