Weekly Data Center

Equities	Level	Returns (%)			
	18-May-18	1w	3m	YTD	1y
S&P500	2,713	(0.5%)	(0.7%)	1.5%	13.3%
DJIA30	24,715	(0.5%)	(2.0%)	(0.0%)	18.8%
EuroSTOXX	3,574	0.2%	4.3%	2.0%	(0.1%)
DAX	13,078	0.6%	5.0%	1.2%	3.6%
FTSE	7,779	0.7%	6.6%	1.2%	3.8%

Credit	On the Run Levels (bps)				
	18-May-18	11-May-18	18-Feb-18	31-Dec-17	18-May-17
iTraxx Mains	58	54	56	45	63
iTraxx Fin Snr	65	58	54	44	68
iTraxx X-Over	276	268	267	233	252
CDX IG	62	59	54	49	62
CDX HY	336	331	350	306	320

Commodity	Level	Returns (%)			
	18-May-18	1w	3m	YTD	1y
Crude (Brent)	78.1	2.0%	20.5%	16.9%	46.5%
Crude (WTI)	71.3	0.8%	15.6%	18.0%	40.5%
Gold	1,293	(2.0%)	(4.0%)	(0.7%)	2.6%
Silver	16.4	(1.3%)	(1.2%)	(2.9%)	(4.2%)

Forex	Levels				
	18-May-18	11-May-18	18-Feb-18	31-Dec-17	18-May-17
EUR	1.18	1.19	1.24	1.20	1.12
GBP	1.35	1.35	1.40	1.35	1.30
AUD	0.75	0.75	0.79	0.78	0.75
YEN	110.78	109.39	106.21	112.69	111.30

EM Equities	Level	Returns (%)			
	18-May-18	1w	3m	YTD	1y
Brazil	83,082	(2.5%)	(1.7%)	8.7%	34.7%
Russia	-	(100.0%)	(100.0%)	(100.0%)	(100.0%)
India	10,597	(1.9%)	1.4%	0.6%	12.3%
China	3,193	0.9%	(0.2%)	(3.4%)	3.8%
South Africa	57,804	(1.1%)	(2.2%)	(2.9%)	6.0%

Rates	Levels (%)				
	18-May-18	11-May-18	18-Feb-18	31-Dec-17	18-May-17
2-yr US Treasury	2.56	2.53	2.19	1.88	1.28
10-yr US Treasury	3.07	2.97	2.87	2.41	2.25
30-yr US Treasury	3.20	3.10	3.13	2.74	2.91
10-yr German Bunc	0.58	0.56	0.71	0.43	0.40
10-yr UK Gilt	1.50	1.44	1.58	1.19	1.09

Key Economic Releases

The week in review

Mon, 14-May

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

Wed, 16-May
US Industrial Production MoM (Actual: 0.70%; Cons.: 0.60%)
Eurozone CPI YoY (Actual: 1.20%; Cons.: 1.30%)

Thu, 17-May
US Initial Jobless Claims (Actual: 222k; Cons.: 215k)

Fri, 18-May

The week ahead

Mon, 21-May

Tue, 22-May

Wed, 23-May
Eurozone Manufcturing PMI (Cons.: 56.0; Prior: 56.2)

Thu, 24-May
US Initial Jobless Claims (Cons.: 220k; Prior: 222k)

Fri, 25-May
US Durable Goods Orders MoM (Cons.: -1.40%; Prior: 2.60%)
UK GDP Q0Q (Cons.: 0.10%; Prior: 0.10%)

Market Commentary

Everyone is looking for the cloud in the sky, but the outlook is still positive. In the latest week, the stock markets rattled for traction as all the stakeholders engaged with geopolitical tensions across the US and Europe, spurred by new government proposals in Italy, an uncertain meeting between the US and North Korea amidst a simultaneous pressure from the trade talks with China. US stocks stalled Friday, posting weekly losses as bubbling uncertainty around these tensions and interest rates limited investors' appetite for risk. The S&P 500 ended lower after a choppy trading session as bank and chipmaker stocks weighed on the index and investors grappled with doubtful yet constructive trade talks. Bondlike sectors of the stock market took a hit as rising crude-oil prices and interest rates stoked fresh investor bets on inflation. Other bond proxies including shares of utilities and real-estate companies in the S&P 500, posted weekly losses of more than 3%. For the year, the S&P 500 posted 10 new 52-week highs and five new lows; the Nasdaq Composite recorded 144 new highs and 33 new lows and the volume on US exchanges was 6.18 bn shares, compared with the 6.64 bn-share average for the full session over the last 20 trading days. In the single currency zone, political uncertainty in Italy weighed on the country's stocks and bonds as well as the euro on Friday, while Wall Street wobbled amid tepid corporate earnings and trade concerns. Italy's benchmark index fell 1.5% Friday after two anti-establishment parties seeking to form a governing coalition agreed to scrap or dilute pension reforms that were widely credited with helping keep Italy's finances on a sustainable path. Stocks more broadly across Europe largely advanced, though, with the Stoxx Europe 600 posting a 0.6% weekly advance.

The fixed income markets highlighted this as the week that markets started to pay attention to the end of easy money. In the week financial markets finally cracked in the fading era of ultra-easy liquidity conditions. Underpinning this week's turmoil were US Treasuries when the 10-year Treasury yield broke through both its 2018 and 2014 highs in the span of minutes on Tuesday. However, the yields pulled back by Friday as buyers emerged after a bond sell-off earlier in the week prompted by growing inflation worries. Other highlights came from Italy, where yields on 10-year bond rose to its highest point in more than seven months, while the country's stocks slumped 1.5%. In the fund flows, US fund investors returned to equity markets in force during the latest week, pouncing on economic confidence in their home market and injected $10.1bn into stocks as US companies still seeing the benefits of a lower corporate tax rate continue to coast to higher profits. In the same time, domestic stock funds pulled in $9.1bn, while their international-focused counterparts pulled in about a tenth of that amount, hinting towards a positive investor sentiment in the US. This is good news for domestic stock funds that faced three straight months of withdrawals, threatened by the prospect of higher inflation and what was once a more bullish view on growth prospects outside the United States. In currencies, the dollar rose against a raft of emerging-market currencies Friday, driven by expectations that US yields will continue marching higher. In parallel, the euro was down 0.17% to $1.1773, on track for a fifth session of declines amidst a continuous pressure from the roadblock between ECB and new Italian government. In commodities, Oil prices fell, but Brent crude marked a sixth straight week of gains, boosted by plummeting Venezuelan production and looming US sanctions on Iran. The benchmark on Thursday broke through $80 for the first time since November 2014 while the US crude settled down 0.3% at $71.28 a barrel.

The week ahead will witness complementary outputs from multiple streams directly impacting the trend in the markets. From the constructive discussions on US-China trade and surging bond yields in the US to financial and economic sanctions by the new Italian government in the Eurozone. While the investors will understand the meeting minutes from the latest Fed Reserve meeting, the trader will continue to closely monitor the trend in the oil prices and surging bond yields.

Economic Commentary

This past week several key economic indicators hit the wire, taking a pulse for several important sectors. While the headline figures did not jump off the pages, the details are more encouraging. It was a fairly busy week on the domestic data front with the release of several notable indicators representing major sectors of the economy. Retail sales increased 0.3% in April, while March sales were revised upward, an indication that strength has returned to the consumer sector after several months of negative or weak prints. The strongest sectors of retail in April were clothing stores and gasoline stations, mostly driven by the recent increase in gasoline prices. Food services & drinking places and health & personal care stores were the notable weak spots, contracting 0.3% and 0.4% on the month, respectively. Year over year, non-store retailers, which is an alternative expression for e-commerce, is up an impressive 9.6%. In the world of real estate, housing starts fell 3.7% in April, with multi-family projects accounting for all the drop. While the headline figure is not very encouraging, builders appear to be quite optimistic as a major factor holding back housing starts has been the recent volatility in apartment construction. Moreover, industrial production reached a new high in April, with contributions from all three industry groups. The renewed strength in the index has been supported by the rebound in energy prices. Mining output increased 1.1% in April, marking the third straight monthly gain for this category. Not surprisingly, the mining sector is the closest to experiencing capacity constraints, as it is at 90.6% utilization.

Across the Atlantic, German Final CPI continues to lose ground. The indicator dropped to 0.0%, marking a 3-month low, while the Eurozone Final CPI edged lower to 1.2%. Eurozone Final Core CPI followed a similar trend, dropping to 0.7%. If inflation levels continue to soften, the ECB will have to consider extending its stimulus scheme, which is scheduled to run until September. First-quarter eurozone and German GDP data were within expectations, but investors should not become too sanguine, as the numbers pointed to a slowdown in the eurozone economy. Both Germany and the eurozone posted gains of 0.6% in the fourth quarter of 2017. Will economic conditions improve in Q2, is yet a big question? While focusing on the global growth rate, the pace of economic growth in most major economies slowed in the first quarter. Not only did the sequential rate of U.S. real GDP growth downshift a bit, but the Eurozone and the United Kingdom also posted slower rates of growth in Q1. Data released this week showed that real GDP actually contracted in Japan in the first quarter. While the Japan witnessed an anaemic growth, the Chinese economy grew 6.8% in Q1, the third consecutive quarter in which real GDP grew at that rate on a year-over-year basis. But it appears that economic growth in China may be stepping down a bit in the current quarter. Although the year-over-year rate of growth in industrial production shot up to 7.0% in April from 6.0% in March, the rate of growth in nominal retail sales slowed to 9.4% in April from 10.1% during the preceding month. The modest contraction in Q1 GDP for both the economies is a one-off phenomenon, confirming the return of economic growth to positive territory in coming quarters. But the few inflationary pressures in the economy at present hints the central banks to maintain their ultra-accommodative monetary policy for the foreseeable future.

The week ahead will mainly focus on the economic data coming from the West as the calendar will highlight the FOMC stand on the inflation target and a gradual hinting towards a tighter monetary policy in the year. Elsewhere the major highlights will be on the inflation prints in UK and factory prints coming from Germany and Eurozone. While the calendar will showcase the manufacturing prints from production houses, the markets will continue to reflect the calendar on trends in financial instruments.

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