Weekly Data Center

Equities	Level	Returns (%)			
	25-May-18	1w	3m	YTD	1y
S&P500	2,721	0.3%	(2.1%)	1.8%	12.8%
DJIA30	24,753	0.2%	(2.2%)	0.1%	17.7%
EuroSTOXX	3,515	(1.6%)	2.1%	0.3%	(1.9%)
DAX	12,938	(1.1%)	3.6%	0.2%	2.5%
FTSE	7,730	(0.6%)	6.7%	0.6%	2.8%

Credit	On the Run Levels (bps)				
	25-May-18	18-May-18	25-Feb-18	31-Dec-17	25-May-17
iTraxx Mains	65	58	56	45	61
iTraxx Fin Snr	76	65	58	44	67
iTraxx X-Over	298	276	274	233	249
CDX IG	63	62	55	49	62
CDX HY	343	336	350	306	320

Commodity	Level	Returns (%)			
	25-May-18	1w	3m	YTD	1y
Crude (Brent)	75.9	(2.9%)	13.0%	13.5%	49.2%
Crude (WTI)	67.9	(4.7%)	7.0%	12.4%	39.6%
Gold	1,302	0.7%	(2.0%)	(0.0%)	3.7%
Silver	16.5	0.4%	(0.1%)	(2.5%)	(3.8%)

Forex	Levels				
	25-May-18	18-May-18	25-Feb-18	31-Dec-17	25-May-17
EUR	1.17	1.18	1.23	1.20	1.12
GBP	1.33	1.35	1.40	1.35	1.29
AUD	0.75	0.75	0.78	0.78	0.75
YEN	109.41	110.78	106.89	112.69	111.84

EM Equities	Level	Returns (%)			
	25-May-18	1w	3m	YTD	1y
Brazil	78,898	(5.0%)	(9.6%)	3.3%	24.8%
Russia	2,307	(0.8%)	(1.3%)	9.3%	18.5%
India	10,605	0.1%	1.1%	0.7%	10.5%
China	3,141	(1.6%)	(4.5%)	(5.0%)	1.1%
South Africa	56,917	(1.5%)	(3.1%)	(4.3%)	5.3%

Rates	Levels (%)				
	25-May-18	18-May-18	25-Feb-18	31-Dec-17	25-May-17
2-yr US Treasury	2.48	2.56	2.24	1.88	1.29
10-yr US Treasury	2.93	3.07	2.87	2.41	2.25
30-yr US Treasury	3.09	3.20	3.16	2.74	2.95
10-yr German Bunc	0.41	0.58	0.65	0.43	0.36
10-yr UK Gilt	1.32	1.50	1.52	1.19	1.01

Key Economic Releases

The week in review

Mon, 21-May

Tue, 22-May

Wed, 23-May
Eurozone Manufcturing PMI (Actual: 55.5; Cons.: 56.1)

Thu, 24-May
US Initial Jobless Claims (Actual: 234k; Cons.: 220k)

Fri, 25-May
US Durable Goods Orders MoM (Actual: -1.70%; Cons.: -1.30%)
UK GDP Q0Q (Actual: 0.10%; Cons.: 0.10%)

The week ahead

Mon, 28-May

Tue, 29-May

Wed, 30-May
US GDP QoQ (Cons.: 2.30%; Prior: 2.30%)

Thu, 31-May
US Initial Jobless Claims (Cons.: 230k; Prior: 234k)
Eurozone CPI YoY (Cons.: 1.60%; Prior: 1.20%)

Fri, 01-Jun
Change in US Nonfarm Payrolls (Cons.: 190k; Prior: 164k)
US ISM Manufacturing MoM (Cons.: 58.1; Prior: 57.3)

Market Commentary

Stock indexes around the world struggled to gain ground this week as geopolitical rifts drove investors into relatively safe assets such as government bonds and gold. Stocks edged mostly lower ahead of the Memorial Day weekend on energy market jitters but managed to keep in positive territory for the week even as investors grappled with an increasing array of global political risks. In the US, the S&P 500 and the Dow eased on Friday after a steep drop in oil prices pressured energy stocks, but losses were limited by gains in chipmakers and retail stocks. All three indices witnessed a rough week weighed by the oil, the S&P energy index slid 2.6% and registered its biggest daily percentage drop since early February. Elsewhere, the S&P 500 banks index fell 0.4% after US Treasury yields hit their lowest in three weeks. And shares of utilities rallied throughout the week as investors flocked to bond-like stocks that tend to do well in times of market volatility. Trading volume was lighter than usual ahead of the long weekend, about 5.8bn shares changed hands on US exchanges, compared with the 6.6bn daily average for the past 20 trading days. Overall, the US stocks has been roiled by trade tensions with China and an uncertainty over US-North Korea summit in past few weeks. Declining issues outnumbered advancing ones on the NYSE by a 1.25:1 ratio, while on Nasdaq, a 1.05:1 ratio favoured advancers as the S&P 500 posted 20 new 52-week highs and one new low. In the single currency region, the Stoxx 600 posted a 0.9% weekly decline, snapping an eight-week winning streak as investors weighed signs of political risk being reawakened in the eurozone. Spanish stocks came under pressure too, with the benchmark IBEX 35 index losing 1.7% after the main-opposition Party filed a no-confidence motion against current PM.

In the fixed income market, the US government bonds rallied as bubbling geopolitical tensions and signs that the Fed would be willing to remain on a gradual pace of interest-rate increases helped drive up demand for Treasuries. The yield on the benchmark 10-year Treasury note settled at 2.931%, notching its biggest one-week decline since April 2017. In the Eurozone, anti-establishment parties are heading a new Italian government, while Spain is submerged in a corruption scandal that could lead to new elections. The developments led investors to dump Italian government bonds, sending the yield on the 10-year bond to its highest level since 2017. In the fund flows, U.S. fund investors streamed into U.S. stocks for a second straight week, according to Lipper data on Thursday, betting that domestic equities can dodge the threat of a retaliatory trade war and economic-slowdown risks. Equity mutual funds and ETFs took in $3.7bn during the latest week, while their taxable-bond counterparts attracted $3.1bn. In a similar fashion, small-cap funds seen as less influenced by global economic factors as by domestic demand and corporate tax cuts, pulled in $2.6bn. Elsewhere, the higher yields did help bank sector funds pull in $330mn, while debt-sensitive real estate sector funds posted $334mn in withdrawals. In currencies, worry about Italy kept the euro under pressure. It fell 0.15% against the dollar, putting it on track for the sixth straight week of losses, while the Swiss franc traditionally seen as a safe-haven, is set for a fourth consecutive weekly gain against the single currency. Also, on the upside, the dollar rebounded 0.25% after touching two-week lows versus a basket of currencies, and yen slipped 0.2% against the dollar, reversing gains seen after the summit cancellation. In commodities, the US crude tumbled 4% to settle at $67.88 a barrel after Saudi Arabia and Russia said they were ready to ease supply curbs that have pushed prices to their highest since 2014, and gold prices swung between small gains and losses before closing slightly lower Friday.

During the week, while the markets will focus on the political consensus in the Europe as Italy and Spain braces for elections again! the traders will run through the bonds as the falling yields chips away at the narrative that growth and inflation are strong enough to warrant tighter monetary policy across the developed world. Elsewhere, the investors will be focussing on the new developments in the trade tensions between China and US while confirming the certainty of a US North Korea summit in June.

Economic Commentary

In a slightly lighter calendar for the week, the prints in the US confirmed the continuation of the economic expansion in the region. The Durable goods orders retraced in April following consecutive months of gains. Orders fell 1.7% on the month, which was worse than consensus, but more in line with our call for a 2.0% drop. Transportation orders fell 6.1% as aircraft orders declined a whopping 29%. Transportation spending has been a key driver of fixed investment, and backlogs in the sector are rising, which bodes well for future transportation spending. Core capital goods orders, which exclude defence and aircraft orders, rose a solid 0.9% on the month. Purchasing manager surveys indicate sustained growth throughout all regions in May, and the gap between the soft and hard data is tend to converge in coming months. In another print, the consumer sentiment fell once again in May however, high overall levels of consumer sentiment since the presidential election are consistent with improving economic growth and consumer spending figures. Current economic conditions were responsible for the entirety of the drop in May, driven by rising gasoline prices. Consumers expecting gas prices to rise over the next year jumped 15 points. Consumers are also concerned about household finances as the run-up of asset prices could be reaching their peak in their view. The outlook on business conditions is still generally positive, up 7 points compared to a year ago. Plans for major household appliance and vehicle purchases each dropped. Housing purchase plans continued falling, likely reflecting concern behind rising prices and rates.

According to recently released data, the second quarter started with mixed results after a relatively weak first quarter. Although data on consumption seem to have picked up a bit at the start of Q2, data on production seemed to have continued to weaken from the highs seen at the end of 2017. Consumer prices in the UK increased a less-than-expected 0.4% in April, but they were up compared to an increase of 0.1% in the previous month. However, the year-over-year rate came in a bit lower than expected, at 2.4% versus 2.5% for the year ending in March. The core CPI was also lower than expected, up 2.1% on a year-earlier basis compared to 2.3% for the year ending in March. Both measures point to continued disinflation after CPI inflation hit a year-over-year high of 3.1% in November of last year. This will probably give pause to some of the speculation regarding the Bank of England needing to start increasing rates sooner rather than later. On the other hand, retail sales in the UK increased 1.6% sequentially in April, the strongest monthly print since the 2.5% increase recorded in April of last year. In the Eurozone, the manufacturing sector continued the weakening trend it has shown since December 2017, as the manufacturing PMI printed 55.5 in May compared to 56.2 in April. Meanwhile, the German manufacturing PMI was down more than the Eurozone aggregate in May, down to 56.8 compared to 58.1 in April. Furthermore, detailed demand side GDP numbers were released for Germany in Q1 showing a relatively strong consumer compared to expectations, up 0.4% not annualized, while government spending was down a larger-than-expected 0.5% and capital investment up a more-than-expected 1.7%. The weakest sector during Q1 was the external sector, with real exports of goods and services declining 1.0%.

For the week, the calendar will mostly focus on the employment print in the US while highlighting the factory prints from the ISM manufacturing activity and personal spending figures confirming the continuation of strong consumer confidence in the economy. Elsewhere, the Eurozone CPI will highlight the calendar confirming a tighter stand by the ECB in the region, while the Japanese industrial prints will focus on the factory activity in the East.

About Oxane Partners

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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.

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