PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 04 June 2018

Weekly Data Center

Equities

	Level	Returns (%)			
	01-Jun-18	1w	3m	YTD	1y
S&P500	2,735	0.5%	2.1%	2.3%	12.5%
DJIA30	24,635	(0.5%)	0.1%	(0.3%)	16.5%
EuroSTOXX	3,454	(1.8%)	1.6%	(1.4%)	(3.2%)
DAX	12,724	(1.7%)	4.4%	(1.5%)	0.5%
FTSE	7,702	(0.4%)	7.3%	0.2%	2.1%

Credit

	On the Run Levels (bps)				
	01-Jun-18	25-May-18	01-Mar-18	31-Dec-17	01-Jun-17
iTraxx Mains	67	65	53	45	62
iTraxx Fin Snr	79	76	54	44	70
iTraxx X-Over	294	298	267	233	250
CDX IG	65	63	58	49	60
CDX HY	345	343	350	306	320

Commodity

	Level	Returns (%)			
	01-Jun-18	1w	3m	YTD	1y
Crude (Brent)	76.2	0.5%	19.0%	14.1%	53.5%
Crude (WTI)	65.8	(3.1%)	7.9%	8.9%	36.1%
Gold	1,293	(0.7%)	(1.8%)	(0.7%)	2.2%
Silver	16.4	(0.6%)	(0.3%)	(3.1%)	(5.1%)

Forex

	Levels				
	01-Jun-18	25-May-18	01-Mar-18	31-Dec-17	01-Jun-17
EUR	1.17	1.17	1.23	1.20	1.12
GBP	1.33	1.33	1.38	1.35	1.29
AUD	0.76	0.75	0.78	0.78	0.74
YEN	109.54	109.41	106.24	112.69	111.37

EM Equities

	Level	Returns (%)			
	01-Jun-18	1w	3m	YTD	1y
Brazil	77,240	(2.1%)	(9.5%)	1.1%	24.0%
Russia	2,295	(0.5%)	(0.1%)	8.8%	22.8%
India	10,696	0.9%	2.3%	1.6%	11.2%
China	3,075	(2.1%)	(6.1%)	(7.0%)	(0.9%)
South Africa	57,282	0.6%	(1.1%)	(3.7%)	8.4%

Rates

	Levels (%)				
	01-Jun-18	25-May-18	01-Mar-18	31-Dec-17	01-Jun-17
2-yr US Treasury	2.47	2.48	2.21	1.88	1.29
10-yr US Treasury	2.90	2.93	2.81	2.41	2.21
30-yr US Treasury	3.05	3.09	3.08	2.74	2.86
10-yr German Bunc	0.39	0.41	0.64	0.43	0.31
10-yr UK Gilt	1.28	1.32	1.47	1.19	1.07

Key Economic Releases

The week in review

Mon, 28-May

Tue, 29-May

Wed, 30-May
US GDP QoQ (Actual: 2.20%; Cons.: 2.30%)

Thu, 31-May
US Initial Jobless Claims (Actual: 221k; Cons.: 228k)
Eurozone CPI YoY (Actual: 1.90%; Cons.: 1.60%)

Fri, 01-Jun
Change in US Nonfarm Payrolls (Actual: 223k; Cons.: 190k)
US ISM Manufacturing MoM (Actual: 58.7; Cons.: 58.2)

The week ahead

Mon, 04-Jun

Tue, 05-Jun
US ISM Non-Manufacturing MoM (Cons.: 57.6; Prior: 56.8)

Wed, 06-Jun

Thu, 07-Jun
US Initial Jobless Claims (Cons.: 225k; Prior: 221k)
Eurozone GDP YoY (Cons.: 2.50%; Prior: 2.50%)

Fri, 08-Jun

Market Commentary

Global markets rallied on Friday as a robust increase in US employment helped calm a week of volatile trading triggered by renewed fear of a transatlantic trade war and political instability in Europe. US stock markets kept fluctuating this week in a series of choppy trades, as the DJIA declined modestly and the S&P 500 rose slightly amidst daily swings. This high volatility in the market was primarily driven by political uncertainty in the Eurozone, along with effects of tariff announcements and May's Jobs Report. Technology shares performed well, while financial stocks struggled, as a sharp decrease in longer-term Treasury yields led to investor worries about bank profitability. General Motors, on the contrary, shot up 12.9% after the company said the SoftBank Vision Fund will invest $2.25bn in the automaker's self-driving cars. European equities too endured a volatile week, owing to evolving political developments in Italy, where investors fear a shift towards strict anti-Eurozone policies. The pan-European index STOXX 600, as well as Italy's main benchmark index—the FTSE MIB ended the week in red. Among Asian markets, Japanese stocks declined for the week, and the broader market yardsticks also retreated, with all the major Japanese indices remained worryingly in the red for the year to date. China's leading stock indices also fell for the week as global risk aversion outweighed the long-awaited inclusion of Chinese A shares into MSCI's global equity benchmarks.

In the fixed income markets, demand for safe-haven securities amid political turmoil in Italy triggered a rally in Treasuries, driving the 10-year Treasury note's yield to its largest one-day decrease since the UK voted to leave the European Union in June 2016. Yields surged later in the week, however, after a better than expected jobs report. The yield on the benchmark 10-year Treasury note was higher at around 2.888% while the yield on the 30-year Treasury bond was also higher at 3.035% at the close. US investors became increasingly skeptical about emerging markets in the past week, pulling out the most cash in more than 18 months from stocks in those regions. Nearly $1.2bn left emerging market stock mutual funds and exchange-traded funds, making it the largest withdrawal since November 2016. Emerging markets face a host of challenges, including the rising US dollar that makes debt denominated in the currency more expensive to repay, rising rates due to Federal Reserve policy in the United States as well as higher oil prices and the potential for a trade war. In currency markets, the dollar got a shot in the arm from strong economic data and gained 0.3% against the euro, as the single currency traded at $1.1653. In commodities, Crude Futures fell on Friday, with the US benchmark posting a second consecutive week of declines as American oil output came close to matching that of top producer Russia. Gold too was down by $4 for the week at $1,293 as the firmer dollar took a toll on gold.

With a lack of earnings and major economic reports, markets could focus more heavily on trade-related headlines in the coming week, and investors would have their sights on President Donald Trump's meet with world leaders in Canada. Elsewhere, while the traders will mostly focus on the trump trade and the dollar collision in the global markets, the investors will continue to take cues from Italian turmoil as all roads lead to Rome. Remaining markets will be highlighted by the Eurozone's banking network as Turkey overshadows the rising inflation prints in the region.

Economic Commentary

In this holiday-shortened week, the labor market numbers and consumer confidence figures in the US strengthened the hopes of the economic expansion in the region. Consumer confidence remained strong this summer, with the Conference Board's numbers increasing about 2.4 points in May. This strong consumer confidence led to a decreased household savings rate as consumer's optimism about the economy led to increased spending more than the average income growth for the second straight month. Household spending increased by 0.6% as compared to personal income growth, which only grew by a meager 0.3%. The recent changes in the federal tax rates which led to increased tax savings and increasing gasoline prices which rose about 6% in May, spurred the increased spending in households. Rising inflation figures, which rose by 0.2% in April, keeping it at about 2% year-on-year, which has put pressure on the wage growth and the average hourly earnings grew by 0.3%. The labor market also added 223,000 new jobs in May, thus strengthening the market and leading to the decline in the unemployment rate which currently stands at 3.8%. This trend is expected to continue as the supply of labor looks to be low as compared to the expected demand and this is expected to put additional pressure on the compensation costs.

Globally, there was a lot of activity highlighted daily by the drama that unfolded in Italy as they battled against political and debt challenges. Italy's outstanding debt comes up to €2.3 trillion and being one of the world's 10 largest economies, any problem with its financial health could bring about disastrous results. This also stands true for Spain and markets are observing the governments closely to see the policies they enact to tackle the mounting debt challenges. Other than Italy many countries reported the first quarter real GDP growth figures and while most countries topped expectation which includes Sweden, Switzerland, and India, Canada seems to have slowed down contrary to expectations. Eurozone inflation figures which had slowed down over the past few months showed signs of recovery this May. As prices continued to fall and the economic growth in the first quarter remained somewhat soft, investors are now speculating if the European Central Bank would put an end to their asset purchase program by the end of this year. With the critical monetary policy meeting scheduled on June 14, this week's strong inflation print with the coupled political tensions in Europe provides the ECB with a lot of data points to keep in mind before the meeting.

The upcoming week is expected to bring in news on the factory orders in the US along with the ISM Non-manufacturing data which will confirm the continuation of a strong economy. In addition, the trade balance report from the US is also expected to be released next Wednesday. In Europe, the Eurozone GDP figures are expected to be out on Thursday, which is expected to be positive and will be something the ECB looks forward to considering the recent tensions in Spain and Italy.

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