Weekly Data Center

Equities	Level	Returns (%)			
	15-Jun-18	1w	3m	YTD	1y
S&P500	2,780	0.0%	1.2%	4.0%	14.3%
DJIA30	25,090	(0.9%)	0.9%	1.5%	17.5%
EuroSTOXX	3,505	1.7%	2.7%	0.0%	(0.6%)
DAX	13,011	1.9%	5.4%	0.7%	2.5%
FTSE	7,634	(0.6%)	6.9%	(0.7%)	2.9%

Credit	On the Run Levels (bps)				
	15-Jun-18	08-Jun-18	15-Mar-18	31-Dec-17	15-Jun-17
iTraxx Mains	66	74	50	45	57
iTraxx Fin Snr	77	91	53	44	61
iTraxx X-Over	294	313	255	233	238
CDX IG	60	66	55	49	60
CDX HY	331	345	350	306	320

Commodity	Level	Returns (%)			
	15-Jun-18	1w	3m	YTD	1y
Crude (Brent)	72.5	(4.3%)	12.4%	8.5%	57.5%
Crude (WTI)	65.1	(1.0%)	6.3%	7.7%	46.3%
Gold	1,279	(1.5%)	(2.8%)	(1.8%)	2.0%
Silver	16.6	(1.3%)	1.0%	(2.2%)	(1.1%)

Forex	Levels				
	15-Jun-18	08-Jun-18	15-Mar-18	31-Dec-17	15-Jun-17
EUR	1.16	1.18	1.23	1.20	1.11
GBP	1.33	1.34	1.39	1.35	1.28
AUD	0.74	0.76	0.78	0.78	0.76
YEN	110.66	109.55	106.34	112.69	110.93

EM Equities	Level	Returns (%)			
	15-Jun-18	1w	3m	YTD	1y
Brazil	70,758	(3.0%)	(16.7%)	(7.4%)	14.3%
Russia	1,117	(2.3%)	(50.8%)	(47.1%)	(38.6%)
India	10,818	0.5%	4.4%	2.7%	12.9%
China	3,022	(1.5%)	(8.2%)	(8.6%)	(3.5%)
South Africa	57,661	(1.0%)	(0.9%)	(3.1%)	13.4%

Rates	Levels (%)				
	15-Jun-18	08-Jun-18	15-Mar-18	31-Dec-17	15-Jun-17
2-yr US Treasury	2.55	2.50	2.28	1.88	1.35
10-yr US Treasury	2.92	2.95	2.83	2.41	2.16
30-yr US Treasury	3.05	3.09	3.06	2.74	2.79
10-yr German Bunc	0.40	0.45	0.58	0.43	0.28
10-yr UK Gilt	1.33	1.39	1.44	1.19	1.03

Key Economic Releases

The week in review

Mon, 11-Jun

Tue, 12-Jun
US CPI MoM (Actual: 0.20%; Cons.: 0.20%)

Wed, 13-Jun
FOMC Rate Decision (Actual: 2.00%; Cons.: 1.75%)

Thu, 14-Jun
US Initial Jobless Claims (Actual: 218k; Cons.: 223k)
ECB Main Refinancing Rate (Actual: 0.00%; Cons.: 0.00%)

Fri, 15-Jun
Eurozone CPI YoY (Actual: 1.90%; Cons.: 1.90%)
BoJ Policy Balance Rate (Actual: -0.10%; Cons.: -0.10%)

The week ahead

Mon, 18-Jun

Tue, 19-Jun

Wed, 20-Jun

Thu, 21-Jun
US Initial Jobless Claims (Cons.: 220k; Prior: 218k)
BoE Bank Rate (Cons.: 0.50%; Prior: 0.50%)

Fri, 22-Jun
US Manufacturing PMI MoM (Cons.: 56.3; Prior: 56.4)
Eurozone Manufacturing PMI MoM (Cons.: 55.0; Prior: 55.5)

Market Commentary

Concerns over a possible US-China trade war unsettled global stock markets at the end of a hectic week dominated by contrasting central bank messages on monetary policy from Japan in the East to a tightening environment inside US in the West. The US stocks closed out a whirlwind week with a modest loss Friday as markets gauged how much to fret about the Trump administration's decision to step up the trade dispute between the world's two biggest economies. The Dow Jones Industrial Average posted its biggest one-week slide since March and the S&P 500 edged slightly back from the spill overs of selling pressure. The day's trading was split evenly between positive and negative sectors. By far the biggest declining group was energy, which sank 2.1% on concerns about oversupply. The positive industry groups were filled with defensive sectors, while consumer staples rose 1.3% and telecom sector inched 1.2%. The moves Friday come after US markets finished the previous day's trading on a mixed note. The Nasdaq hit an all-time high during Thursday's session, with the S&P 500 also closing in the black. The Dow however failed to hold onto gains. Across the Atlantic, the pan European Stoxx600 ended 1% lower following a 1.2% rise in the previous session, as the German Dax shed 0.7% and the FTSE gave back 1.7%. But all three indices finished higher for the week. The moves marked the latest deterioration of relations between the global economies, something that will keep investors and analysts on guard in coming months.

In the fixed income markets, government bond yields ended lower on the week on both sides of the Atlantic after tracking the central bank announcements. In the US, the yield gap between two- and 10-year Treasuries narrowed below 40bps to the lowest point in more than a decade. The 10-year Treasury yield was down 2bps on the day at 2.93%, while the two-year was 2bp lower at 2.55%. Reflecting the shift in the Fed's median rate forecasts, the two-year yield was up 5bp for the week. Meanwhile, Italian yields saw notable falls as the country's political situation continued to stabilise. Italy's two-year yield, which hit 2.73% less than three weeks ago, ended the week at 0.66%. The weekly fund flows highlighted a sloppy week for the emerging markets economy as the US fund investors snatched $9.7bn out of stocks during the latest week, marking the largest withdrawals since early April. Additionally, the US-based funds that invest primarily in emerging market stocks are on course for a second straight month of withdrawals and first quarter of outflows since 2016. More than $1.1bn rolled out of the products during the latest week. In the increased rates regime, the US financial sector funds seen as benefiting from higher rates pulled in $793 million. In currencies, the "creatively dovish tone" of ECB helped the dollar index to touch its highest point of the year on Thursday, although the gauge subsequently retreated as the euro rallied into the weekend. The US currency was flat versus the yen on Friday at ¥110.59 while sterling was up 0.1% at $1.3276. In commodities, the dollar's latest bout of strength encouraged a sell-off for gold, with the metal down to $1,280 an ounce, the gold slipped to its lowest point this year. Elsewhere, crude oil sank amid speculation that oil-producing countries could push to increase production at next week's OPEC meeting on the back of decreasing inventory counts.

During the week, as traders will focus on the OPEC meetings and news from the emerging stock markets, while witnessing the resilient domestic stock markets. The investors, however, will take clues from the ECB's three-day long forum to highlight its monetary policy stand on the backdrop of a warning to end its bond-buying programme.

Economic Commentary

While the FOMC meeting dominated the market headlines this week, several closely watched indicators surprised to the upside, indicating continued strength in the economy. However, perhaps the most surprising economic release this week was the strength seen in the May retail sales report. Headline sales surged 0.8% following an upwardly revised 0.4% in April. Much of the recent strength in retail sales has been attributed to rising gasoline prices. Moreover, the relatively strong print in automobile sales is, perhaps, the realization by American consumers that higher interest rates are an increasingly likely reality and that they should move ahead of higher future interest rates. After a disappointing performance for the US consumer in the first quarter, spending strength has returned in Q2. This is further evidenced by the renewed strength in control group sales, which surprised to the upside again. While the strength in retail sales certainly did not go unnoticed, it was overshadowed by the FOMC's June meeting. As markets widely expected, the Fed raised the target federal funds range 25 bps to 1.75-2.00% and added a fourth-rate hike into its projections for 2018. Prior to the FOMC's meeting, reported CPI inflation for April was largely in-line with expectations. Consumer price inflation continues to gradually pick up, which adds further support to the Fed's plan to hike rates in 2018.

This was a fairly eventful week in terms of foreign economic developments. First, the ECB held a highly anticipated policy meeting on Thursday. The ECB, which has been "tapering" its quantitative easing program for more than a year, announced that it would pare back its monthly purchase rate to just €15bn, and that it would cease buying bonds altogether at the end of the year. It also said that it intends to keep its three main policy rates unchanged through at least summer 2019. Economic data in the United Kingdom were somewhat of a mixed bag. Industrial production tumbled 0.8% in May relative to the previous month, which was significantly weaker than expected, as output in the manufacturing and utilities sector posted large losses. On the other hand, real retail spending jumped 1.3% in May relative to April, which was much stronger than expected, and the unemployment rate held steady at a 43-year low of 4.2%. The overall rate of CPI inflation peaked at roughly 3% late last year, and it has subsequently receded to 2.4%. The recent decline in inflation means that the Bank of England may continue to be circumspect regarding another rate hike. Moreover, the uncertainty regarding Brexit, which clouds the economic outlook, also argues for caution. Attention is focused on central banks because they're in various stages of pulling away from the emergency stimulus put in place following the Great Recession. In the East, the Bank of Japan decided on Friday to keep its stimulus program on track. While, China released a slew of economic data for May that generally were not as strong as most expected, which reinforce the belief that the rate of economic growth in China will gradually slow further through next year.

The calendar in the West will be mostly light as new indicators will continue to strengthen the belief that Fed is ignoring the global growth for the domestic growth rate. However, the BoE meeting in the UK and consumer inflation prints from the East will bring weight to the remaining calendar.

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