## Weekly Data Center

| Equities | Level | Returns (%) | | | |
|---|---|---|---|---|---|
| | 22-Jun-18 | 1w | 3m | YTD | 1y |
| S&P500 | 2,755 | (0.9%) | 4.2% | 3.0% | 13.2% |
| DJIA30 | 24,581 | (2.0%) | 2.6% | (0.6%) | 14.9% |
| EuroSTOXX | 3,442 | (1.8%) | 2.8% | (1.8%) | (3.2%) |
| DAX | 12,580 | (3.3%) | 4.0% | (2.6%) | (1.7%) |
| FTSE | 7,682 | 0.6% | 10.5% | (0.1%) | 3.3% |

| Credit | On the Run Levels (bps) | | | | |
|---|---|---|---|---|---|
| | 22-Jun-18 | 15-Jun-18 | 22-Mar-18 | 31-Dec-17 | 22-Jun-17 |
| iTraxx Mains | 70 | 66 | 60 | 45 | 54 |
| iTraxx Fin Snr | 82 | 77 | 65 | 44 | 55 |
| iTraxx X-Over | 305 | 294 | 289 | 233 | 234 |
| CDX IG | 65 | 60 | 66 | 49 | 61 |
| CDX HY | 341 | 331 | 350 | 306 | 320 |

| Commodity | Level | Returns (%) | | | |
|---|---|---|---|---|---|
| | 22-Jun-18 | 1w | 3m | YTD | 1y |
| Crude (Brent) | 75.0 | 3.4% | 9.7% | 12.3% | 67.7% |
| Crude (WTI) | 69.0 | 6.0% | 7.4% | 14.2% | 62.2% |
| Gold | 1,271 | (0.7%) | (4.4%) | (2.5%) | 1.6% |
| Silver | 16.5 | (0.7%) | 0.4% | (2.8%) | (0.6%) |

| Forex | Levels | | | | |
|---|---|---|---|---|---|
| | 22-Jun-18 | 15-Jun-18 | 22-Mar-18 | 31-Dec-17 | 22-Jun-17 |
| EUR | 1.17 | 1.16 | 1.23 | 1.20 | 1.12 |
| GBP | 1.33 | 1.33 | 1.41 | 1.35 | 1.27 |
| AUD | 0.74 | 0.74 | 0.77 | 0.78 | 0.75 |
| YEN | 109.97 | 110.66 | 105.28 | 112.69 | 111.33 |

| EM Equities | Level | Returns (%) | | | |
|---|---|---|---|---|---|
| | 22-Jun-18 | 1w | 3m | YTD | 1y |
| Brazil | 70,641 | (0.2%) | (16.7%) | (7.5%) | 15.3% |
| Russia | 2,250 | 0.5% | (1.6%) | 6.6% | 20.9% |
| India | 10,822 | 0.0% | 7.0% | 2.8% | 12.4% |
| China | 2,890 | (4.4%) | (11.5%) | (12.6%) | (8.2%) |
| South Africa | 56,857 | (1.4%) | (0.6%) | (4.5%) | 11.3% |

| Rates | Levels (%) | | | | |
|---|---|---|---|---|---|
| | 22-Jun-18 | 15-Jun-18 | 22-Mar-18 | 31-Dec-17 | 22-Jun-17 |
| 2-yr US Treasury | 2.54 | 2.55 | 2.28 | 1.88 | 1.34 |
| 10-yr US Treasury | 2.89 | 2.92 | 2.82 | 2.41 | 2.15 |
| 30-yr US Treasury | 3.04 | 3.05 | 3.06 | 2.74 | 2.72 |
| 10-yr German Bunc | 0.34 | 0.40 | 0.53 | 0.43 | 0.25 |
| 10-yr UK Gilt | 1.32 | 1.33 | 1.44 | 1.19 | 1.02 |

## Key Economic Releases

### The week in review

**Mon, 18-Jun**

**Tue, 19-Jun**

**Wed, 20-Jun**

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

**Fri, 22-Jun**
US Manufacturing PMI MoM (Actual: 54.6; Cons.: 56.1)
Eurozone Manufacturing PMI MoM (Actual: 55.0; Cons.: 55.0)

### The week ahead

**Mon, 25-Jun**

**Tue, 26-Jun**

**Wed, 27-Jun**
US Durable Goods Orders MoM (Cons.: -0.90%; Prior: -1.60%)

**Thu, 28-Jun**
US Initial Jobless Claims (Cons.: 220k; Prior: 218k)
US GDP QoQ (Cons.: 2.20%; Prior: 2.20%)

**Fri, 29-Jun**
Eurozone CPI YoY (Cons.: 2.00%; Prior: 1.90%)
UK GDP YoY (Cons.: 1.20%; Prior: 1.20%)

## Market Commentary

World stock markets have endured a rollercoaster ride this week, as investors fretted over the deteriorating situation. Global shares rose on Friday but were set to end in the red for a second week running amid intensifying worries over the fallout of a trade dispute resulting from US tariffs, monetary policy uncertainty across global central banks and European political turmoil. European stocks were all solidly higher and Wall Street also got off to a stronger start as markets sought to claw back some of the week's losses. Stocks wobbled throughout the week, with shares of industrial firms, agricultural companies and auto makers sliding as investors feared global trading relations were becoming increasingly fractured. Investor nervousness over a possible full-blown trade war deepened as EU tariffs on key US goods came into effect. Followed by retaliatory fears from China and the US locked the world's three biggest economies in a potentially destructive face-off. In the US, the DJIA fell eight straight sessions through Thursday, as investors broadly shed risk, investors withdrew the biggest weekly amount from emerging-market equities, financials and investment-grade bond funds since 2016. Stocks got a boost Friday from energy shares, although they weren't enough to offset broad declines throughout the week from other sectors. Advancing issues outnumbered declining ones on the NYSE by a1.87:1 ratio; on Nasdaq a 1.15:1 ratio favored decliners. The S&P 500 posted 17 new 52-week highs and 2 new lows; the Nasdaq Composite recorded 80 new highs and 36 new lows. Elsewhere, strong financial stocks and better-than-expected eurozone purchasing managers index for services helped drive a timid relief bounce in European shares. But the pan-European STOXX and its european counterpart were set for their biggest weekly loss in three months as the consequences of rising protectionism sank in, notably for the autos sector. Elsewhere in overseas trading, stock markets across the Asia-Pacific region turned in another mixed performance during trading on Friday.

In the fixed income markets, Government bond prices sank Friday but capped off a second week of gains. Treasuries showed a lack of direction before closing roughly flat. Subsequently, the yield on the benchmark ten-year note inched up by less than a basis point to 2.900%. Yields rose with global stocks on Friday after a turbulent week, reducing demand for safer assets like Treasury bonds, which have swung on news from Fed Reserve Chairman on falling unemployment and ramped up inflation, that could lead to additional interest-rate increases, driving the 10-year Treasury yield higher. Amidst the tug of war in the bond markets, the US Treasury Department will sell more than $200bn in debt next week, flooding the market with supply confirming a disconnect between what the data shows and what the bond market indicates investors are expecting. In the fund flows, the US was the only global region to enjoy investment inflows this week, with $5.1bn pumped into US stock funds while the same amount flooded out of emerging markets. Investors also pulled $2.7bn out of European equities and $1.9bn out of Japan in a broad withdrawal from assets perceived as risky, which saw $12.9bn flowing out of global equities and $5.9 out of bond funds. The dollar's rise on this economic strength has bruised emerging markets, which had their biggest weekly outflows since November 2016 as investors shed these assets. In currencies, both euro and sterling was half a percent higher against the dollar on Friday, after the Bank of England's chief economist unexpectedly joined the minority of policymakers calling for a UK interest rate hike. In commodities, Oil prices rose on uncertainty ahead of a meeting of the OPEC and other major producers in Vienna later in the day. Brent crude traded at $74.00 a barrel while the US West Texas Intermediate crude rose 1.1% to $66.27 per barrel. Elsewhere, gold futures edged higher on Friday however, registering a decline for the week as investors focused on expectations for higher interest rates ahead, a headwind for metals, and strong US dollar.

In the current week, while the traders will shift to the winds in China focussing on the trade wars, the investors will be mixing in the effects of tit-for-tats from the increasing exposure of their portfolios to this trade war. Elsewhere, the focus will remain on the eurozone, where the migration debate is hovering the Brexit referendum and Greece bailout is extended on the back of improving economic conditions.

## Economic Commentary

In a slightly lighter economic calendar for the week, the US non-farm payrolls highlighted the prints as the number of Americans filing for unemployment benefits unexpectedly fell last week, pointing to a further tightening of labor market conditions. Other data on Thursday showed a moderation in factory activity in the mid-Atlantic region in June amid a decline in new orders. Firms, however, continued to report overall increases in employment this month. The robust labor market, which is underpinning economic growth, likely will pave the way for the Federal Reserve to raise interest rates two more times this year. The labor market is viewed as being near or at full employment, with the jobless rate at an 18-year low of 3.8%. The unemployment rate has dropped by three-tenths of a percentage point this year and is near the Fed's forecast of 3.6% by the end of this year. The strong labor market is providing a boost to the economy, with gross domestic product estimates for the second quarter topping a 4.5% annualized rate. But the growth pace could slow later this year. Following an initially reported $128.2bn current account deficit in Q4, financial markets expected further widening in Q1. The account balance came in at $124.1bn in Q1. Though the deficit has widened once again, we do not view this as a headwind to growth. As a% of GDP, the deficit has remained between 2 and 3% over the last several years, indicating that the economy is growing at about the same pace as the deficit. Foreign purchases of Treasuries and US corporate securities have been positive in each of the past five quarters. The base case scenario is that the current account deficit will continue widening as the trade deficit widens. However, the potential protectionist trade policies throw in some risk to this outlook.

Across the English Channel, the Bank of England has kept interest rates on hold but pressure for an increase has grown on the monetary policy committee. A sudden deterioration in the vital economic statistics for the U.K. economy could upset that plan, but considering the fact that the purchasing manager surveys are still firmly in expansion territory that does not seem terribly likely. The BoE has been holding off raising interest rates as it awaits an improvement in the economy, which grew just 0.1% in the first three months of the year. It believes this was a blip and the economy is bouncing back from the unusually cold weather in late February and early March. A number of indicators of household spending and sentiment have bounced back strongly from what appeared to be erratic weakness in Q1, in part related to the adverse weather. Employment growth has remained solid. Although manufacturing output recorded a decline in April, and this was accompanied by a fall in goods exports and inflation is coming off a five-year high of 3.1%, the bank warned the cost of living is likely to rise. Growing with other central banks Mario Draghi promised that the European Central Bank will take its time to lift interest rates, reinforcing last week's agreement by policy makers to keep borrowing costs unchanged at least through the summer of 2019. Draghi made it clear that the ECB's plan to halt its bond-buying program this year, closing an extraordinary chapter in a decade-long struggle with financial crises and recession, doesn't mean the central bank is ready to withdraw its support. Despite this current of normalization, the Bank of Japan is still swimming against the stream. At its June 14 meeting, the BoJ announced its intention to maintain its comprehensive package of asset purchases and yield curve control. The primary objective for the Bank of Japan is to achieve 2% CPI inflation.

In the current week, the calendar will be focused on the inflation prints from the eurozone strengthening the current position of the ECB on a tighter monetary policy. Elsewhere, the factory numbers from Japan in the East and the personal income prints from US in the West will remain the key highlight, confirming the global economic scenario in a tighter monetary regime.

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