Weekly Data Center

Equities	Level	Returns (%)			
	29-Jun-18	1w	3m	YTD	1y
S&P500	2,718	(1.3%)	2.9%	1.7%	12.3%
DJIA30	24,271	(1.3%)	0.7%	(1.8%)	14.0%
EuroSTOXX	3,396	(1.3%)	1.0%	(3.1%)	(2.2%)
DAX	12,306	(2.2%)	1.7%	(4.7%)	(0.9%)
FTSE	7,637	(0.6%)	8.2%	(0.7%)	3.9%

Credit	On the Run Levels (bps)				
	29-Jun-18	22-Jun-18	29-Mar-18	31-Dec-17	29-Jun-17
iTraxx Mains	74	70	60	45	56
iTraxx Fin Snr	90	82	65	44	53
iTraxx X-Over	320	305	283	233	246
CDX IG	68	65	66	49	62
CDX HY	361	341	350	306	320

Commodity	Level	Returns (%)			
	29-Jun-18	1w	3m	YTD	1y
Crude (Brent)	78.6	4.8%	13.6%	17.6%	68.0%
Crude (WTI)	74.2	7.5%	14.2%	22.7%	65.0%
Gold	1,253	(1.4%)	(5.5%)	(3.9%)	0.6%
Silver	16.1	(2.1%)	(1.6%)	(4.8%)	(3.0%)

Forex	Levels				
	29-Jun-18	22-Jun-18	29-Mar-18	31-Dec-17	29-Jun-17
EUR	1.17	1.17	1.23	1.20	1.14
GBP	1.32	1.33	1.40	1.35	1.30
AUD	0.74	0.74	0.77	0.78	0.77
YEN	110.76	109.97	106.43	112.69	112.18

EM Equities	Level	Returns (%)			
	29-Jun-18	1w	3m	YTD	1y
Brazil	72,763	3.0%	(14.8%)	(4.8%)	16.9%
Russia	1,154	2.6%	(49.5%)	(45.3%)	(38.6%)
India	10,714	(1.0%)	5.9%	1.7%	12.7%
China	2,847	(1.5%)	(9.9%)	(13.9%)	(10.7%)
South Africa	57,611	1.3%	3.9%	(3.2%)	12.2%

Rates	Levels (%)				
	29-Jun-18	22-Jun-18	29-Mar-18	31-Dec-17	29-Jun-17
2-yr US Treasury	2.53	2.54	2.27	1.88	1.37
10-yr US Treasury	2.86	2.89	2.74	2.41	2.27
30-yr US Treasury	2.99	3.04	2.97	2.74	2.81
10-yr German Bunc	0.30	0.34	0.50	0.43	0.45
10-yr UK Gilt	1.28	1.32	1.35	1.19	1.25

Key Economic Releases

The week in review

Mon, 25-Jun

Tue, 26-Jun

Wed, 27-Jun

Thu, 28-Jun
US Initial Jobless Claims (Actual: 227k; Cons.: 220k)
US GDP QoQ (Actual: 2.00%; Cons.: 2.20%)

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

The week ahead

Mon, 02-Jul
US ISM Manufacturing MoM (Cons.: 58.5; Prior: 58.7)
Eurozone Manufatcuring MoM (Cons.: 55.0; Prior: 55.0)

Tue, 03-Jul

Wed, 04-Jul

Thu, 05-Jul
US Initial Jobless Claims (Cons.: 225k; Prior: 227k)

Fri, 06-Jul
US Change in Nonfarm Payrolls (Cons.: 195k; Prior: 223k)

Market Commentary

Global stocks jump into the quarter-end as recent concern over US-China trade tensions took a back seat on Friday and, market participants switched their focus to a crucial EU deal on migrants, the US Fed "stress tests" on banks and a fresh rise in oil prices. In the US, stocks closed higher Friday even as the earlier rally in financial shares flamed out, but for the week, all major benchmarks finished lower due to ongoing trade war-related jitters. Market observers blamed some of the late selling pressure on investors window-dressing their books for the end of the quarter. While the S&P 500 struggled to maintain its early momentum, the DJIA rose as much as 293 points before paring its gain in the final hour of trading. The developments offered a more stable footing for stocks after the US backed away from imposing tougher restrictions on Chinese investments in the US, helping to ease fears of an all-out trade war. All three major indices notched a second consecutive session of gains Friday after several days when the S&P 500 and DJIA switched between gains and losses. Sectorwise performance was highlighted by the energy, on the back of supply concerns in oil market, and finance as many big US banks announced record dividends after regulators found their capital buffers were healthy enough to withstand another financial crisis. Advancing issues outnumbered decliners for a 2.90:1 ratio on the NYSE and a 1.67:1 ratio on the Nasdaq. The S&P index recorded 10 new 52-week highs and one new low, while the Nasdaq recorded 47 new highs and 52 new lows. Across the Atlantic, the mood in the eurozone and UK stock markets was upbeat in spite of solid gains for the euro and sterling against the dollar. The pan-European STOXX 600 was up 0.8% at its close, while Germany's trade-sensitive DAX jumped 1.1%. While Asian stocks also rose, the Chinese yuan suffered its worst month on record, losing 3% against the dollar in June as investors pulled money from a market likely to suffer from higher barriers to trade.

In the fixed income market, the yield on the 10-year US Treasury was set at 2.85% and that on the 2-year note was also higher at 2.53%. Earlier in the day, the yield gap between the two maturities fell as low as 30.9 basis points, the lowest for more than a decade after US consumer spending data disappointed some analysts' expectations. Whereas, in the eurozone, German bond yields rose on Friday after an agreement among European Union leaders to tackle migration eased fears of no accord and a potential collapse in the three-month old German government. In contrast, Italian 10-year government bond yields fell to a one-week low at 2.71% as the deal reached overnight lifted sentiment towards the euro zone's riskier assets. The US Treasury Department sold $34bn in two-year notes to solid demand on Tuesday, the first sale of $100bn in short- and intermediate-dated debt this week. The notes sold at a high yield of 2.538%, just below where the yields had traded before the auction. The US Treasury also sold $36bn in five-year notes on Wednesday and $30bn in seven-year notes on Thursday across the week. In the fund flows, equity funds suffered their second-largest weekly outflows ever this week, with $29.7bn pulled out of risky assets as fears about rising US protectionism continue to weigh. While the US equity funds lost $24.2bn, some $18bn coursed out of EM equity and debt funds in June after an $8bn outflow in May. In currencies, The Euro was the best-performing currency ahead of the weekend as the European leaders struck the deal over migration policy. The single currency's strength helped push the greenback down to 94.64. Elsewhere, the pound jumped to $1.3153 on Friday, in the wake of rising GDP numbers, as traders increased their bets on an earlier interest rate hike from the Bank of England. In commodities, energy remained strong as supply worries helped push Brent crude close to $80 a barrel and WTI to levels not seen since 2014, while, the weaker dollar helped gold rallied to $1,252 an ounce.

It has been the worst first-half of a year for global stocks since 2010 as a mix of US-China trade tensions, central banks turning off the money taps and cooling growth in Europe wiped a trillion dollars off the global indices. The next half of the year will be focussed on the central banks tighter monetary policies and trade tensions arranged with the geopolitics between global economies

Economic Commentary

The calendar in the West was highlighted by the GDP prints coming from the US. The US economy slowed more than previously estimated in the first quarter amid the weakest performance in consumer spending in nearly five years, but growth appears to have since regained momentum on the back of a robust labor market and tax cuts. First-quarter GDP growth was revised down to 2.0% in the third estimate, from 2.2% prior. The revision is due to slower consumer spending growth and smaller inventory accumulation than the government had previously estimated. This means first-quarter GDP growth was much softer than the previous three quarters, which averaged 3.1%. However, Q1 GDP has come in weaker in the last several years, suggesting that seasonal factors are partly to blame. We expect a strong rebound in the second quarter, to 4.5% annualized growth. The magnitude of this quarterly gain is influenced by low base effects from Q1, but policy makers expect the robust growth to continue through 2018 as a strong labor market and tax cuts should remain supportive of GDP. A $1.5tn income tax cut package, which came into effect in January, is seen spurring faster economic growth in the second quarter, putting annual GDP growth on track to achieve the Trump administration's 3% target. Economists, however, caution that the administration's "America First" policies, which have heightened fears of trade wars, are casting a pall over the economy's prospects. Elsewhere, Consumer confidence dropped 2.4 points in June on the back of the dip in confidence came from consumer expectations, which were likely dampened by ongoing trade disputes and higher gasoline prices. While, personal income grew 0.4% in May on the back of employment growth, the spending slowed to 0.2% growth.

Across the Atlantic, eurozone inflation hit 2% for the first time in more than a year in June due to surging energy and food costs, offering some comfort to the European Central Bank as it seeks to rein in its exceptional economic stimulus. The inflation print, which is on the button as far as the ECB's inflation target is concerned, although much of the recent increase has been driven by a sharp rise in oil prices. Whereas, the core inflation fell by 10bps during the current month. Food, alcohol and tobacco, all of which are excluded from the core measure, made the most significant contribution to the upward move in inflation after the rise in energy costs. Non-energy industrial goods and services prices also saw increases however. It is clear that June's inflation data are unlikely to change the ECB's assessment of the outlook for monetary policy. The rise in the headline rate of inflation from 1.9% in May to a 16-month high of 2.0% was in line with the consensus forecast at ECB, and almost entirely reflected an increase in energy inflation. Real GDP growth in Japan, the world's third-largest individual economy, turned negative in Q1-2018 for the first time in more than two years. Although industrial production edged down 0.2% in May relative to the previous month, that modest contraction followed three consecutive months of strong gains that left IP in the April-May period 2.0% above Q1. The problem in Japan has been, and continues to be, the abnormally low rate of CPI inflation. In that regard, there was a bit of good news this week as CPI inflation in Tokyo, which has a high degree of correlation with the nationwide inflation rate, rose from 0.4% in May to 0.6% in June. That said, until inflation rises to 2% on a sustainable basis, which likely will not happen anytime soon, the Bank of Japan will refrain from removing monetary accommodation.

In the week, the West will highlight the employment numbers significantly impacting the next meeting of the Federal Reserve, whereas the factory print for the manufacturing sectors will confirm the rising GDP numbers due in the next week. Elsewhere, the manufacturing prints in the UK and Germany will highlight the impact of a stronger euro and pound sterling across the English Channel.

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