# PANORAMIC VIEW OF THE WEEK



## Weekly Data Center

| Equities | Level | Returns (%) | | | |
|---|---|---|---|---|---|
| | 06-Jul-18 | 1w | 3m | YTD | 1y |
| S&P500 | 2,760 | 1.5% | 6.0% | 3.2% | 14.5% |
| DJIA30 | 24,456 | 0.8% | 2.2% | (1.1%) | 14.7% |
| EuroSTOXX | 3,448 | 1.6% | 1.2% | (1.6%) | (0.4%) |
| DAX | 12,496 | 1.5% | 2.1% | (3.3%) | 0.9% |
| FTSE | 7,618 | (0.3%) | 6.0% | (0.9%) | 3.8% |

| Credit | On the Run Levels (bps) | | | | |
|---|---|---|---|---|---|
| | 06-Jul-18 | 29-Jun-18 | 06-Apr-18 | 31-Dec-17 | 06-Jul-17 |
| iTraxx Mains | 69 | 74 | 58 | 45 | 56 |
| iTraxx Fin Snr | 83 | 90 | 63 | 44 | 54 |
| iTraxx X-Over | 305 | 320 | 286 | 233 | 254 |
| CDX IG | 64 | 68 | 65 | 49 | 62 |
| CDX HY | 345 | 361 | 350 | 306 | 320 |

| Commodity | Level | Returns (%) | | | |
|---|---|---|---|---|---|
| | 06-Jul-18 | 1w | 3m | YTD | 1y |
| Crude (Brent) | 76.5 | (2.6%) | 14.6% | 14.5% | 60.9% |
| Crude (WTI) | 73.8 | (0.5%) | 18.9% | 22.1% | 62.1% |
| Gold | 1,255 | 0.2% | (5.8%) | (3.6%) | 2.5% |
| Silver | 16.0 | (0.4%) | (2.0%) | (5.3%) | 0.0% |

| Forex | Levels | | | | |
|---|---|---|---|---|---|
| | 06-Jul-18 | 29-Jun-18 | 06-Apr-18 | 31-Dec-17 | 06-Jul-17 |
| EUR | 1.17 | 1.17 | 1.23 | 1.20 | 1.14 |
| GBP | 1.33 | 1.32 | 1.41 | 1.35 | 1.30 |
| AUD | 0.74 | 0.74 | 0.77 | 0.78 | 0.76 |
| YEN | 110.47 | 110.76 | 106.93 | 112.69 | 113.22 |

| EM Equities | Level | Returns (%) | | | |
|---|---|---|---|---|---|
| | 06-Jul-18 | 1w | 3m | YTD | 1y |
| Brazil | 75,010 | 3.1% | (11.6%) | (1.8%) | 20.1% |
| Russia | 1,173 | 1.7% | (48.7%) | (44.4%) | (39.0%) |
| India | 10,773 | 0.5% | 4.3% | 2.3% | 11.4% |
| China | 2,747 | (3.5%) | (12.3%) | (16.9%) | (14.5%) |
| South Africa | 57,314 | (0.5%) | 2.6% | (3.7%) | 9.6% |

| Rates | Levels (%) | | | | |
|---|---|---|---|---|---|
| | 06-Jul-18 | 29-Jun-18 | 06-Apr-18 | 31-Dec-17 | 06-Jul-17 |
| 2-yr US Treasury | 2.54 | 2.53 | 2.27 | 1.88 | 1.39 |
| 10-yr US Treasury | 2.82 | 2.86 | 2.77 | 2.41 | 2.37 |
| 30-yr US Treasury | 2.93 | 2.99 | 3.02 | 2.74 | 2.90 |
| 10-yr German Bunc | 0.29 | 0.30 | 0.50 | 0.43 | 0.56 |
| 10-yr UK Gilt | 1.27 | 1.28 | 1.40 | 1.19 | 1.32 |

## Key Economic Releases

### The week in review

**Mon, 02-Jul**
US ISM Manufacturing MoM (Actual: 60.2; Cons.: 58.5)
Eurozone Manufatcuring MoM (Actual: 54.9; Cons.: 55.0)

**Tue, 03-Jul**

**Wed, 04-Jul**

**Thu, 05-Jul**
US Initial Jobless Claims (Actual: 231k; Cons.: 225k)

**Fri, 06-Jul**
US Change in Nonfarm Payrolls (Actual: 213k; Cons.: 195k)

### The week ahead

**Mon, 09-Jul**
China CPI YoY (Cons.: 1.90%; Prior: 1.80%)

**Tue, 10-Jul**
Industrial Production MoM (Cons.: 0.50%; Prior: -0.80%)

**Wed, 11-Jul**

**Thu, 12-Jul**
US Initial Jobless Claims (Cons.: 225k; Prior: 231k)
US CPI MoM (Cons.: 0.20%; Prior: 0.20%)

**Fri, 13-Jul**

## Market Commentary

World stock markets rose and the euro climbed to a three-week peak on Friday as the threat of tariffs by the US and China on billions of dollars of trade became a reality, though concerns about the conflict escalating capped the appetite for risk. Wall Street stocks rose and European bourses recovered, as the jobs report for June provided some welcome distraction for investors who have spent the week tracking the latest round of the international trade dispute. The S&P 500 and the Nasdaq rose to two-week highs on Friday as strong US jobs growth helped ease fears of an escalating US-China trade dispute. The gains were broad based, with all the 11 major S&P indexes and 29 of the 30 Dow components rising. Although US stocks appeared minimally affected by American and Chinese tariffs going into effect, some investors warned that prolonged trade tensions could roil the markets, as they have on several occasions this year. Advancing issues outnumbered decliners by a 3.33-to-1 ratio on the NYSE and by a 2.79-to-1 ratio on the Nasdaq, as the S&P index recorded 19 new 52-week highs and two new lows, while the Nasdaq recorded 105 new highs and 12 new lows. Volume on US exchanges was 5.30bn shares, compared with the 6.98bn average over the last 20 trading days. Across the Atlantic, European equities closed slightly in the green on Friday afternoon as investors monitored events in global trade as US moved forward with $34bn worth of duties on Chinese products, while China retaliated with its own tariffs. The pan-European Stoxx 600 closed 0.2% higher. While all major bourses were positive by a small margin, business sectors pointed in different directions. Utilities led the gains, closing up 0.9%, followed by telecoms and media. Oil and gas was the poorest performer, closing 0.6% lower. Meanwhile, autos ended trade 0.8% lower after a turbulent week, paring back further losses made earlier on in the afternoon. Across the week, investors continue to witness an upward trend in the confidence and sentiment.

In the fixed income market, Eurozone government bond yields gave up their gains after payroll data in the US showed wage growth was lower than expected, thereby undermining inflation expectations in the world's biggest economy. The US 10-year Treasury yields fell to their lowest levels in five weeks and the Treasury yield curve flattened to its tightest levels since 2007 after jobs data for June showed that wage pressures were below economists' expectations. The debt of the world's largest economies tends to track one another as many investors switch between them. Accordingly, many high-grade euro zone bond yields also dropped on the day and Germany's 10-year government bond yield, the benchmark for the bloc, hit a five-week low of 0.281%. In the fund flows, Investors plucked the most cash out of US-based equity funds since the peak of the 2008 global financial crisis as US trade disputes discouraged risk and piled into safer, higher-quality US-based government-Treasury bond funds, reeling in $980mn of net new cash. During the most recent, holiday-shortened week, $8.3bn moved out of US-based equity funds and high-yield bond funds shed $1.7bn, while the US-based stock mutual funds and ETFs recorded $36.3bn in withdrawals overall for the month of June. Surprisingly, loan funds see outflows for first time in 20 weeks amid trade war as investors pulled $184.2mn from them. In currencies, the US dollar traded lower on Friday, with most major rivals strengthening against the buck, after June data showed a stronger-than-expected rise in nonfarm payrolls as investors monitored the escalation of the US-China trade skirmish. In commodities, the US crude prices jumped to their highest since November 2014 earlier this week as the drillers added multiple rigs to count, while the global benchmark settled at $77.11 a barrel on the exchange. Elsewhere, Gold futures notched a slight gain for the week, after jobs report was seen keeping the Federal Reserve on a path toward gradually higher interest rates.

In the week, while US-China will likely exercise the teachings from the Art of War, the Fed will signal its path to exit crisis-era stimulus that is not so fast that growth and investor confidence will plummet. Elsewhere, while the traders will focus on the corporate earnings due in the month, the investors will continue to access the US-China situation.

## Economic Commentary

The labor market remained hot in June. Employers added 213k new jobs, while May's gain was revised up to 244k from 223k. Gains in June were broad based, with most industries adding jobs over the month, while the unemployment rate ticked up to 4.0%. Meanwhile, average hourly earnings increased 0.2% for the month and 2.7% on a y-o-y basis. Activity in the factory sector remained strong in June as the ISM manufacturing index increased to 60.2. The production and employment indices displayed solid gains, further evidence that Q2 GDP is on track for above 4% growth. There was also little evidence of tariffs having an effect on the manufacturing sector in June. Manufacturing firms, however, continued to report supply chain bottlenecks that may be limiting production and putting upward pressure on prices. Factory orders also increased 0.4% in May. Nondurable goods orders accounted for much of the gain and jumped 1.1%. Core capital goods orders were also revised up to a 0.3% gain from an initially-reported decline. While factory orders in May were stronger than expected, equipment spending has fallen below the double-digit pace registered in the second half of 2017. Despite the downshift, equipment investment should remain additive to second quarter GDP growth. Activity outside of the manufacturing sector also picked up in June, as the ISM non-manufacturing index expanded to 59.1. New orders increased, while current business activity also strengthened. Supplier delivery times and backlogs moderated somewhat in June, but capacity constraints appear to remain in place. The prices paid index also came in above 60 for the sixth consecutive month. While the employment index fell to 53.6, June's rise in the overall index is consistent with a solid second quarter rebound in real GDP growth.

It was a relatively quiet week of international economic data amid the Fourth of July holiday in the US. Purchasing manager index data from the United Kingdom were generally solid. The U.K. manufacturing PMI halted a streak of five straight monthly declines in May, and data released this week showed another small increase in the breadth of factory sector activity in June. Similarly, the U.K. PMI for construction rose to 53.1 in June, up from a low of 47.0 in March. Sluggish output in the manufacturing and construction sectors contributed to the meagre 0.2% pace of real GDP growth in Q1. Although growth appears far from robust in Q2, real GDP growth appears to be picking up speed rather than sliding into negative territory. Receding inflation is helping push real income growth higher, providing a tailwind to growth. Manufacturing activity in the eurozone slowed in June, and by slightly more than previously reported, warning that there could be further production curbs ahead. Its Purchasing Managers Index for the eurozone manufacturing sector declined to a one-and-a-half-year low of 54.9 in June from 55.5 in May. The outcome marks a slight revision from a preliminary estimate of 55.0. A reading above 50.0 signals an expansion in activity. While manufacturing activity picked up unexpectedly in Italy, albeit from a moderate level, losses were recorded in Germany and France. The French manufacturing PMI came in much weaker than previously reported, dropping to 52.5 in June from 54.4 in May. By comparison, the preliminary estimate was 53.1. The biggest concern is the extent to which export order book growth has cooled since the start of the year and could soon go into decline. This ultimately is a concern as it is clearly tilted toward output growth waning further in coming months, with eurozone businesses worried about the impact of tariffs on their exports.

In the current week, while the inflation print from the US will highlight the calendar in the West, the industrial prints in the Eurozone will confirm the status of factory and manufacturing activity, further giving hints of an expansion of the Eurozone economy on the back of a rising spending pressure amongst the domestic business and a rise in investor confidence in the region.

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