PANORAMIC VIEW OF THE WEEK

Weekly Data Center

Equities	Level	Returns (%)			
	27-Jul-18	1w	3m	YTD	1y
S&P500	2,819	0.6%	5.6%	5.4%	13.9%
DJIA30	25,451	1.6%	4.7%	3.0%	16.8%
EuroSTOXX	3,527	1.9%	0.2%	0.7%	1.0%
DAX	12,860	2.4%	2.2%	(0.4%)	5.3%
FTSE	7,701	0.3%	2.7%	0.2%	3.5%

Credit	On the Run Levels (bps)				
	27-Jul-18	20-Jul-18	27-Apr-18	31-Dec-17	27-Jul-17
iTraxx Mains	61	66	54	45	51
iTraxx Fin Snr	75	81	57	44	50
iTraxx X-Over	281	295	271	233	231
CDX IG	58	62	60	49	57
CDX HY	330	339	350	306	320

Commodity	Level	Returns (%)			
	27-Jul-18	1w	3m	YTD	1y
Crude (Brent)	73.8	1.5%	(0.1%)	10.4%	44.7%
Crude (WTI)	68.7	(2.5%)	0.9%	13.7%	40.1%
Gold	1,224	(0.4%)	(7.5%)	(6.0%)	(2.8%)
Silver	15.5	(0.0%)	(6.1%)	(8.4%)	(6.5%)

Forex	Levels				
	27-Jul-18	20-Jul-18	27-Apr-18	31-Dec-17	27-Jul-17
EUR	1.17	1.17	1.21	1.20	1.17
GBP	1.31	1.31	1.38	1.35	1.31
AUD	0.74	0.74	0.76	0.78	0.80
YEN	111.05	111.41	109.05	112.69	111.26

EM Equities	Level	Returns (%)			
	27-Jul-18	1w	3m	YTD	1y
Brazil	79,866	1.6%	(7.6%)	4.5%	22.3%
Russia	1,663	(2.0%)	6.9%	8.3%	16.0%
India	11,278	2.4%	5.5%	7.1%	12.6%
China	2,874	1.6%	(6.8%)	(13.1%)	(11.6%)
South Africa	57,162	0.3%	(0.5%)	(3.9%)	4.1%

Rates	Levels (%)				
	27-Jul-18	20-Jul-18	27-Apr-18	31-Dec-17	27-Jul-17
2-yr US Treasury	2.67	2.59	2.48	1.88	1.36
10-yr US Treasury	2.95	2.89	2.96	2.41	2.31
30-yr US Treasury	3.08	3.03	3.12	2.74	2.92
10-yr German Bunc	0.40	0.37	0.57	0.43	0.54
10-yr UK Gilt	1.28	1.23	1.45	1.19	1.20

Key Economic Releases

The week in review

Mon, 23-Jul

Tue, 24-Jul
US Manufacturing PMI MoM (Actual: 55.5; Cons.: 55.1)

Wed, 25-Jul

Thu, 26-Jul
US Initial Jobless Claims (Actual: 217k; Cons.: 215k)
ECB Main Refinancing Rate (Actual: 0.00%; Cons.: 0.00%)

Fri, 27-Jul
US GDP QoQ (Actual: 4.10%; Cons.: 4.20%)

The week ahead

Mon, 30-Jul
BoL Policy Balance Rate (Cons.: -0.10%; Prior: -0.10%)

Tue, 31-Jul
Eurozone GDP QoQ (Cons.: 0.40%; Prior: 0.40%)

Wed, 01-Aug
FOMC Rate Decision (Cons.: 2.00%; Prior: 2.00%)

Thu, 02-Aug
US Initial Jobless Claims (Cons.: 220k; Prior: 217k)

Fri, 03-Aug
US Change in Nonfarm Payrolls (Cons.: 193k; Prior: 213k)

Market Commentary

Global stocks grind higher as trade tension ease between Washington and Brussels and focus reverted on the underlying strength of the respective economies. Wall Street ended the week on a negative note as technology stocks took a decisive turn lower and participants looked beyond news of robust US economic growth in the second quarter of the year. The indices were lower on Friday as weak earnings reports from the technology sector and healthcare stocks pressured the Nasdaq composite to slip more than 110 points in the last trading session. The pressure on tech stocks continued from Thursday when Facebook's dismal forecast caught investors off guard about the growth prospects in a sector that has led the market's march towards record highs. Eight of the 11 main S&P sectors were lower, with technology sliding down 2.48% and healthcare sliding 1.02%. Overall, earnings of S&P 500 companies are now expected to rise 22.6% in the second quarter, compared with an estimate of 20.7% as of July 1. The trading volume were subdued due to a typical summer where, declining issues outnumbered advancers for a 1.98:1 ratio on the NYSE and a 3.52:1 ratio on the Nasdaq and the S&P index recorded 23 new 52-week highs and three new lows, while the Nasdaq recorded 61 new highs and 84 new lows. Across the Atlantic, European stocks finished with their strongest weekly gain in more than four months on the back of strong earnings from the retailers in Germany and France. The pan European Stoxx 600 index closed up at its highest finish since June 14, with all but the technology sector ended higher, and the telecommunications sector paced advancers. European stocks as a whole were building on Thursday's climb that took German stocks to a five-week high on the back of positive comments from the European Commission president regarding zero-tariffs and zero-subsidy on non-auto industrial goods.

In the fixed income markets, rates for US government bonds fell on Friday following a key reading of gross domestic product, which capped a period that saw yields mostly finish the week solidly higher after reports on Monday suggested the BoJ may make steps toward winding down its easy money policies. The yield on the 10-year US Treasury was down 1 basis points at 2.96% and that on the two-year note was 1bp lower at 2.68%. The gap between the two yields fell as low as 27.2bp earlier in the day. Whereas, Japan's 10-year government bond yield was quoted at 0.099%, having spent much of the Tokyo session above 0.1%. Elsewhere, borrowing costs in Germany held below six-week highs in the last session, a day after the ECB's president backed market expectations for a rise in interest rates late next year. Most eurozone bond yields were set to end the week higher for a second week running, with 10-year bond yields in France and Germany up roughly 3 basis points on the week. Analysts have pointed the finger at the likes of the European Central Bank and the BOJ for capping US bond yields, as low interest rates in major overseas economies have pushed investors out of their domestic bond markets into richer-yielding US debt. In currencies, the dollar managed a rise to its highest level in five days as investors waited to see if US economic growth figures do anything to interrupt its months of strength. But the currency has stuck stubbornly close to a one-year peak scaled last week. On Friday the dollar climbed further, the euro meanwhile recouped some of the losses it suffered on Thursday when the ECB kept to its planned timetable to move away from its accommodative monetary policy. The euro's downturn helped the dollar but the US currency also enjoyed support from the 10-year US Treasury note yield which extended its overnight rise and touched a six-week high of nearly 3%. In commodities, Brent oil gave back an early gain but held above $74 a barrel, having neared $75 earlier this week following Saudi Arabia's decision to suspend oil shipments through a strait in the Red Sea after an attack by Yemeni Houthi rebels on two of its crude carriers.

In the week, while the traders will focus on the earnings calendar yet to filled up by the remaining stocks, the investors will be focussing on the easing trade tensions and a tug-of-war between the tax and trade deficits in the respective economies. Elsewhere, the technology giants in the likes of Facebook, will confirm the strength of the sector going further.

Economic Commentary

The calendar in the West was highlighted by the US GDP print, Real GDP grew at a 4.1% pace during the second quarter and first quarter growth was also slightly stronger than first reported. The stronger GDP figures do not come as much of a surprise. The mix of growth was a little better, with business fixed investment rising at a slightly faster pace and consumer spending growing slightly less. The trade deficit, however, looks a little worse. The critical question following the stronger second quarter figures is how sustainable the improvement is? The net result is an investment-led expansion. Real business fixed investment rose at a 9.4% annual rate during the first half of the year, while consumer spending grew at just a 2.2% pace. The strength in business fixed investment should provide the economy more resilience, by boosting productivity growth, reducing inflationary pressures and increasing the economy's long-run potential growth rate. The strength in top line revenues is a big reason why private sector job growth has ramped up as much as it has in recent months and why it will likely continue to run at or above the high side of expectations going forward. One other note from the revised GDP data is that the mix between corporate earnings and personal income is now slightly more weighted towards consumers. Moreover, the saving rate was revised significantly higher from 3.4% in 2017 to 6.7%. The saving rate averaged a slightly higher 7.0% during the first half of this year, reflecting tax reform. Elsewhere, Durable goods orders ended the second quarter on a strong note. While the headline number came in below expectations, the underlying data were strong.

In the single currency zone, the ECB meeting with a decision to hold on the main refinancing rates at 0% highlighted the calendar. The ECB's president backed investor expectations for a rate hike in October 2019, confirming the risks from an unpredictable global trade conflict did not warrant any deviation from its plan now. Interest rates on the main refinancing operations, the marginal lending facility, and the deposit facility were kept steady at zero%, 0.25% and 0.40%, respectively. Mario Draghi struck a relatively upbeat tone on the economic outlook and reaffirmed plans to end the central bank's 2.6tn euro stimulus program this year and keep rates at their record low level. Money markets currently price in a 10bps increase in the ECB's deposit rate in October 2019, in what would be the first hike since 2011 after years of monetary largesse. A key challenge is that the remaining maturity of the bond pile declines over time, so the ECB will have to decide whether to target longer-dated bonds or to accept the natural aging of its portfolio. The Governing Council expects the key ECB interest rates to remain at their present levels at least through the summer of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term. Elsewhere, ECB President Mario Draghi in his press conference touched on several topics including trade, currencies and the widening economic gap between the U.S. and Europe, while also confirming that it expects to phase out its €30 billion a month bond-buying program by December and switch its focus to rates. Overall, the investors continue to expect a first rate increase in late 2019, though the balance of risks are skewed toward a later move. Beyond this, one further rate hike to return the policy rate to 0% is expected but see little action thereafter given the subdued inflation outlook and Draghi's successor from November next year.

During the week, the central banks across the globe will highlight the calendar as all eyes will be set on Bank of Japan, preparing markets for some changes to its unique and ultra-loose monetary policy. In the US, closely-scrutinized non-farm jobs data will confirm the Fed's stance on the next rate hike probability.

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