PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 13 August 2018

Weekly Data Center

Equities	Level	Returns (%)			
	10-Aug-18	1w	3m	YTD	1y
S&P500	2,833	(0.2%)	4.0%	6.0%	16.2%
DJIA30	25,313	(0.6%)	2.3%	2.4%	15.9%
EuroSTOXX	3,426	(1.6%)	(4.0%)	(2.2%)	(0.2%)
DAX	12,424	(1.5%)	(4.6%)	(3.8%)	3.4%
FTSE	7,667	0.1%	(0.4%)	(0.3%)	3.7%

Credit	On the Run Levels (bps)				
	10-Aug-18	03-Aug-18	10-May-18	31-Dec-17	10-Aug-17
iTraxx Mains	68	64	55	45	58
iTraxx Fin Snr	86	78	59	44	56
iTraxx X-Over	304	294	267	233	248
CDX IG	61	59	60	49	62
CDX HY	333	327	350	306	320

Commodity	Level	Returns (%)			
	10-Aug-18	1w	3m	YTD	1y
Crude (Brent)	72.1	(1.0%)	(6.5%)	7.8%	40.1%
Crude (WTI)	67.6	(1.3%)	(5.2%)	11.9%	39.2%
Gold	1,211	(0.4%)	(8.4%)	(7.1%)	(5.9%)
Silver	15.3	(0.7%)	(8.4%)	(9.6%)	(10.6%)

Forex	Levels				
	10-Aug-18	03-Aug-18	10-May-18	31-Dec-17	10-Aug-17
EUR	1.14	1.16	1.19	1.20	1.18
GBP	1.28	1.30	1.35	1.35	1.30
AUD	0.73	0.74	0.75	0.78	0.79
YEN	110.83	111.25	109.40	112.69	109.20

EM Equities	Level	Returns (%)			
	10-Aug-18	1w	3m	YTD	1y
Brazil	76,514	(6.0%)	(10.9%)	0.1%	14.2%
Russia	1,687	0.8%	5.2%	9.9%	22.9%
India	11,430	0.6%	6.7%	8.5%	16.4%
China	2,795	2.0%	(11.9%)	(15.5%)	(14.3%)
South Africa	57,703	1.0%	(0.5%)	(3.0%)	3.6%

Rates	Levels (%)				
	10-Aug-18	03-Aug-18	10-May-18	31-Dec-17	10-Aug-17
2-yr US Treasury	2.60	2.64	2.53	1.88	1.32
10-yr US Treasury	2.87	2.95	2.96	2.41	2.20
30-yr US Treasury	3.03	3.09	3.11	2.74	2.77
10-yr German Bunc	0.32	0.41	0.56	0.43	0.42
10-yr UK Gilt	1.24	1.33	1.43	1.19	1.08

Key Economic Releases

The week in review

Mon, 06-Aug

Tue, 07-Aug

Wed, 08-Aug

Thu, 09-Aug
US Initial Jobless Claims (Actual: 213k; Cons.: 220k)

Fri, 10-Aug
US CPI MoM (Actual: 0.20%; Cons.: 0.20%)

The week ahead

Mon, 13-Aug

Tue, 14-Aug

Wed, 15-Aug
US Industrial Production MoM (Cons.: 0.30%; Prior: 0.60%)

Thu, 16-Aug
US Initial Jobless Claims (Cons.: 215k; Prior: 213k)

Fri, 17-Aug
Eurozone CPI YoY (Cons.: 2.10%; Prior: 2.00%)

Market Commentary

Global stocks fell on Friday as geopolitical concerns pushed the Turkish lira to a record low against the dollar and rattled investors. US stocks fell on Friday as a deepening crisis in Turkey dragged on bank stocks and triggered fears that it could spread to other global economies. At the heart of the crisis was a slump in the Turkish lira, which worsened after President Donald Trump doubled tariffs on steel and aluminium imported from the country. The Dow Jones Industrial Average erased its gains for the month of August and posted a three-day losing streak. The technology savvy, Nasdaq Composite also pulled back and snapped an eight-day winning streak Bank shares led the way lower in the US as all the heavyweights dropped at least 1%. Technology, financial and metals dragged the S&P 500 alongside the two major indices in the region on the back of geopolitical worries. All the 11 major S&P sectors were trading in the red. The geopolitical worries come as the US is embroiled in a trade war with China. This week both governments announced the possibility of imposing tit-for-tat tariffs on an additional $16bn worth of goods. Declining issues outnumbered advancers for a 1.63-to-1 ratio on the NYSE and for a 1.06-to-1 ratio on the Nasdaq. The S&P index recorded 12 new 52-week highs and 10 new lows, while the Nasdaq recorded 73 new highs and 78 new lows. Key Markets in Eurozone were also unnerved by a report in the Financial Times that the European Central Bank was worried about European banks' exposure to the country. European equity markets were down by up to 2% at the closing bell, with bank shares across Europe fell and the euro slipped to its lowest since July 2017. In addition to Turkey's woes, a slide in the Russian rouble this week on threats of new US sanctions and nagging worries about a global trade war have jolted world markets.

In the fixed income, the US Treasury sold a record $26bn of 10-year notes along with $18bn of 30-year bonds as part of a quarterly government financing package that's projected to be the biggest since the recession a decade ago. Treasury prices rose as a result of heavy selling, pushing yields lower on Friday. The benchmark 10-year yield fell to 2.87% while the two-year yield slipped to 2.61%. This week's bond sales had little effect on the market; the yield on 10-year notes actually fell by 0.2%age point over the course of the week, a sign that demand is sufficient to absorb the increased supply of the bonds. Core euro zone bond yields declined at the end of the week amid a renewed move toward safe-haven assets due to further deterioration of Turkish financial conditions. The German 10-year yield was around 0.32% at the end of the week after opening the week at 0.41%. UK bond yields also fell at the end of the week, but Italian bonds underperformed. In the fund flows, investors flock to US-based investment-grade debt, junk bond funds depositing $4.2bn in US-based taxable bond funds. Of that amount, fund investors put $2.8bn into U.S.-based corporate investment-grade bond funds, extending a streak since March, and deposited $828mn into high-yield bond funds. In currencies, Euro was hurt after the Central bank has concerned about banks in Spain, Italy and their exposure to Turkey woes. The euro fell 1.2 % to just under $1.14, a 13-month low. In commodities, crude prices rose more than 1% as US sanctions against Iran looked set to tighten supply, but futures remained lower for the week as investors worried that global trade disputes could slow economic growth and hurt demand for energy.

Economic Commentary

This week offered few surprises in terms of economic data. Prices continue to gradually rise and evidence of a strong labor market continues to mount. Consumer prices matched expectations and edged up 0.2% in July. Energy prices were a drag on the headline figure and dropped 0.5% for the month, mostly the result of lower gas prices. Meanwhile, the overall Producer Price Index fell short of expectations and showed no change in July. The US economy is growing at a 4.3% annualized rate in the third quarter, following the latest data on producer prices and wholesale inventories. The monthly gain kept the headline index at a 2.9% increase on a year-to-year basis, the fastest pace in six years. Retail sales rose 0.5% in June, while May's gain was revised up to a strong 1.3%. However, given a tight labor market and wage growth beginning to materialize, the current weakness in retail sales is unlikely to persist throughout the remainder of the year. Rising long-term Treasury yields should help alleviate market concern of a US yield curve inversion – a signal that often prompts fears of a recession. The curve's persistent flattening has been led by increases in short-term interest rates amid rising market confidence that the Fed will carry on with policy normalization. Markets are now pricing a high probability of the Fed raising rates another quarter percentage point at its September meeting, and analyst see one additional 2018 increase likely to follow. Elsewhere, Initial jobless claims fell to 213,000 for the week of August 4. On a four-week moving average basis, jobless claims are well below the 241,500 registered in the same period last year. The continued low level of jobless claims is consistent with an increasingly shallow pool of available labor.
Incoming data show that real GDP continued to grow in most major foreign economies in the second quarter, if only at lackluster rates. Across the English Channel, real GDP in the United Kingdom grew 0.4% on a sequential basis in the second quarter. The outturn was a tad stronger than the anemic 0.9% annualized growth rate that was registered in Q1. Personal consumption expenditures continued to grind higher and business fixed investment spending, which tumbled in Q1, rebounded in the second quarter. Inflation in the U.K. has also returned closer to the Bank of England's (BoE) 2% target in recent months after surpassing 3% in the wake of the Brexit referendum in 2016. Real wages now look poised to pick up and, along with a tight labor market, should continue to support consumer spending going forward Inflation has already come back toward target, and higher debt-servicing costs for U.K. households also pose a risk to consumer spending. Uncertainty related to the Brexit negotiations remains the elephant in the room. A "hard" Brexit in March, should one occur, could potentially lead to further economic weakness. Brexit-related concerns remain on the horizon, and the BoE will likely proceed with caution until some of these uncertainties subside. Elsewhere, Turkey's collapsing currency and reeling economy may have fallout for other emerging markets and may expose vulnerabilities at some European banks. As for Turkey, much will depend on what steps President Recep Tayyip Erdogan takes to stop the decline in the currency, which plunged as much as 20% Friday.

About Oxane Partners

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Founded in 2013 by former credit traders from Deutsche Bank, Oxane Partners has grown to a team of more than 65 highly skilled financial analysts and technology experts. Oxane Partners is headquartered in London with a delivery centre in India.

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