Weekly Data Center

Equities	Level	Returns (%)			
	17-Aug-18	1w	3m	YTD	1y
S&P500	2,850	0.6%	4.8%	6.6%	17.3%
DJIA30	25,669	1.4%	3.9%	3.8%	18.0%
EuroSTOXX	3,373	(1.6%)	(6.1%)	(3.7%)	(2.6%)
DAX	12,211	(1.7%)	(6.9%)	(5.5%)	0.1%
FTSE	7,559	(1.4%)	(2.9%)	(1.7%)	2.3%

Commodity	Level	Returns (%)			
	17-Aug-18	1w	3m	YTD	1y
Crude (Brent)	71.0	(1.5%)	(10.0%)	6.2%	41.0%
Crude (WTI)	65.9	(2.5%)	(7.8%)	9.1%	40.0%
Gold	1,184	(2.2%)	(8.3%)	(9.1%)	(8.1%)
Silver	14.8	(3.3%)	(9.9%)	(12.6%)	(13.1%)

EM Equities	Level	Returns (%)			
	17-Aug-18	1w	3m	YTD	1y
Brazil	76,029	(0.6%)	(9.1%)	(0.5%)	11.8%
Russia	1,693	0.4%	4.2%	10.3%	24.6%
India	11,471	0.4%	7.4%	8.9%	15.8%
China	2,669	(4.5%)	(15.4%)	(19.3%)	(18.3%)
South Africa	56,648	(1.8%)	(2.6%)	(4.8%)	2.2%

Credit	On the Run Levels (bps)				
	17-Aug-18	10-Aug-18	17-May-18	31-Dec-17	17-Aug-17
iTraxx Mains	71	68	56	45	57
iTraxx Fin Snr	87	86	62	44	55
iTraxx X-Over	306	304	272	233	245
CDX IG	61	61	61	49	63
CDX HY	335	333	350	306	320

Forex	Levels				
	17-Aug-18	10-Aug-18	17-May-18	31-Dec-17	17-Aug-17
EUR	1.14	1.14	1.18	1.20	1.17
GBP	1.27	1.28	1.35	1.35	1.29
AUD	0.73	0.73	0.75	0.78	0.79
YEN	110.50	110.83	110.77	112.69	109.57

Rates	Levels (%)				
	17-Aug-18	10-Aug-18	17-May-18	31-Dec-17	17-Aug-17
2-yr US Treasury	2.61	2.60	2.56	1.88	1.30
10-yr US Treasury	2.86	2.87	3.11	2.41	2.19
30-yr US Treasury	3.02	3.03	3.25	2.74	2.77
10-yr German Bunc	0.31	0.32	0.64	0.43	0.43
10-yr UK Gilt	1.24	1.24	1.56	1.19	1.09

Market Commentary

Stocks finished the week higher but took a choppy path to get there. Sector performance was similar in the S&P 500 with energy and materials posting losses, and defensive sectors – telecom, staples, real estate and utilities – gained around 2% which was enough ground to lift the index overall as strong economic and corporate profit data helped the US benchmark to weather the global selloff. Industrial companies made some of the biggest gains after major agricultural equipment makers posted stronger than expected sales. The Nasdaq fell as weak forecasts from major chipmakers Nvidia and Applied Materials pushed technology stocks lower as companies' current-quarter sales forecasts missed Wall Street estimates. Overall the tech sector fell 0.29%, the most among the 11 major S&P sectors. US equity funds saw outflows of $2.6bn, a turnaround from the previous week when US funds were leading in terms of inflows. Funds investing in large-cap stocks were the main victims of selling, with $2.3bn lost. Tech funds had $500bn of outflows, their biggest since the February global market selloff, in a sign of increased caution around the sector which drove much of last year's stock market gains and accounts for 30% of MSCI's emerging markets index. All major European markets fell. Banks were the biggest losers due to concern some may be heavily exposed to borrowers in Turkey. Relatively muted earnings growth, weak economic momentum and heightened political risks are challenges. A market dominated by value sectors also makes the region less attractive in the absence of a growth upswing. In Europe, the pan-regional Stoxx 600 rose 0.5%, as the Dax in Frankfurt added 0.6%. Europe had 23rd straight week of outflows with $2.9bn pulled out of equity funds due to uncertainty surrounding Brexit.

In the fixed income markets, US Treasuries ended the week on a flat note after trade-related news prompted some late selling. The yield on the 10-year US Treasury was up 2 basis points at 2.87%, while that on the two-year note was 2bp higher at 2.62%. The yield spread between US 5-year notes and US 30-year bonds tightened to 27.4 basis points, while the gap between US 2-year and US 10-year notes also shrank to 23.4 basis points. Across the Atlantic, European bond markets turned north, both the German Bund and the US Note future tested the intraweek highs. Traded volumes were extremely low though, probably amplifying the moves. On the soft side, the dollar fell against a basket of peers on Friday, amid lower demand for the safe-haven greenback. The euro rose for a second day in a row on Friday as hopes that next week's talks between the United States and China will ease trade tensions between the two pushed the dollar lower. The Turkish lira rose as sentiment improved. However, there are still concerns over Turkish President Tayyip Erdogan's policies to combat the country's double-digit inflation. Amid an uncertain geopolitical environment, oil prices ended the week lower with Brent crude down to a little over $70, a 3-month low, and WTI trading above $65. The drop was due to the higher US dollar in the aftermath of US sanctions against Turkey as well as the persistent trade war climate. The question now is whether central banks will be influenced by liquidity risk in emerging countries. Looking beyond short term volatility, this looks like a relatively good time to invest in equities, especially in the US and the Eurozone.

In the week, as the traders unfold the implications of US-China trade talks, the investors will focus on the latest stand of global central banks from East to West to understand the path forward for the global monetary policy.

Key Economic Releases

The week in review

Mon, 13-Aug

Tue, 14-Aug

Wed, 15-Aug
US Industrial Production MoM (Actual: 0.10%; Cons.: 0.30%)

Thu, 16-Aug
US Initial Jobless Claims (Actual: 212k; Cons.: 215k)

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

The week ahead

Mon, 20-Aug

Tue, 21-Aug

Wed, 22-Aug

Thu, 23-Aug
US Initial Jobless Claims (Cons.: 215k; Prior: 212k)
Eurozone Manufacturing PMI (Cons.: 55.2; Prior: 55.1)

Fri, 24-Aug

Economic Commentary

Broad-based strength in retail sales in July stole the show this week in US economic data. Retailers reported a 0.5% monthly sales increase in July, led by surging spending at food service & drinking places. While the outlook for the industrial sector remains hazy amid trade war concerns, the near-term trend in industrial production remains solidly upward, with production over the past year notching the biggest one-year gain since early 2011. Job growth has matched the higher sentiment and output, as the 12-month change in manufacturing payrolls through July. Existing home sales slowed to an annualized pace of just 5.38bn in June. Low nventories are still the primary problem holding back sales. Industrial production expanded a scant 0.1% in July, which missed the mark of the 0.3% increase expected by markets. The miss can largely be traced to a 0.5% decline in the volatile utilities component, however, and an upward revision to June more than made up for the shortfall. Mining output dipped, the first monthly drop in more than a year, but the manufacturing sector showed no sign of slowing down as factory output rose 0.3% in July and 3.0% over the year. The US unemployment rate recently fell to the lowest level since the late-60's and wages are on the rise, supporting the case for an extended economic expansion. But the real headliner of late has been the corporate profit story. The majority of the S&P 500 has announced encouraging sales growth, which is up 10% - double the rate from a year ago, signalling robust consumer and business demand stemming from firming economic conditions and rising confidence.

Plenty of forces have been at play of late. Political turmoil, global trade spats, and worries over rising interest rates have spurred sell-offs, while healthy economic readings and record corporate profits have led the rallies. Looking ahead for next week, investors are gearing up for the Federal Reserve's annual Jackson Hole symposium late next week where central bankers could discuss a potential of hot issues, including the terminal point of the Fed's balance sheet reduction plan. Fed Chairman Jerome Powell's speech will be about "monetary policy in a changing economy,". Some interesting UK data was released this week that is unemployment rate had fallen to a four decade low. During the three months to the end of June, just 4% of those active in the labour market were unable to find work. However, the tight conditions are yet to prompt a significant lift to wage growth, which remains stubbornly low. Growth in average weekly earnings fell to 2.4% during the period, down from 2.5% for the three months to the end of May. That implies zero growth in real wages over the past year, with consumer price inflation running at 2.5% in July. The Bank of England raised interest rates earlier this month, above financial crisis lows, but signalled it was in no hurry to raise them further. Trade fears in Britain are focused on what deal it can strike with the European Union before leaving the bloc at the end of March. If no agreement is struck, market watchers expect sterling to fall and growth to slow further.

All eyes are on trade talks between US and China and how these two biggest economies shape up the tariff war. Any significant decisions will have an impact on emerging markets and their currencies.

About Oxane Partners

Oxane Partners is a boutique advisory firm empowering alternative asset managers across their investment lifecycle. We support investment teams through all the phases of an investment including pre-screening, investment analysis, and portfolio monitoring. By unifying our asset expertise with our proprietary technology platforms, we assist our clients become more agile and outperform the competition.

Our collaborative engagement approach helps our clients evaluate more opportunities faster and better manage their existing portfolios while still maintaining the rigour of their investment process. Oxane Partners has supported more than 50 investment firms including private equity firms, hedge funds, investment banks of varying sizes across the globe. We have successfully managed over 200 projects, advised on more than $40bn of assets and are currently monitoring $15bn across asset classes and jurisdictions.

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