PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 03 September 2018

Weekly Data Center

Equities	Level	Returns (%)			
	31-Aug-18	1w	3m	YTD	1y
S&P500	2,902	0.9%	7.3%	8.5%	17.4%
DJIA30	25,965	0.7%	6.3%	5.0%	18.3%
EuroSTOXX	3,393	(1.0%)	(0.4%)	(3.2%)	(0.8%)
DAX	12,364	(0.2%)	(1.9%)	(4.3%)	2.6%
FTSE	7,432	(1.9%)	(3.2%)	(3.3%)	0.0%

Credit	On the Run Levels (bps)				
	31-Aug-18	24-Aug-18	31-May-18	31-Dec-17	31-Aug-17
iTraxx Mains	69	66	70	45	55
iTraxx Fin Snr	85	80	85	44	53
iTraxx X-Over	300	286	306	233	236
CDX IG	60	60	67	49	58
CDX HY	330	329	350	306	320

Commodity	Level	Returns (%)			
	31-Aug-18	1w	3m	YTD	1y
Crude (Brent)	77.2	2.9%	0.0%	15.5%	47.2%
Crude (WTI)	69.8	(0.0%)	4.1%	15.5%	47.8%
Gold	1,204	(0.1%)	(7.3%)	(7.6%)	(8.9%)
Silver	14.5	(1.9%)	(11.5%)	(14.2%)	(17.3%)

Forex	Levels				
	31-Aug-18	24-Aug-18	31-May-18	31-Dec-17	31-Aug-17
EUR	1.16	1.16	1.17	1.20	1.19
GBP	1.30	1.28	1.33	1.35	1.29
AUD	0.72	0.73	0.76	0.78	0.79
YEN	111.03	111.24	108.82	112.69	109.98

EM Equities	Level	Returns (%)			
	31-Aug-18	1w	3m	YTD	1y
Brazil	76,678	0.5%	(0.1%)	0.4%	8.2%
Russia	1,741	0.9%	6.6%	13.4%	23.9%
India	11,681	1.1%	8.8%	10.9%	17.8%
China	2,725	(0.2%)	(12.0%)	(17.6%)	(18.9%)
South Africa	58,668	(0.2%)	4.5%	(1.4%)	3.8%

Rates	Levels (%)				
	31-Aug-18	24-Aug-18	31-May-18	31-Dec-17	31-Aug-17
2-yr US Treasury	2.63	2.62	2.43	1.88	1.33
10-yr US Treasury	2.86	2.81	2.86	2.41	2.12
30-yr US Treasury	3.02	2.96	3.03	2.74	2.73
10-yr German Bunc	0.33	0.35	0.34	0.43	0.36
10-yr UK Gilt	1.43	1.28	1.23	1.19	1.03

Key Economic Releases

The week in review

Mon, 27-Aug

Tue, 28-Aug

Wed, 29-Aug
US GDP QoQ (4.20%: 213k; Cons.: 4.00%)

Thu, 30-Aug
US Initial Jobless Claims (Actual: 213k; Cons.: 212k)

Fri, 31-Aug
Eurozone CPI YoY (Actual: 2.00%; Cons.: 2.10%)

The week ahead

Mon, 03-Sep
UK Manufacturing PMI MoM (Cons.: 53.9; Prior: 54.0)

Tue, 04-Sep
US ISM Manufacturing MoM (Cons.: 57.6; Prior: 58.1)

Wed, 05-Sep

Thu, 06-Sep
US Initial Jobless Claims (Cons.: 213k; Prior: 213k)

Fri, 07-Sep
Eurozone GDP QoQ (Cons.: 0.40%; Prior: 0.40%)
US Change in Non-Farm Payrolls (Cons.: 193k; Prior: 157k)

Market Commentary

Investors dealt with a flurry of trade-related headlines this week, especially in regards to NAFTA negotiations. Stocks recorded solid gains for the week, helping bring most of the major indexes to all-time highs. The technology-heavy Nasdaq Composite Index performed best and crossed the symbolic 8,000 threshold for the first time, while the narrowly focused Dow Jones Composite Index lagged and remained roughly 2.5% off the highs it established early in the year. Trade concerns continued to weigh on investor sentiment this week following a report that the Trump administration remains committed to imposing tariffs on an additional $200bn worth of Chinese goods as soon as next week. As for the 11 S&P 500 sectors, almost all of them finished within 0.5% of their unchanged marks. The energy sector was the lone exception, falling in tandem with the price of crude oil. The top-performing sectors were technology, consumer discretionary and health care Conversely, telecoms, consumer staples, and utilities finished at the back of the pack. Even the retail sector, once considered to be weakened by competitive pressures, showed renewed strength as major retailers like Walmart and Target reported strong quarterly earnings. Biotechnology stocks showed a significant move to the upside over the course of the session. In moderate volume, 827mn shares were traded on the NYSE and 1.9bn shares changed hands on the Nasdaq. All Equity funds report net outflows totalling $3.916bn, with US Equity funds reporting net outflows of $3.116bn and Non-US Equity funds reporting net outflows of $0.800bn. The pan-European STOXX Europe 600 Index was relatively flat as investors focused on unresolved issues which include agreements on intellectual property, data protection, and role of the European Court in Brexit.

Fixed income markets were mixed, as the yield on the 2-year note decreased 1 basis point to 2.64%, the yield on the 10-year note was flat at 2.86%, and the 30-year bond rate rose by 2 bps to 3.02%.The municipal market continued to struggle from a lack of liquidity, due both to lighter new issuance and a lack of buyers ahead of the holiday weekend. US investment-grade corporate bonds posted negative performance amid light trading ahead of the holiday. Across the Atlantic, Benchmark 10-year German bond yields, a proxy for risk-free interest rates in the Eurozone, were marked at 0.358%. On the softer side, US dollar rose following favourable consumer sentiment and regional manufacturing data. Euro slipped lower against the US dollar Friday as a closely-watched measure of currency area inflation missed analysts forecast in a reading that could have significant implications for US interest rates. Dollar Index—a comparison of the US dollar to six major world currencies—was 0.4% higher at 95.11. In commodity market, crude oil prices extended last week's rally amid lingering supply concerns as oil inventories fell much more than expected for a second-straight week and as Iranian sanctions continued to threaten production, gaining 2% over the week. Brent crude traded at $77, or close to levels seen in early July, but WTI lagged even if it moved above the symbolic $70 mark. Gold and silver were flat.

Though trade tensions continue to be a concern, no broad effect on the economy persists currently. Instead, solid fundamentals will likely prolong the record-long bull market. However, as the Investors should prepare for the long haul by making sure their portfolios are ready for increased volatility and a slower rate of returns.

Economic Commentary

The second estimate for GDP revealed a faster pace of economic growth than first estimated, with the annualized growth rate quickening slightly to 4.2% in Q2. Consumer spending was still stellar in the second quarter, growing at a 3.8% annualized clip. Despite rising inflation concerns, real disposable income was up 2.9% over the past year in July. The tight labor market conditions showed up in the personal income and spending report for July, where we saw sustained strength in wages and salaries, which were up 0.4% for the second consecutive month. The ISM manufacturing index cooled slightly in July, falling 2.1 points to 58.1. While the index still sits at a high level, signalling that manufacturing activity remains strong, the changing trade environment looks to be affecting activity, as some manufacturers cited slowing in new export orders. The new orders index dropped over three points to 60.2, its lowest reading in more than a year. However, hiring remained a bright spot in July, with the employment index recovering 0.5 points to 56.5. Manufacturing payroll growth has displayed a similar trend, with industry adding 156,000 jobs in H1, more than double the number added over the same period last year. The trade deficit widened to $46.3B in June, largely due to a drop in typically volatile aircraft exports, compounded by a $1.4bn decline in consumer goods exports. Nonfarm payrolls rose 157,000 in July, with the monthly change coming in a bit lower than the pace seen over the past few months. However, payroll growth has still averaged 215,000 jobs per month since the beginning of the year, up from 184,000 over the same period in 2017.

Eurozone August CPI inflation edged down to two% year over-year. While the overall rate of inflation matched multi-year highs, core CPI inflation was more subdued and eased to one% year-over-year. The U.K. manufacturing PMI fell by more than expected in July to 54.0 from 54.3 the month before, and down from a high of 58.2 late last year. The new orders component fell to 54.2, the lowest in over a year, suggesting that the soft start to U.K. manufacturing in Q3 may continue. Moreover, sentiment remained subdued last month amid ongoing Brexit uncertainty, hinting at potential for next week's release of the August manufacturing PMI to remain somewhat contained. The July services index declined to 53.5 from a 2018 high of 55.1 in June, as respondents said that Brexit uncertainty contributed to a "wait-and see" approach to investment. Trade developments this past week were mostly constructive, starting with an announcement on Monday that the United States and Mexico reached a bilateral trade agreement. As of this writing, those talks are still on going. Separately, the US administration said it will maintain tariffs of 25% on steel imports and 10% on aluminium imports, but announced targeted relief on steel from South Korea and Brazil, and aluminium and steel from Argentina.

While trade developments this week were benign, markets will be keenly focused on whether the US moves ahead with further tariffs on $200bn of Chinese imports after a period of public-comment concludes next week. Elsewhere, the calendar will be focussed on the growth numbers on both sides of Atlantic.

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