PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 10 September 2018

Weekly Data Center

Equities	Level	Returns (%)			
	07-Sep-18	1w	3m	YTD	1y
S&P500	2,872	(1.0%)	3.7%	7.4%	16.5%
DJIA30	25,917	(0.2%)	2.7%	4.8%	19.0%
EuroSTOXX	3,293	(2.9%)	(4.8%)	(6.0%)	(4.5%)
DAX	11,960	(3.3%)	(6.6%)	(7.4%)	(2.7%)
FTSE	7,278	(2.1%)	(5.5%)	(5.3%)	(1.6%)

Credit	On the Run Levels (bps)				
	07-Sep-18	31-Aug-18	07-Jun-18	31-Dec-17	07-Sep-17
iTraxx Mains	64	69	73	45	53
iTraxx Fin Snr	75	85	86	44	51
iTraxx X-Over	287	300	309	233	233
CDX IG	60	60	67	49	59
CDX HY	331	330	350	306	320

Commodity	Level	Returns (%)			
	07-Sep-18	1w	3m	YTD	1y
Crude (Brent)	76.7	(0.6%)	(0.1%)	14.8%	41.3%
Crude (WTI)	67.8	(2.9%)	2.7%	12.1%	38.0%
Gold	1,197	(0.4%)	(7.7%)	(8.1%)	(11.3%)
Silver	14.2	(2.5%)	(15.2%)	(16.3%)	(21.8%)

Forex	Levels				
	07-Sep-18	31-Aug-18	07-Jun-18	31-Dec-17	07-Sep-17
EUR	1.16	1.16	1.18	1.20	1.20
GBP	1.29	1.30	1.34	1.35	1.31
AUD	0.71	0.72	0.76	0.78	0.80
YEN	110.99	111.03	109.70	112.69	108.45

EM Equities	Level	Returns (%)			
	07-Sep-18	1w	3m	YTD	1y
Brazil	76,416	(0.3%)	3.5%	0.0%	4.1%
Russia	1,713	(1.6%)	2.7%	11.6%	22.5%
India	11,589	(0.8%)	7.6%	10.1%	16.7%
China	2,702	(0.8%)	(13.1%)	(18.3%)	(19.7%)
South Africa	57,068	(2.7%)	(2.3%)	(4.1%)	2.1%

Rates	Levels (%)				
	07-Sep-18	31-Aug-18	07-Jun-18	31-Dec-17	07-Sep-17
2-yr US Treasury	2.70	2.63	2.49	1.88	1.26
10-yr US Treasury	2.94	2.86	2.92	2.41	2.04
30-yr US Treasury	3.10	3.02	3.07	2.74	2.66
10-yr German Bunc	0.39	0.33	0.48	0.43	0.31
10-yr UK Gilt	1.46	1.43	1.40	1.19	0.97

Key Economic Releases

The week in review

Mon, 03-Sep

Tue, 04-Sep
US ISM Manufacturing MoM (Actual: 61.3; Cons.: 57.6)

Wed, 05-Sep

Thu, 06-Sep
US Initial Jobless Claims (Actual: 203k; Cons.: 213k)

Fri, 07-Sep
Eurozone GDP QoQ (Actual: 0.40%; Cons.: 0.40%)
US Change in Non-Farm Payrolls (Actual: 201k; Cons.: 190k)

The week ahead

Mon, 10-Sep

Tue, 11-Sep

Wed, 12-Sep
US CPI MoM (Cons.: 0.30%; Prior: 0.20%)

Thu, 13-Sep
US Initial Jobless Claims (Cons.: 210k; Prior: 203k)
ECB Main Refinancing Rate (Cons.: 0.00%; Prior: 0.00%)

Fri, 14-Sep

Market Commentary

Stocks slipped on Friday, giving the bears a clean sweep for the abbreviated week, after the Employment Situation report for August showed a stronger-than-expected increase in average hourly earnings and after President Trump threatened yet another round of tariffs on Chinese goods.The S&P 500 finished lower by 0.2%, while the Dow Jones Industrial Average and the Nasdaq Composite lost 0.3% apiece.10 of 11 S&P sectors finished in negative territory, with health care being the lone exception. The lightly-weighted utilities and real estate spaces were the worst performers, but losses were modest in general, with no other group dropping more than 0.5%. In a reversal of recent trends, value stocks outperformed growth shares, and the technology-focused Nasdaq Composite Index lagged. The value-oriented energy sector performed worst within the S&P 500 Index as oil prices fell sharply in response to rising US inventories and concerns about demand from emerging markets. In moderate volume, 0.70bn shares were traded on the NYSE and 2.1bn shares changed hands on the Nasdaq. US-based money market funds attracted $11.84bn in the week ended Wednesday, following outflows of $6.39bn the previous week.US-based equity funds posted $7.2bn of outflows after following two weeks of inflows. Of note, among the equity fund outflows was a $3.6bn outflow for equity ETFs. This broke a streak of eight consecutive weekly net inflows for equity ETFs . Across the Atlantic, Europe's major bourses were mixed by the close, with the UK's FTSE 100 off 0.56%, the French CAC 40 up 0.16% and the German DAX practically unchanged, up 0.04%. Trade tensions and uncertainty about tariffs clouded the outlook for global trade. The unpredictability of the US government in relation to trade is driving stocks lower, as it leaves companies uncertain about where to invest, while the overall global slowdown and high valuations of many European stocks have added to the impulse to sell. Banks were some of the biggest losers however, down 0.93%.

In fixed income markets,the yield on the Fed-sensitive 2-yr note jumped 6 basis points to 2.69%, and the yield on the benchmark 10-yr note also rose 6 basis points, closing at 2.94% and the 30-year bond rate gained 5 bps to 3.10%.Primary issuance picked up again in the investment-grade corporate bond sector, with the level of new supply eclipsing early estimates. The technology/media and telecommunications segment was a notable exception to the supply trend, as spreads compressed due to recent strong performance and little-to-no new supply. On the softer side, the dollar was boosted by US job growth data but uncertainty over the US-Chinese trade conflict held gains in check. The Dollar Index—a comparison of the US dollar to six major world currencies—was 0.4% higher at 95.39. In commodities markets, crude inventories fell 4.3mn barrels in the week compared with analysts' expectations for a decrease of 1.3mn barrels, bringing the stockpiles to 401.49mn barrels, the lowest levels since February 2015. Elsewhere, refiners' demand for crude oil and drivers' demand for gasoline remain supportive of the market, with gasoline demand remaining near the highest levels of the season. US crude futures rose slightly after the data was released, while gasoline futures pared gains owing to the unexpected build.

Investors are cautious in making wholesale moves in and out of stocks based on macroeconomic events and other thematic factors. A generalized de-risking and moving out of equities seemed to resurface in the market.

Economic Commentary

Evidence continued to mount this week that economic growth is poised to remain solid in the third quarter. Trade tensions continue to escalate, and consecutive drops in exports in June and July will likely lead to a reversal of trade's second quarter boost to overall GDP growth. However, overall business activity reportedly remains strong, as both the ISM manufacturing and non manufacturing indices advanced higher in August. The labor market also continued to improve and employers continue to add jobs across a wide array of industries. Employers added 201,000 new jobs in August. The unemployment rate was unchanged at 3.9%; however, the labor force participation rate dropped to 62.7%. Meanwhile, wage growth continues to trend higher. Average hourly earnings increased 0.4% for the month and 2.9% on a year-over-year basis, a new cycle high.Manufacturing activity appeared unscathed by trade tensions in August. The ISM manufacturing index hit 61.3, the highest reading in 14 years. Both the current production and new orders indices posted large increases during the month. Outside of the factory sector, firms also reported a positive assessment. The ISM non-manufacturing index topped expectations and jumped 2.8 points to a 58.5 reading in August. Total exports fell 1.0% in July, bringing the trade deficit to $50.1bn. The dip in exports follows a 0.7% drop in June.The headline CPI rose 0.2% in July, putting the year-over-year increase at 2.9% for the fastest pace in six years. While a drop in energy prices caused a smaller rise in overall inflation, core inflation rose 2.4% year-over-year to reach a new cycle high. The July surge in core inflation was led by a continued increase in services prices, along with a pickup in airfares and prices for new and used autos.

The European region also drew some market attention this week. Eurozone data for July were generally subdued, as German factory orders unexpectedly declined 0.9% and Eurozone retail sales fell 0.2% over the month. Meanwhile, in the United Kingdom, sentiment data were mixed as the manufacturing PMI softened to 52.8 in August but the services PMI was stronger than expected, rising to 54.3. Germany's trade surplus narrowed in July to its lowest level in more than four years as exports fell and imports rose. In July, industrial output dropped by 1.1%, and factory orders fell 0.9%.Next week is a busy one for the UK economy, with a number of key data releases followed by a policy announcement from the Bank of England (BoE). Among the key releases will be industrial output figures, which will likely be closely watched for any clues that Brexit uncertainty is affecting manufacturing sentiment. UK wage growth has been fairly steady in recent months, but slowing inflation has eased some pressure on UK consumers. As for the BoE, which is scheduled to announce policy on Thursday of next week, will be closely watched.

Uncertain trade negotiations are a headline risk, a healthy consumer and a strong economy will provide a good environment for stocks, although analyst still expect to see volatility given the ongoing trade headlines.

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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