PANORAMIC VIEW OF THE WEEK

Weekly Data Center

Equities	Level	Returns (%)			
	05-Oct-18	1w	3m	YTD	1y
S&P500	2,886	(1.0%)	5.4%	7.9%	13.1%
DJIA30	26,447	(0.0%)	8.6%	7.0%	16.1%
EuroSTOXX	3,346	(1.6%)	(2.8%)	(4.5%)	(7.4%)
DAX	12,112	(1.1%)	(2.8%)	(6.2%)	(6.6%)
FTSE	7,319	(2.6%)	(3.7%)	(4.8%)	(2.5%)

Commodity	Level	Returns (%)			
	05-Oct-18	1w	3m	YTD	1y
Crude (Brent)	84.2	1.5%	9.5%	26.0%	47.5%
Crude (WTI)	74.3	1.5%	1.9%	23.0%	46.4%
Gold	1,204	1.1%	(4.3%)	(7.6%)	(5.1%)
Silver	14.6	(0.1%)	(8.8%)	(13.6%)	(11.8%)

EM Equities	Level	Returns (%)			
	05-Oct-18	1w	3m	YTD	1y
Brazil	82,322	3.8%	10.4%	7.7%	7.4%
Russia	1,632	(3.8%)	(2.8%)	6.3%	7.9%
India	10,316	(5.6%)	(4.0%)	(2.0%)	4.3%
China	2,821	-	3.2%	(14.7%)	(15.8%)
South Africa	54,409	(2.3%)	(5.2%)	(8.6%)	(4.5%)

Credit	On the Run Levels (bps)				
	05-Oct-18	28-Sep-18	05-Jul-18	31-Dec-17	05-Oct-17
iTraxx Mains	69	69	71	45	55
iTraxx Fin Snr	87	84	85	44	59
iTraxx X-Over	282	275	312	233	244
CDX IG	61	59	66	49	53
CDX HY	343	331	350	306	320

Forex	Levels				
	05-Oct-18	28-Sep-18	05-Jul-18	31-Dec-17	05-Oct-17
EUR	1.15	1.16	1.17	1.20	1.17
GBP	1.31	1.30	1.32	1.35	1.31
AUD	0.71	0.72	0.74	0.78	0.78
YEN	113.72	113.70	110.64	112.69	112.82

Rates	Levels (%)				
	05-Oct-18	28-Sep-18	05-Jul-18	31-Dec-17	05-Oct-17
2-yr US Treasury	2.89	2.82	2.55	1.88	1.49
10-yr US Treasury	3.23	3.06	2.83	2.41	2.35
30-yr US Treasury	3.40	3.21	2.94	2.74	2.89
10-yr German Bunc	0.57	0.47	0.30	0.43	0.46
10-yr UK Gilt	1.72	1.57	1.26	1.19	1.39

Key Economic Releases

The week in review

Mon, 01-Oct
Eurozone Manufacturing PMI MoM (Actual: 53.2 ;Cons.: 53.3)

Tue, 02-Oct

Wed, 03-Oct

Thu, 27-Sep
US Initial Jobless Claims (Actuals:214k ;Cons.: 210k)

Fri, 28-Sep
US Trade Balance (Cons.: $-53.0bn; Prior: $-50.1bn)

The week ahead

Mon, 08-Oct

Tue, 09-Oct

Wed, 10-Oct
Eurozone Industrial Production Mom (Cons.: 0.40%; Prior:.0.40%)

Thu, 11-Oct
US Initial Jobless Claims (Cons.: 210k; Prior: 207k)

Fri, 12-Oct

Market Commentary

The major benchmarks ended lower, with the large-cap indexes holding up substantially better than the technology-heavy Nasdaq Composite Index and the smaller-cap benchmarks. Value shares outperformed higher valuation growth stock. Investors sold many of the year's best performing stocks, moving into so-called safety stocks such as utilities. Technology stocks took another leg down Friday, dragging the tech-heavy Nasdaq Composite to its worst week since early spring. Within the S&P 500 Index, energy shares were among the best performers, boosted by a rise in oil prices as traders braced for the implementation of new sanctions on Iran in early November. Financials shares also outperformed, helped by a surge in longer-term interest rates, which bodes well for bank lending margins. Consumer discretionary shares lagged due to weakness in Amazon.com, which now makes up roughly one-third of the sector, following the transfer of fellow Internet giants Netflix and Facebook to the new communication services sector. All Equity funds reported net outflows totalling $3.779bn, with Domestic Equity funds reporting net outflows of $2.120bn and Non-Domestic Equity funds reporting net outflows of $1.658bn. In moderate volume, 0.840bn shares were traded on the NYSE and 2.60bn shares changed hands on the Nasdaq. European stocks followed U.S. equities lower amid a rise in global bond yields and continued worries about the Italian government's spending plans. For the week, both the pan European STOXX Europe 600 Index and the FTSE MIB Index dropped 1.8%.Fresh concerns about Greek banks also pressured European banking shares, with the EURO STOXX Banks Index down 1.4% for the week.

In fixed income markets, the week's most notable development for both the stock and bond markets was the sharp increase in longer-term interest rates. The yield on the benchmark 10-year Treasury note jumped from 3.06% at the end of trading the previous week to 3.25% in intraday trading Friday—its highest level since the summer of 2011.Municipal bonds entered the fourth quarter slightly weaker, with many market participants focused on an increase in new issuance. Across the Atlantic, European bond yields followed Treasury yields higher. Other than the rise in Italian yields, the yield on the 10-year UK gilt rose to its highest level since before the country voted to leave the EU in 2016. Yields on 10-year German, Spanish, and Portuguese government debt rose to multi month highs. On the softer side, the Dollar Index—a comparison of the U.S. dollar to six major world currencies—was 0.1% lower at 95.64.In commodity markets, Oil prices on both sides of the Atlantic steadied just below four-year highs this morning as world fuel markets tightened ahead of a new round of U.S. sanctions on Iranian oil exports due to be imposed in November. WTI crude oil inched $0.01 higher to $74.34 per barrel and wholesale gasoline was down $0.01 at $2.09 per gallon. Gold spot price gained $4.00 to $1,203.92 per ounce.

The concerns over rate hikes seemed easily outweighing the trade optimism generated from the news that the United States, Canada and Mexico have reached a new free trade deal to replace the North American Free Trade Agreement (NAFTA) and hence Investors are leveraging on them as the overall fundamentals remain strong.

Economic Commentary

With one big exception, the majority of this week's economic reports came in on the strong side. The ISM manufacturing survey fell 1.5 points to 59.8 in September but has been hanging around the 60 level in recent months and remains slightly above average for the year. The new orders index fell 3.3 points to 61.8, which is slightly below its average for the past six months. The ISM non-manufacturing index climbed 3.1 points to 61.6 in September. Business activity rose 4.5 points to 65.2 and the closely watched employment index jumped 5.7 points to 62.4. The surge in the employment series raised expectations for the September jobs report, particularly since it was accompanied by more good news from the ADP employment survey, which reported a gain of 230,000 jobs in September, and weekly unemployment claims, which fell back to the lowest levels since the late 1960s. While the stage was set for another big gain in nonfarm employment, the actual numbers for September came in short of expectations, with payrolls adding just 134,000 jobs. The shortfall in nonfarm jobs appears to be partly due to estimates of how Hurricane Florence impacted employment. Employment at restaurants tumbled by 18,200 jobs, and 20,000 jobs were lost in retailing. Core price inflation, which excludes food, energy and trade services, came in a bit softer than expected, but still edged up 0.1% during the month. Consumer prices rose 0.2% in August, coming in slightly below market expectations. Core goods prices fell for the first time in three months, as apparel prices fell 1.6%, reflecting renewed downward pressure on core goods.

The most significant European development this week was some easing in the stand-off between Italy and its European partners over Italy's budget deficit. Italy had initially proposed a deficit of 2.4% of GDP for 2019 through 2021, but subsequently agreed to a compromise which sees the deficit at 2.4% in 2019, and narrowing to 1.8% by 2021.On the data front, Eurozone August retail sales disappointed, with an unexpected 0.2% month-over-month decline, while July sales were also revised lower. In the U.K., the September services PMI fell to 53.9, although the manufacturing PMI was a bit more encouraging, rising to 53.8. In recent months U.K. GDP has been relatively solid, rising 0.3% month-over-month in July, led mainly by the 0.3% rise in the services sector. Construction activity rose 0.5% month-over-month, while industrial production rose by a lesser 0.1%. Overall, activity in the industrial sector has been somewhat subdued. August industrial production is expected to rise 0.1% month-over-month and manufacturing production should also rise 0.1%. Finally, the August trade balance is released, with a deficit of £10.90bn expected for the month.

Tariffs have raised prices in the affected industries. However, outside of that intuitive point, the conclusions are not perfectly clear cut. It may be too soon for the effects of the levies to be fully reflected in industry output and employment, and those factors could be affected by factors other than tariffs.

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