PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 19 November 2018

Weekly Data Center

Equities	Level	Returns (%)			
	16-Nov-18	1w	3m	YTD	1y
S&P500	2,736	(1.6%)	(3.7%)	2.3%	5.8%
DJIA30	25,413	(2.2%)	(0.6%)	2.8%	8.3%
EuroSTOXX	3,181	(1.5%)	(5.8%)	(9.2%)	(10.8%)
DAX	11,341	(1.6%)	(7.3%)	(12.2%)	(13.1%)
FTSE	7,014	(1.3%)	(7.2%)	(8.8%)	(5.1%)

Credit	On the Run Levels (bps)				
	16-Nov-18	09-Nov-18	16-Aug-18	31-Dec-17	16-Nov-17
iTraxx Mains	78	70	71	45	52
iTraxx Fin Snr	100	88	86	44	52
iTraxx X-Over	317	288	305	233	242
CDX IG	74	67	61	49	55
CDX HY	400	368	350	306	320

Commodity	Level	Returns (%)			
	16-Nov-18	1w	3m	YTD	1y
Crude (Brent)	66.3	(3.5%)	(5.6%)	(0.7%)	8.6%
Crude (WTI)	56.5	(6.2%)	(13.7%)	(6.6%)	2.4%
Gold	1,223	1.1%	4.2%	(6.1%)	(4.3%)
Silver	14.4	1.9%	(1.6%)	(14.8%)	(15.6%)

Forex	Levels				
	16-Nov-18	09-Nov-18	16-Aug-18	31-Dec-17	16-Nov-17
EUR	1.14	1.13	1.14	1.20	1.18
GBP	1.28	1.30	1.27	1.35	1.32
AUD	0.73	0.72	0.73	0.78	0.76
YEN	112.83	113.83	110.90	112.69	113.06

EM Equities	Level	Returns (%)			
	16-Nov-18	1w	3m	YTD	1y
Brazil	88,515	3.4%	15.2%	15.9%	22.1%
Russia	1,528	(1.4%)	(9.4%)	(0.5%)	2.7%
India	10,682	0.9%	(6.2%)	1.4%	4.6%
China	2,679	3.1%	(1.0%)	(19.0%)	(21.2%)
South Africa	52,096	(2.3%)	(7.9%)	(12.5%)	(12.5%)

Rates	Levels (%)				
	16-Nov-18	09-Nov-18	16-Aug-18	31-Dec-17	16-Nov-17
2-yr US Treasury	2.80	2.92	2.62	1.88	1.71
10-yr US Treasury	3.06	3.18	2.87	2.41	2.38
30-yr US Treasury	3.32	3.38	3.03	2.74	2.83
10-yr German Bunc	0.37	0.41	0.32	0.43	0.38
10-yr UK Gilt	1.41	1.49	1.24	1.19	1.31

Key Economic Releases

The week in review

Mon, 12-Nov

Tue, 13-Nov

Wed, 14-Nov
UK CPI YoY (Actuals:2.40% ;Cons.: 2.50%)
US CPI YoY (Actuals:2.50% ;Cons.: 2.50%)

Thu, 15-Nov
US Initial Jobless Claims (Actuals:216k ;Cons.: 213k)

Fri, 16-Nov
US Industrial Production MoM (Actuals:0.10% ;Cons.: 0.20%)

The week ahead

Mon, 19-Nov

Tue, 20-Nov

Wed, 21-Nov

Thu, 22-Nov
US Initial Jobless Claims (Cons.: 215k; Prior: 216k)

Fri, 23-Nov
US Markit PMI MoM (Cons.: 55.8; Prior: 55.7)

Market Commentary

U.S. stocks fell, after rallying for the last two weeks, as trade headlines, tech share scrutiny, oil volatility and retail earnings seemed to harm sentiment and bring increasing choppiness. The S&P 500 edged higher Friday, but steep losses from earlier in the week pushed the broad index to its first weekly loss of November. Materials, real estate, and industrial shares outperformed, with the latter helped by rise in 3M shares following a favourable outlook from the company for 2019. For the third-consecutive week, slower-growing value shares generally outperformed higher-valuation growth stocks. Trying to offset those losses were shares of utility companies, which rose 1.2% across the S&P 500.Losses among retail stocks added pressure as trade concerns seemed to be the primary factor guiding sentiment during the week. Trading volumes on the consolidated tape continue to trend higher than the YTD average as volatility and sentiment continue to drive markets. In heavy volume, 1.1 bn shares were traded on the NYSE and 2.4 bn shares changed hands on the Nasdaq. All Equity funds report net outflows totalling -\$3.737 bn, with Domestic Equity funds reporting net outflows of -\$2.980 bn and Non-Domestic Equity funds reporting net outflows of -\$0.757 bn. The pan-European STOXX 600 Index fell more than 2%, as Brexit fears and Italy's budget standoff with the European Union (EU) continued to unsettle markets. The FTSE 100 Index lost about 1.3%, and the German DAX and French CAC 40 Indexes both finished lower. Banks were among top decliners on worries that the UK would leave the EU without a deal.

In fixed income markets, treasuries were higher, as the yield on the 2-year note fell 5 basis points (bps) to 2.81%, while the yields on the 10-year note and the 30-year bond declined 3 bps to 3.08% and 3.33%, respectively. Equity market weakness and the decline in crude prices caused a flight to the perceived safe haven of Treasury bonds during the week, resulting in a sharp drop in yields. The municipal market saw a healthy new issuance calendar, which, combined with elevated dealer inventories and cash outflows from funds, set up the sector for lacklustre performance early on. Tobacco bonds, in particular, sold off after the FDA released a proposal intending to ban menthol cigarettes. Credit spreads in the investment-grade corporate bond market widened throughout the week. Headlines affecting specific issuers—including fallout for utilities from the California wildfires and the impact of the potential ban on menthol cigarettes—weighed on market sentiment. On softer side, the Dollar Index—a comparison of the U.S. dollar to six major world currencies—fell 0.5% to 96.46.The British pound plunged 1.97% against the dollar Thursday, the currency's biggest percentage fall since July 2016, after U.K. Brexit Secretary Dominic Raab resigned from the government. Oil prices on both sides of the Atlantic rose in pre-market trading and are tracking towards their third-straight day of gains, supported by expectations that OPEC and its allies would agree to cut output next month but prices were still down on the week on concerns that the global market was oversupplied.

While the traders will focus on the fallout from gaurded optimism over US-China trade ties, investors should focus on their long-term financial goals, and, if appropriate, consider the opportunities created by short-term pullbacks. Elsewhere, across the Atlantic, a messy brexit is the last thing anyone wants on the street, so, a key focus area would be the transition deal that UK accepts in lieu of a smooth exit from European Union.

Economic Commentary

The CPI report released at the start of the week offers the latest evidence that inflation is more or less right in-line with where the Fed wants it to be. The headline monthly increase was nudged higher by gasoline prices, but there was also broadly based support from a number of other categories. Core inflation rose 0.19% in October after softer prints in the preceding months. It was the best month at the nation's stores since May as retail sales surged 0.8%. Industrial production rose less than expected in October (+0.1%) and production for December was revised down a tick. Production for September was also revised a bit higher, and points to factory activity being on somewhat firmer ground than previously thought. A warm October sent utilities production down 0.5% while mining production edged lower for a second straight month. Industrial production rose less than expected in October (+0.1%) and production for December was revised down a tick. A warm October sent utilities production down 0.5% while mining production edged lower for a second straight month. Housing starts dropped in September, with most of the decline stemming from a 15.2% drop in multifamily starts. But, single-family starts were also sluggish, declining a more modest 0.9%. Housing is unlikely to make a significant breakout to the upside at this point in the business cycle. Higher mortgage rates and steadily rising home prices have significantly reduced affordability.

In Europe, the Markit PMIs in the Eurozone continue to trend lower, with the manufacturing PMI declining to 52.0 in October from 53.2 in September. Eurozone industrial production data largely confirm the survey data, with production growing less than 1% year-over-year in August after run rates surpassed 5% by the end of 2017.Eurozone real GDP expanded at only a 0.7% annualized rate in Q3, the slowest since 2013. German GDP figures released this week showed an outright decline in Q3, while growth in Italy was broadly flat over the quarter. Concerns surrounding Italy's fiscal situation and growth prospects remain on the forefront, and the European Central Bank will likely be watching next week's PMI release for signs of a production rebound and stronger growth prospects as it looks to normalize policy in coming quarters. Brexit fears increased throughout the week, as British Prime Minister Theresa May lost parliamentary support for her draft agreement on Britain's withdrawal from the EU and was forced to reshuffle her cabinet after key members resigned. By the week's end, May was struggling to hold her government together, and critics were calling for a vote of no-confidence. Opponents of the deal argue that it threatens UK integrity by creating different regulatory regimes for Northern Ireland and for the rest of the country and by giving Brussels extraordinary powers over Britain.

Judging by recent headlines, the global economy is on a wild roller coaster that's going mostly downhill. There are Brexit, trade wars, Italy's fight with the European Union, renewed U.S. sanctions on Iran, a Chinese debt bomb, jittery stock markets, intermittent capital flight from developing nations, and more. Amidst all investments in the manufacturing and corporate will only boost the growth rate in green.

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