PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 26 November 2018

Weekly Data Center

Equities	Level	Returns (%)			
	23-Nov-18	1w	3m	YTD	1y
S&P500	2,633	(3.8%)	(7.9%)	(1.5%)	1.4%
DJIA30	24,286	(4.4%)	(5.3%)	(1.8%)	3.2%
EuroSTOXX	3,137	(1.4%)	(8.2%)	(10.5%)	(12.2%)
DAX	11,193	(1.3%)	(9.5%)	(13.4%)	(14.0%)
FTSE	6,953	(0.9%)	(8.1%)	(9.6%)	(6.3%)

Credit	On the Run Levels (bps)				
	23-Nov-18	16-Nov-18	23-Aug-18	31-Dec-17	23-Nov-17
iTraxx Mains	81	78	67	45	49
iTraxx Fin Snr	105	100	82	44	48
iTraxx X-Over	334	317	292	233	238
CDX IG	80	74	61	49	53
CDX HY	417	400	350	306	320

Commodity	Level	Returns (%)			
	23-Nov-18	1w	3m	YTD	1y
Crude (Brent)	58.6	(11.7%)	(21.1%)	(12.3%)	(7.4%)
Crude (WTI)	50.2	(11.1%)	(27.0%)	(16.9%)	(13.4%)
Gold	1,223	(0.0%)	3.2%	(6.1%)	(5.3%)
Silver	14.3	(0.9%)	(1.5%)	(15.6%)	(16.4%)

Forex	Levels				
	23-Nov-18	16-Nov-18	23-Aug-18	31-Dec-17	23-Nov-17
EUR	1.13	1.14	1.15	1.20	1.19
GBP	1.28	1.28	1.28	1.35	1.33
AUD	0.72	0.73	0.72	0.78	0.76
YEN	112.96	112.83	111.29	112.69	111.22

EM Equities	Level	Returns (%)			
	23-Nov-18	1w	3m	YTD	1y
Brazil	86,230	(2.6%)	14.0%	12.9%	15.8%
Russia	1,489	(2.5%)	(13.3%)	(3.0%)	(1.9%)
India	10,527	(1.5%)	(9.1%)	(0.0%)	1.7%
China	2,579	(3.7%)	(5.3%)	(22.0%)	(23.0%)
South Africa	50,698	(2.7%)	(12.9%)	(14.8%)	(15.9%)

Rates	Levels (%)				
	23-Nov-18	16-Nov-18	23-Aug-18	31-Dec-17	23-Nov-17
2-yr US Treasury	2.81	2.80	2.62	1.88	1.73
10-yr US Treasury	3.04	3.06	2.83	2.41	2.32
30-yr US Treasury	3.30	3.32	2.98	2.74	2.74
10-yr German Bunc	0.34	0.37	0.34	0.43	0.35
10-yr UK Gilt	1.38	1.41	1.27	1.19	1.25

Key Economic Releases

The week in review

Mon, 19-Nov

Tue, 20-Nov

Wed, 21-Nov

Thu, 22-Nov
US Initial Jobless Claims (Actuals:224k ;Cons.: 215k)

Fri, 23-Nov
US Markit PMI MoM (Actuals:55.4 ;Cons.: 55.7)

The week ahead

Mon, 26-Nov

Tue, 27-Nov

Wed, 28-Nov

Thu, 29-Nov
US Initial Jobless Claims (Cons.: 220k; Prior: 224k)
US GDP QoQ (Cons.: 3.60%; Prior: 3.50%)

Fri, 30-Nov
Eurozone CPI YoY (Cons.: 2.00%; Prior: 2.20%)

Market Commentary

The Thanks giving Day holiday brought a shortened trading week in the U.S. and lighter trading volumes elsewhere. Stocks continued their slump as the week began, dipping both the S&P/TSX Composite Index and S&P 500 back into the "correction" territory they touched last month. All major equity markets still finished the week in the red, but Canada's S&P/TSX Composite Index uncharacteristically significantly outperformed major U.S. indices, with a bounce that included its biggest one-day gain in two and a half years. The technology-heavy Nasdaq Index performed worst, dragged down by declines in heavily weighted Internet and technology stocks, and was the only major index to dip under its late-October lows. Tech selling contributed to relative weakness in higher-valuation growth stocks, which underperformed slower-growing value shares for the fourth consecutive week. Energy stocks were also particularly weak, dragged down by a continuing tumble in oil prices, which reached their lowest level in over a year. In light volume, 0.44 bn shares were traded on the NYSE and 0.94 bn shares changed hands on the Nasdaq. Further signs of the risk-aversion, investors pulled $1.4 bn from technology sector stock funds in the week, the most since February 2015.European stocks fell throughout the week as Brexit and Italy's budget woes continued to worry investors. European markets managed to eke out a small gain and finish in positive territory on Friday, as sharply weaker oil prices weighed on many stock benchmarks. The STOXX 600 lost ground in line with a wave of global selling, led by tech shares.

In fixed income markets, treasuries were mostly higher, with the yield on the 2-year note little changed at 2.82%, while the yields on the 10-year note and the 30-year bond dipped 1 basis point to 3.05% and 3.31%, respectively. Given the holiday week and a very light new issuance calendar, activity in the municipal market was relatively subdued. The week's negative economic signals, along with poor liquidity and some credit-specific issues, hampered sentiment in the investment-grade corporate bond market. Issuance volume was also slightly less than expected. The malaise was more pronounced in the high yield market, where declining oil prices took a particular toll on the large energy segment. Some weakness in European below investment-grade securities also contributed to the poor sentiment. On the softer side, the Dollar Index—a comparison of the U.S. dollar to six major world currencies—rose 0.2% to 96.89.The British pound recouped losses after the European Union (EU) and UK reached a draft deal that outlined future ties between the EU and UK. In commodity markets, crude oil prices tumbled to near the lowest level in over a year amid festering supply concerns. Brent crude is down 5.93% at $58.89 a barrel at the time of writing, while WTI - the US benchmark - is down 6.72% at $50.96 a barrel as U.S. is increasing pressure on Saudi Arabia and OPEC to not cut production. The gold spot price was down $5.45 to $1,223.19 per ounce.

Declining oli prices—which analysts have attributed to worries about an impending glut of oil and fears of an economic slowdown—has deepened investors' uneaseHence, investors are cautious in making wholesale moves in and out of stocks based on macroeconomic events and other thematic factors.

Economic Commentary

Several housing-related indicators released this week point to a continued slowdown in the housing sector. The National Association of Homebuilders/Wells Fargo housing market index posted a sharp eight point decline in November, while housing starts and existing home sales eked out only moderate gains in October. For homebuyers, while personal incomes continue to gradually pick up and most consumers maintain an optimistic economic outlook, rising mortgage rates will likely continue to weigh on affordability. Although total sales rebounded in the month, the strength in October's reading was concentrated in the condo/co-op component, which rose 5.3% in the month, compared to a lower 0.9% rise in single-family sales. Compared to a year ago, however, total existing sales are down more than 5%.Mortgage applications have fallen in five out of the past six weeks and new home sales have fallen in five out of the past six months. Rising rates and inventory issues are the primary headwinds and it is not immediately clear that either is moving in the right direction. Finally, data on business spending were also less impressive this week, with durable goods orders declining 4.4% in October, on the heels of a downwardly revised 0.1% drop in September. The typically volatile defense and nondefense aircraft components fell sharply, and gains in other sub categories were also largely lacklustre.

In Europe, though headline consumer price inflation in the Eurozone has surpassed 2%, core inflation has held very steady, hovering within +/- 0.1% point of 1.0% since May. Though economic growth has slowed this year, it has remained above most estimates of potential growth, helping to drive additional tightening in the labour market. At 8.1%, the unemployment rate in the Eurozone has fallen half a percentage point thus far this year and is at the lowest level since 2008. Monthly asset purchases by the ECB declined from €60 billion a month to €30 billion a month to start 2018, and it looks likely that asset purchases will end entirely by the start of 2019.The G20 Summit takes place next week in Buenos Aires, Argentina. The G20 summit is always an important event, as the leaders of the 19 countries and the EU represent 85% of global economic output and two-thirds of the world's population. Italy continued its standoff with the EU refusing to rein in its 2019 borrowing and spending plan even after the European Commission began formal proceedings against the Italian government. Italy's coalition leaders continued to defy EC calls to do more to ease its debt burden, claiming the budget expansion will boost economic growth and, in turn, tax revenue, which will in turn help Italy lower its debt levels.

Trade worries seemed to continue to weigh on sentiment and potential escalation of the standoff could increase the effect on developing economies. Amongst others, US personal income spending and new home sales will be in the highlights of the calendar in the next week.

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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