PANORAMIC VIEW OF THE WEEK

OXANE PARTNERS | 07 January 2019

Weekly Data Center

Equities	Level 04-Jan-19	Returns (%) 1w	3m	YTD	1y
S&P500	2,532	1.9%	(12.7%)	1.0%	(7.1%)
DJIA30	23,433	1.6%	(12.0%)	0.5%	(6.5%)
EuroSTOXX	3,042	1.9%	(9.9%)	1.3%	(14.8%)
DAX	10,768	2.0%	(12.1%)	2.0%	(18.2%)
FTSE	6,837	1.5%	(7.8%)	1.6%	(11.2%)

Credit	On the Run Levels (bps) 04-Jan-19	28-Dec-18	04-Oct-18	31-Dec-18	04-Jan-18
iTraxx Mains	88	90	68	87	44
iTraxx Fin Snr	113	112	85	109	42
iTraxx X-Over	356	362	278	353	224
CDX IG	84	88	61	88	46
CDX HY	429	452	350	449	320

Commodity	Level 04-Jan-19	Returns (%) 1w	3m	YTD	1y
Crude (Brent)	56.6	9.0%	(33.5%)	6.4%	(17.2%)
Crude (WTI)	48.0	5.8%	(35.5%)	5.6%	(22.7%)
Gold	1,286	0.4%	7.2%	0.3%	(2.8%)
Silver	15.7	2.0%	7.6%	1.3%	(8.9%)

Forex	Levels 04-Jan-19	28-Dec-18	04-Oct-18	31-Dec-18	04-Jan-18
EUR	1.14	1.14	1.15	1.15	1.21
GBP	1.27	1.27	1.30	1.28	1.36
AUD	0.71	0.70	0.71	0.70	0.79
YEN	108.51	110.27	113.91	109.69	112.75

EM Equities	Level 04-Jan-19	Returns (%) 1w	3m	YTD	1y
Brazil	91,841	4.5%	10.7%	4.5%	16.8%
Russia	1,381	3.2%	(16.2%)	2.4%	(11.2%)
India	10,727	(1.2%)	1.2%	(1.2%)	2.1%
China	2,515	0.8%	(10.9%)	0.8%	(25.7%)
South Africa	52,203	(0.5%)	(5.1%)	(1.0%)	(12.2%)

Rates	Levels (%) 04-Jan-19	28-Dec-18	04-Oct-18	31-Dec-18	04-Jan-18
2-yr US Treasury	2.49	2.52	2.87	2.49	1.95
10-yr US Treasury	2.67	2.72	3.19	2.68	2.45
30-yr US Treasury	2.98	3.02	3.35	3.01	2.79
10-yr German Bunc	0.21	0.24	0.53	0.24	0.43
10-yr UK Gilt	1.28	1.27	1.67	1.28	1.23

Key Economic Releases

The week in review

Mon, 31-Dec

Tue, 01-Jan

Wed, 02-Jan

Thu, 03-Jan
US Initial Jobless Claims (Actuals:231k ;Cons.: 220k)
US ISM Manufaturing (Actuals:54.1 ;Cons.: 57.5)

Fri, 04-Jan
US Change in Non-Farm Payrolls (Actuals:312k ;Cons.: 184k)
Eurozone CPI YoY (Actuals:1.60% ;Cons.: 1.70%)

The week ahead

Mon, 07-Jan

Tue, 08-Jan

Wed, 09-Jan

Thu, 10-Jan
US Initial Jobless Claims (Cons.: 219k; Prior: 206k)

Fri, 11-Jan
US CPI YoY (Cons.: 1.90%; Prior: 2.20%)
UK Industrial Production MoM (Cons.: 0.20%; Prior: -0.60%)

Market Commentary

US stocks bounced back from their worst two-day start to a year since 2000, soaring Friday after fresh signs of economic strength eased fears that slowing growth around the world could drag on the US expansion. The smaller-cap benchmarks, which typically see larger swings, performed the best after suffering the biggest declines in 2018—the worst overall year for stocks in a decade. The gains left only the small-cap Russell 2000 Index in bear market territory, down roughly 21% from its recent high. Within the S&P 500 Index, energy shares were especially strong, supported by a rebound in oil prices. Communication services shares also outperformed, helped by both a solid rise in Netflix and gains in the shares of traditional telecommunications firms, whose dividends have become more appealing following the recent drop in bond yields. Technology stocks underperformed, hurt by a sharp drop in Apple's stock on Thursday. Health care stocks also underperformed as uncertainty lingered over the future of the Affordable Care Act and the potential for legislation regulating drug prices to be introduced in the new Congress. In moderately heavy volume, 1.1 bn shares were traded on the NYSE and 2.5 bn shares changed hands on the Nasdaq. Equity funds had net outflows of $18.7 bn and money market funds took in $6.1 bn in net new money. After a bearish start, the pan-European STOXX Europe 600 Index gained ground and was up about 2% for the week, buoyed by prospects of fresh US-Chinese trade talks. For the week, Germany's DAX Index rose about 2%, France's CAC-40 Index was up about 1%, and the UK's FTSE Index was up about 1.5%.

In fixed income markets, treasuries dropped, with the yields on the 2-year and 10-year notes jumping 11 basis points (bps) to 2.49% and 2.66%, respectively, while the 30-year bond rate rallied 7 bps to 2.97%.The municipal market followed the rally in Treasuries, with longer-maturity bonds outperforming their shorter-maturity counterparts. Trading activity in the investment-grade corporate bond market picked up as the week progressed, and new issuance exceeded modest expectations. The high yield market began the week with a generally positive tone. The market saw moderate buying activity, which helped the asset class hold up better than equities, and overall trade volumes were light. On softer side, the Dollar Index—a comparison of the US dollar to six major world currencies—dipped 0.1% to 96.17. The euro and British pound moved higher versus the US dollar. In commodity markets, crude oil prices rallied after data showing Saudi Arabia cut output suggested OPEC was following through with its production cut agreement. WTI crude oil rose $0.87 to $47.96 per barrel and wholesale gasoline was little changed at $1.35 per gallon. Energy bonds traded higher as oil prices posted consecutive daily gains due to OPEC production cuts, news of falling US inventories.

Continued debate over the direction of interest rates and Federal Reserve policy has led to wide swings in the markets. Investors believe that the current market provides an attractive opportunity to buy stocks at lower prices.

Economic Commentary

Economic activity has been exceptionally strong according to the ISM non-manufacturing index, which has come in above 60 for three consecutive months. The production side of the economy has slowed considerably, pulling down commodity prices and business confidence. December's ISM Manufacturing survey tumbled 5.2 points to 54.1, the largest one-month drop in more than a decade. The drop in the headline index was driven primarily by an 11-point plunge in the new orders component, which tumbled to just 51.1. Order backlogs also declined. Moreover, the forward-looking new orders index plunged 11 points, signaling the factory sector is likely to slow further in coming months. The apparent slide in the factory sector was not evident in the employment data. Like the ISM indices, the NFIB's Small Business Optimism Index was fairly buoyant in 2018. The index has lost some ground the past couple months, however, as expectations for the economy and sales have moderated. Nonfarm employment surged by 312,000 in December and data for the prior two months were revised up by 58,000 jobs. Strength was broad-based, which lends credence to the headline number. Moreover, manufacturing payrolls added 32,000 jobs in December and gains were broad-based. Consumer spending also appears to be holding up well. Early reports on the holiday shopping season suggest consumers splurged a bit. Lower gas prices helped boost spending in both areas.

Economic data from the United Kingdom were a bit less downbeat, as the December manufacturing and services PMIs recovered to 54.2 and 51.2, respectively. Still, it is hard to get particularly optimistic regarding UK economic prospects as a resolution to the current Brexit uncertainty remains elusive. Little progress was made in lessening that Brexit uncertainty in recent weeks as parliaments in the UK and EU were on holiday recess, while UK Prime Minister Theresa May is still targeting a vote on the current Brexit withdrawal deal for the week of January 14.2018 was a challenging year for the Eurozone economy, marked by slowing growth and worsening sentiment. The retail sector was no exception, as total sales growth slowed to roughly 1.5% year-over-year toward the end of 2018 from a run rate of above 2% for most of 2017. While a change in auto emissions rules led to some volatility in the overall series, sales excluding motor vehicles have also softened in recent months. On a more positive note, Italian parliament approved a final budget proposal for 2019, settling on a deficit target of 2.04% of GDP for this year after a series of revisions recommended by the European Commission.

The global markets moved mostly higher on the aforementioned events, which joined trade talk optimism and expectations of further stimulus in economy.

About Oxane Partners

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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