Another week has come and is going… We are deep into Q1 earnings' season and so far, about 80% of reports have beaten expectations. This is with expectations being exceptionally low - When the bar is on the floor, it is easy to jump over it… But then, these results can support US indices at about their all-time highs. Seems reasonable… Then we look at an obscure statistic - For the first time ever, Americans spent more on restaurants than on groceries... Does this suggest a sentiment of comfort as restaurant dining is amongst the first expenditure cuts when things are bad? Or is it a response to increased offerings driving demand? Or is it a change in demographics? A bit of each probably.
Federal Reserve officials painted a mostly uninspiring picture in their latest economic assessment, as per the "Beige Book", calling growth overall "slight" or "moderate" across most of the country. The report comes amid sharply diminished expectations for first-quarter growth. The Atlanta Fed's GDPNow tracker has GDP for the U.S. economy gaining just 0.2%, though that has seen a slight uptick in recent weeks. Perhaps most importantly, signs began to emerge that consumers were spending the savings they reaped from falling energy prices. Despite some recent sabre-rattling from Fed officials, the potential for 2015 to pass by without monetary policy tightening becomes greater when looking inside some of the metrics the central bank policymakers use when formulating their decisions. A Goldman Sachs analysis of current trends asserts that the high U-6 (a broad measure of unemployment) could give the Fed some cover in keeping its target funds rate near zero for at least a little longer than current expectations. The future path and its statistical expectations will be strongly affected by today's publication of March CPI. Core CPI, excluding food and energy, is expected to come in at +0.1%, after +0.2% last month. The 10-year Treasury Note yielded 1.88% in late trading Thursday after Lockhart said economic weakness means the Fed can take its time in raising short-term rates. We remain confident that US rate rises are not coming anytime soon!

Crude futures are now up 17% this month. WTI futures for May surged more than 5% Wednesday after U.S. government inventory data showed the smallest rise in oil stockpiles this year, a drop in gasoline inventories and a slight fall in U.S. oil production. We analysed the US oil stockpiles which have swelled significantly and chose to test the true stockpile in terms of utilization - In 2000 the stockpile of 1.47 Billion barrels represented 75 days of consumption and at today's level of 1.86 billion suggests 97 days of a 3.5% lower daily use (EIA data). A truly significant increase in stockpiles! Oil prices appear to have re-found their balance at about $56 for a barrel of WTI. Yes, we may not be addicted to oil; however, our cars are…
The ECB made no change to any of its key interest rates, merely confirming that the combined monthly purchases of public and private sector securities it announced in January will continue to amount to € 60bln. Notably, the ECB also underscored that it intends (not expects) to continue such purchases until end-September 2016, with President Draghi suggesting that speculation of a tapering or earlier exit is unwarranted. The ECB statement also repeated that it will continue such purchases until a sustained adjustment in the path of inflation emerges, which is consistent with its inflation aspiration. The ECB is seemingly tying its policy stance to prevailing inflation. If real and monetary data continue to improve, markets may get wary that the ECB is providing too much stimulus. The US Dollar gave back a little of its recent huge gains, but we remain with our views of a strong US Dollar against most other monies, especially the Euro; the US being the only major central bank that isn't easing further.
China's economy grew at its slowest pace since the global financial crisis in the first quarter, data showed on Wednesday, building the case for further stimulus from policymakers. GDP expanded 7% in the three months to March from the year ago period, lower than the 7.3% print in the previous quarter. This is the worst showing since first quarter of 2009, when growth pace slowed to 6.6%. Analysts say markets shouldn't be surprised by the weaker growth as it's been part of Beijing's agenda to engineer a growth adjustment to rebalance the economy away from a focus on investment.

China's big foray into global finance is causing nervousness on Wall Street while helping to exemplify how dysfunctional Washington has become. The Asia Infrastructure Investment Bank is positioning itself as an Asia-centric alternative to the World Bank and International Monetary Fund, even though the head of the World Bank on Tuesday tried to cast the AIIB as a partner, not a rival. However, some prominent U.S. voices recently have been expressing alarm both at the AIIB's growth, and its ability to attract U.S. allies even though the Obama administration has been seeking to discourage membership. The U.S. holds the largest voting bloc in the IMF/World Bank structure, but has not signed on to the China effort. "With U.S. commitments un-honoured and U.S.-backed policies blocking the kinds of finance other countries want to provide or receive through the existing institutions, the way was clear for China to establish the Asian Infrastructure Investment Bank," Summers, now a professor at Harvard, wrote. Critics worry that ultimately the institution will help China knock the U.S. off its pedestal as the world's pre-eminent economic and military superpower, give the dollar competition as the global reserve currency and to change a fundamental dynamic by filling a funding void.

We close the week comforted by a stabilized energy market, low and stable bond yield, a very(!) low volatility in equities (VIX at 12.6), gold and currencies within their recent bands. Our screens and newspapers have substantially cleared of geopolitical noise - Ukraine has gone silent, Greece meanders, Iran is acting conciliatory with "only" ISIS on its rampage in Yemen falling further into chaos. We want to remind these people the words of Thomas Hardy, "You can do anything with bayonets except sit on them".

This Week's Highlights:

- EURUSD gently pushed higher this week as the USD had a little slip on slightly weaker than expected data but despite good corporate earnings, seeing the pair move up to 1.08 now. Cable moved up very strongly this week, mainly on USD weakness rather than a renewed belief in the strength of the Pound; trading from the lows of the week at 1.4575 to nearly touch 1.50. USDCHF moved in line with Dollar weakness and gently slipped from 0.9850 to touch 0.9536 this morning. In China, the Yuan appreciated slightly and moved below 6.20 to hit 6.1836. In Brazil, the Real managed to breach the 3.0 figure for the first time in over a month, but trading slightly higher this morning at 3.02. With the oil price moving higher and with the USD stumbling the Ruble has had a good week, seeing the USD drop from 23.6 to 48.50 – although the Ruble has lost a little ground today seeing it back to 51.00.
- US 10Yr Treasury mirrored last week's move, slipping from 1.96% to hit 1.84%. The German 10Yr Bund has been bought up aggressively this week, dropping from 0.16% to hit 0.05% this morning… yet another a new all-time low. The Spanish 10Yr yield moved higher this week from 1.22% to 1.45%. Italian 10Yr followed the same line as Spain, moving from 1.22% to 1.50%. In the UK, the 10Yr Gilt continues to move to the beat of its own drum and bobbled around 1.58% - aside from the auction glitch which was postponed today due to a Bloomberg trading outage. Swiss 10Yr yields slipped a little and are now -0.16%.
- In general the US equity markets are slightly higher on the week. Both the Dow and the S&P500 were a few basis points positive on the week as at yesterday's close, +0.27% and +0.14% respectively, with the NASDAQ being +0.24%, but it is looking likely that they will turn negative on the open today. Europe has had mixed results with the DAX -3.00%, CAC -1.60% and the UK FTSE at -1.48%. In the Emerging Markets the Bovespa is -0.22%. Russia stocks are up however by 0.83% on the MICEX.

Highlighted items are interesting data points for the week

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INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	
			PRICE CHANGE IN % (unless indicated)								
EQUITY MARKET INDICES - BY REGION											P/E
S&P 500 INDEX	USD	2,104.99	**-0.08**	0.66	1.79	1.48	4.24	11.57	2.24	12.88	17.65
DOW JONES INDUS. AVG	USD	18,105.77	**-0.01**	0.82	1.85	1.44	3.39	10.53	1.59	10.34	16.46
NASDAQ COMPOSITE INDEX	USD	5,007.79	**-0.06**	0.67	2.18	1.42	8.06	17.60	5.74	22.27	19.39
RUSSELL 2000 INDEX	USD	1,272.90	**-0.19**	1.10	1.61	2.47	8.18	17.61	5.66	11.86	19.41
EURO STOXX 50	EUR	3,751.72	**-1.36**	-2.23	0.93	1.62	16.54	25.98	18.60	18.25	16.12
EURO STOXX 600	EUR	410.93	**-0.72**	-0.97	2.92	2.91	16.04	28.31	19.38	23.01	17.15
CAC 40 INDEX	EUR	5,224.49	**-0.57**	-0.64	3.44	3.54	18.89	29.10	21.86	17.49	16.95
DAX INDEX	EUR	11,998.86	**-1.90**	-3.41	-0.11	-0.23	17.56	35.06	21.90	27.03	15.40
FTSE 100 INDEX	GBP	7,060.45	**-0.44**	-0.32	4.34	3.35	7.89	11.99	7.63	6.67	16.70
SWISS MARKET INDEX	CHF	9,398.60	**-0.32**	-1.06	2.65	1.88	18.63	13.59	4.32	11.89	18.37
NIKKEI 225	JPY	19,885.77	**0.08**	-1.28	2.32	1.11	16.54	35.23	12.62	36.31	18.78
HANG SENG INDEX	HKD	27,739.71	**0.44**	1.40	11.05	15.70	14.73	20.11	17.15	21.50	13.24
SHANGHAI SE COMPOSITE	CNY	4,194.82	**2.71**	6.27	14.39	22.39	26.97	83.13	32.54	104.27	17.18
S&P BSE SENSEX INDEX	INR	28,666.04	**-0.46**	-1.56	1.71	-1.05	1.11	8.91	3.40	25.66	15.96
RUSSIAN RTS INDEX $	USD	1,061.60	**0.93**	4.14	18.21	26.49	35.20	-3.00	31.62	-11.25	6.31
BRAZIL IBOVESPA INDEX	BRL	54,674.21	**-0.45**	1.62	6.89	8.73	11.54	-1.88	9.33	4.92	12.80
MSCI WORLD	USD	1,786.58	**0.17**	0.40	2.63	2.88	6.65	10.72	4.50	6.99	17.47
MSCI WORLD HEDGED	USD	757.39	**-0.19**	0.45	2.45	2.15	9.24	18.55	7.38	17.32	-
MSCI WORLD LOCAL	-	1,362.90	**-0.20**	0.43	2.37	1.93	8.66	17.61	6.83	15.28	-
MSCI AC WORLD	USD	438.29	**0.31**	0.54	3.19	3.69	7.00	10.40	5.08	6.70	16.83
MSCI EM	USD	1,052.25	**1.48**	1.71	7.97	10.87	9.90	7.73	10.03	4.26	12.96
MSCI AC ASIA x JAPAN	USD	635.10	**1.11**	1.46	7.66	10.38	11.60	15.64	12.66	13.64	13.43
MSCI EM LATIN AMERICA	USD	2,659.37	**1.07**	1.50	8.48	11.93	-0.13	-15.71	-2.50	-18.71	14.96
MSCI EM Eur, ME & Africa	USD	295.94	**2.34**	1.76	7.92	12.82	10.43	0.43	9.30	-6.95	11.69
EQUITY MARKET INDICES - BY SECTOR											P/E
MSCI ENERGY	USD	244.78	**0.23**	3.47	7.90	11.00	8.38	-3.71	2.93	-15.43	24.95
MSCI MATERIALS	USD	231.40	**0.09**	0.64	2.48	2.69	6.23	4.36	3.74	-5.39	17.65
MSCI INDUSTRIALS	USD	206.90	**-0.01**	-0.29	2.13	1.49	6.95	10.63	3.80	2.93	17.00
MSCI CONS DISCRETIONARY	USD	199.75	**0.19**	-0.48	1.70	1.62	10.46	19.26	7.27	14.05	18.30
MSCI CONS STAPLES	USD	209.42	**0.60**	0.33	2.94	3.34	3.45	11.06	4.75	8.50	21.06
MSCI HEALTH CARE	USD	220.01	**0.04**	-0.28	2.15	2.42	6.81	19.38	10.07	25.25	19.39
MSCI FINANCIALS	USD	105.77	**0.47**	0.91	2.72	3.02	7.88	8.44	2.93	4.34	14.08
MSCI INFO TECH	USD	145.60	**-0.27**	-0.14	1.48	0.87	6.01	14.38	3.06	18.51	17.35
MSCI TELECOMS	USD	70.96	**0.01**	1.05	2.60	2.51	3.40	6.93	3.80	0.55	16.69
MSCI UTILITY	USD	117.75	**-0.13**	-0.07	1.33	3.00	-4.07	1.11	-4.31	-1.44	16.23
MSCI WORLD REAL ESTATE	USD	203.70	**0.50**	-0.16	1.17	2.70	0.24	10.71	4.76	12.36	26.24

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			PRICE CHANGE IN % (unless indicated)								
HEDGE FUND INDICES											
HFRX GLOBAL HEDGE FUND	USD	1,259.18	**0.23**	0.56	1.26	1.65	3.99	5.12	3.35	2.93	
HFRX EQUAL WEIGHTED	USD	1,223.60	**0.18**	0.40	0.80	1.21	3.18	3.66	2.73	1.61	
HFRX GLOBAL EUR	EUR	1,160.48	**0.23**	0.57	1.22	1.61	3.93	4.80	3.19	2.45	
FIXED INCOME INDICES - YIELD ON US GOVERNMENT BONDS (Change in bps)											
US 3 MONTH	USD	0.02	0.00	0.00	-0.01	-0.03	0.00	-0.01	-0.02	-0.01	
US 2 YEAR	USD	0.47	**-0.02**	-0.09	-0.09	-0.20	-0.02	0.10	-0.20	0.07	
US 10 YEAR	USD	1.86	**-0.03**	-0.09	-0.07	-0.19	0.02	-0.34	-0.31	-0.86	
FIXED INCOME INDICES - BY TYPE OF ISSUER											Yield to Worst
GLOBAL AGG TR HEDGED	USD	485.86	**-0.02**	0.27	0.32	0.92	0.94	3.48	2.17	7.09	1.41
US GOVERNMENT TR	USD	2,116.39	**0.09**	0.41	0.29	1.20	0.11	2.03	1.90	5.01	1.41
US CORPORATE TR	USD	2,662.49	**0.10**	0.44	0.57	1.69	1.12	2.87	2.90	6.31	2.84
US HIGH YIELD TR	USD	1,681.41	**0.04**	0.41	1.17	1.78	3.81	3.64	3.73	2.85	5.90
EU GOVERNMENT TR	EUR	248.94	**-0.15**	0.22	0.16	0.09	2.97	6.94	4.12	12.16	0.44
EU CORPORATE TR	USD	250.03	**-0.04**	0.15	0.40	0.51	1.45	3.39	1.81	7.25	0.88
EU HIGH YIELD TR	EUR	278.19	**-0.17**	-0.11	0.41	0.36	3.24	6.07	3.50	5.69	3.83
JACI GLOBAL	USD	251.85	**0.22**	-0.42	-0.14	0.78	-2.33	-4.49	-0.59	1.36	-
GLOBAL EM TR (HEDGED)	USD	333.48	**0.01**	0.35	1.66	3.19	4.20	2.36	4.10	5.56	4.68
S&P/LSTA U.S. LEV LOAN	USD	96.58	**0.03**	0.09	0.32	0.39	1.11	0.41	1.30	-1.65	4.75
COMMODITY INDICES - BY TYPE OF ISSUER											
GSCI INDEX TOTAL RETURN	USD	3,214.45	**0.89**	6.23	8.34	10.26	7.01	-23.36	-0.57	-36.51	
GSCI ENERGY TR	USD	650.81	**1.03**	10.17	13.34	15.93	14.33	-30.27	3.31	-43.86	
GSCI INDUSTRIAL METALS TR	USD	1,230.24	**1.36**	2.29	2.46	4.03	2.02	-6.05	-2.75	-7.61	
GSCI PRECIOUS METALS TR	USD	1,480.36	**-0.24**	0.40	0.90	3.87	-6.57	-4.08	1.35	-9.56	
GSCI AGRICULTURE TR	USD	489.79	**0.55**	-1.15	0.15	-0.75	-6.42	-7.89	-9.54	-30.30	
GENERIC 1ST 'CL' FUTURE	USD	56.71	**-0.99**	8.73	17.96	26.72	12.10	-33.72	2.71	-43.87	
GOLD SPOT $/OZ	USD	1,198.57	**0.58**	-0.17	1.85	4.87	-5.85	-2.64	1.75	-6.92	
CURRENCIES											
DOLLAR INDEX SPOT	USD	97.42	**-0.23**	-2.16	-1.19	-2.40	5.05	14.19	7.67	21.75	
Euro Spot	EUR	1.08	**0.64**	2.13	0.92	2.20	-6.69	-15.13	-10.48	-21.60	
Japanese Yen Spot	JPY	119.02	**0.33**	1.34	1.26	2.31	-0.90	-9.90	0.97	-13.69	
British Pound Spot	GBP	1.49	**0.74**	2.82	1.53	2.01	-0.45	-6.51	-3.42	-10.41	
Brazilian Real Spot	BRL	3.02	**0.27**	1.23	5.83	7.46	-13.18	-18.14	-12.01	-25.73	
China Renminbi Spot	CNY	6.20	**-0.02**	0.17	0.03	0.84	0.36	-1.17	0.12	0.34	
Singapore Dollar Spot	SGD	1.35	**0.60**	1.98	2.29	3.50	-0.59	-4.96	-1.20	-6.62	
Norwegian Krone Spot	NOK	7.75	**0.12**	4.65	4.15	7.40	-1.50	-15.44	-3.72	-22.65	
VOLATILITY / LIQUIDITY INDICES											
CBOE SPX VOLATILITY INDX	USD	12.60	**-1.87**	-3.74	-17.59	-19.54	-39.86	-42.70	-34.38	-5.69	
USD SWAP SPREAD SEMI 2YR		26.31	**-0.46**	0.73	4.22	-3.22	10.27	0.00	14.17	51.83	
TED SPREAD		25.99	-1.66	**1.68**	3.75	8.38	7.66	26.47	18.08	28.28	

All data is compiled from Bloomberg

Disclaimer