“Beauty is in the eyes of the beholder”- an adage as old as eyesight itself. Yesterday we ‘saw’ an utterly amazing demonstration thereof- Mario Draghi, Chairman of the European Central Bank (ECB) gave the markets what they wanted and expected; namely a cut in interest rates to negative 0.40%, an increase in ‘Quantitative Easing’ size and then, surprised us all with a broadening of the scope of said QE, now adding corporate debt to the assets to be acquired. Wow! If you had a doubt as to the true drivers of markets, look no further- The immediate reaction was a rise of about 3% in the EuroStoxx index of European equities, a 2% fall in the Euro and a spike-up in US equity futures. But then, Super Mario spoke some more saying that with this cut the ECB will rest for a while. The initial vision of beauty was tarnished with these words and with the thought that matters must be in dire straits for the ECB to take such measures. In broad terms, everything that had risen fell, everything that had fallen rose. The European markets turned negative, the Dow Jones switched to a 178 point fall and the Euro reversed its initial loss only to trade up against the US$. Was it a change in the beauty or was it our eyesight that failed? Well, the markets reversed again, the DJIA closing essentially flat and this morning, perceptions of beauty evolved yet again- European markets opening up about 2%, US futures show a 1% gain after the Asians finished in the green, albeit just a little. The Euro is trading now at $1.1085 having seen 1.08 and 1.12 during yesterday’s fiasco. The German 10 year Bund opened to yield 0.24% to close at 0.306% having passed through 0.157% and 0.333% and today it trades at 0.285%, or higher than it was before Mario’s spiel. So, in short, the Euro gained a little ground, but the benchmark German yields actually have risen a little. But lower grade European sovereigns have gained in price- Spanish 10 year bonds started yesterday at 1.57% and is now at 1.52% (other periphery debt did much the same as Spain).
What is the point in analysing, studying economic and financial data? No matter what our numbers show, the prices of everything are set by the real drivers, namely, the Central Bankers. Arguably, they are supported by analysis of economic and financial data and in reality it is their computations which are more “true” or accurate than any we could produce.

What is next? Many things, but the Beauty Pageant is on Wednesday of next week when Janet Yellen will be our Beauty Queen. Yes, magnificent things sometimes come in small packages…

IMF urges action as risks to the world economy rise. Collective action is needed to boost the global economy, with volatile financial markets and low commodity prices creating fresh concerns about its health, the first deputy managing director of the International Monetary Fund (IMF) said on Tuesday. David Lipton said dangers to the world economy had risen since the IMF downgraded its 2016 growth forecast to 3.4% in January.

Well, here is another perception of beauty to contemplate- Oil - For most, it is a gooey black substance, for others, a driver of the economy. As its price was falling, many sought the good from the implicit tax cut. Now that prices appear to have bottomed, suddenly the goodness in rising prices is overtaking the said implicit tax rise… Major OPEC producers are privately starting to talk about a new oil price equilibrium of $50 a barrel, adding to signs that the market's long, deep rout is officially over, says one of the industry's leading prognosticators (Gary Ross, CEO of New York-based consultancy PIRA). Amazingly, some fine sensual beauty in an oil barrel with a $50 price tag… Well, sometimes the fashion calls for roundness, sometimes for straight lines, sometimes for long, sometimes for short. Whilst we don’t necessarily support Saudi views on beauty and fashion, we would agree with their desires for such a barrel…
Just a couple of weeks ago on Wall Street, it looked like the world was ending, the market was crashing and all was lost. Now, it looks like the world is safe again. What happened? The primary thing that seems to have changed is that while no one thinks growth is ready to accelerate sharply, the employment gains and rebound in oil are suggesting that a recession is unlikely. In turn, there's a growing feeling that the worst of the global growth scare that emerged in mid-2015 has passed. Goldman Sachs, which has been cautious in its view of the economy and even more so of the stock market, said in a note over the weekend that recession risks are "remote." And Bank of America Merrill Lynch economist Ethan Harris flatly told clients to "get over it" in regard to recession fears.
What does this mean? Maybe Tom Porcelli, chief U.S. economist at RBC Capital Markets, is right in saying that the Fed should go ahead and hike next week… Well, with the VIX back at 18 and with the 10 year Treasury back up at 1.95%, maybe a US rate rise will push equities further up? For sure though, if they “do it”, the US Dollar will surge…

.... let's hope Winston Churchill's words are right once election time is here. He said, "Americans can be counted on to do the right thing--after trying everything else."

Market Weekly Highlights:

- The Dollar traded almost flat during the week until Draghi's speech on Thursday which created a lot of volatility; the USD Index (DXY) traded from 97.37 to 98.37 on the rate decision and then moved back at 96.03 a couple of minutes later when Draghi started the speech to trade now at 96.50. The US$ had a similar strong move against the EUR trading yesterday in a wide range from 1.08 to 1.12 and seems to have settled for the moment around 1.11. Swiss Franc is now trading at about 0.9890 after reaching yesterday 1.009 against the USD. The Move was less important against the Pound which is now trading at 1.4260 and almost flat for the week. We maintain our belief in the fundamental relative strength of the US$ - this view is driven by the outlook for short-dated interest rates to hold or rise further in the US and hold or decline even further elsewhere. The Japanese Yen which had risen dramatically last month, moving from 121.60 to hit 112.42, has found some stability trading in a range around 113.80 Gold has gained much ground this week and is now at $1'264. We note that WTI Oil has jumped for the week and is now trading at $38.89/Bbl. Whilst Brent is trading at$40.80/Bbl. Remarkably, Brent is now back to trading at a premium to WTI.
  The Russian Ruble now at 69.65 per USD- The Brazilian Real has gained some more ground this week and is now trading at 3.60 for a US$. The geopolitical risk and economic outlook in Brazil does not give us comfort in the strengthening of Real however we are closely monitoring the events which might trigger a more comfortable view towards this currency.

- The yield for the US 10Yr Treasury is higher for the week at 1.95%, having been as low as 1.80%. The German 10Yr Bund yield remained relatively steady at about 0.26%. While the Spanish 10Yr yield moved lower, dropping from 1.57% to 1.48% and now at 1.52%. The Italian 10Yr yield moved lower but at roughly the same pace from 1.47% to 1.23% yesterday and is now at 1.36%. In the UK, the Gilts' yields moved higher, now trading at 1.526% from the lows of 1.35% during the week. The Swiss 10Yr yield also moved higher but still in the negative territory at -0.25%!

- This week was mixed for Equities with some markets showing slightly positive returns and some still in a negative territory. As of yesterday close the S&P500 was down 0.19% for the week. The Dow Jones was up 0.30% and NASDAQ at a negative 0.96%. As we write the futures in all US equity markets are pointing north which is an omen for them to close positive for the week. A similar mixed pattern in Europe with the DAX trading -1.37% for the week, the UK FTSE trading -1.14% while the CAC40 is at +0.08%, the FTSE MIB and IBEX at respectively +2.35% and + 2.12% for the week and EuroStoxx50 at +0.44% thanks to peripheral Europe. In Asia, the Nikkei has closed the week at -0.45%, whilst the Shanghai composite and the Hang Seng Index closed down 2.22% and up 0.11% respectively. Brazil and Russian equity markets remain the stronger performers for the week with the first having closed at +5.04% and the second trading at + 5.84% as we write.

Highlighted items are interesting data points for the week

MARKET INDICES PERFORMANCE 10/03/2016

INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
				PRICE CHANGE IN % (unless indicated)								
EQUITY MARKET INDICES - BY REGION												P/E
S&P 500 INDEX	USD	1989.57	0.02	-0.19	2.97	8.77	-1.13	1.45	-2.66	-2.48	27.85	16.19
DOW JONES INDUS. AVG	USD	16995.13	-0.03	0.30	2.90	8.52	-1.56	3.42	-2.47	-3.63	17.64	15.50
NASDAQ COMPOSITE INDEX	USD	4662.156	-0.26	-0.96	2.29	9.26	-5.50	-3.32	-6.89	-3.87	43.32	17.31
RUSSELL 2000 INDEX	USD	1063.989	-0.82	-1.12	2.91	11.56	-5.31	-8.10	-6.33	-12.48	12.89	16.36
EURO STOXX 50	EUR	2970.78	-1.51	0.36	3.48	13.72	-4.84	-4.38	-6.71	-16.48	12.12	13.61
EURO STOXX 600	EUR	333.5	-1.63	-0.52	1.82	12.00	-4.44	-4.42	-7.05	-14.03	15.16	15.25
CAC 40 INDEX	EUR	4350.35	-1.70	0.06	2.43	14.44	-1.98	-1.96	-3.83	-10.77	16.24	14.41
DAX INDEX	EUR	9498.15	-2.31	-1.13	2.29	10.97	-6.06	-4.05	-9.59	-17.73	21.65	12.23
FTSE 100 INDEX	GBP	6036.7	-1.69	-0.91	0.75	10.94	3.19	0.41	-1.59	-8.61	-5.55	16.24
SWISS MARKET INDEX	CHF	7893.66	-1.03	0.13	1.90	6.62	-5.99	-8.89	-9.36	-12.23	3.02	16.39
NIKKEI 225	JPY	16852.35	1.26	-0.45	5.69	7.80	-11.92	-7.26	-11.01	-9.53	37.17	16.57
HANG SENG INDEX	HKD	19984.42	-0.04	0.11	5.69	8.92	-5.89	-6.07	-7.82	-14.83	-12.52	10.57
SHANGHAI SE COMPOSITE	CNY	2804.725	-2.02	-2.22	4.55	1.69	-18.18	-12.18	-20.59	-14.60	21.63	11.55
S&P BSE SENSEX INDEX	INR	24623.34	-0.69	0.62	7.64	7.88	-1.14	-3.32	-5.20	-13.61	26.03	17.43
RUSSIAN RTS INDEX $	USD	834.24	-0.17	5.44	9.53	25.43	8.35	5.37	11.23	-0.70	-45.32	6.16
BRAZIL IBOVESPA INDEX	BRL	49571.11	1.86	5.04	15.84	26.08	9.52	6.83	14.35	1.36	-15.33	11.70
MSCI WORLD	USD	1597.09	-0.07	-0.68	3.23	8.73	-2.49	-1.84	-3.95	-6.65	11.31	15.61
MSCI WORLD HEDGED	USD	688.172	-0.23	-0.44	2.62	7.53	-4.01	-0.76	-4.36	-5.32	25.85	-
MSCI WORLD LOCAL	-	1216.337	-0.24	-0.48	2.51	7.19	-4.56	-1.75	-4.80	-7.23	18.77	-
MSCI AC WORLD	USD	384.94	-0.03	-0.62	3.57	8.94	-2.04	-1.79	-3.61	-7.64	6.53	15.11
MSCI EM	USD	790.74	0.40	-0.03	6.81	10.90	2.22	-1.46	-0.43	-16.15	-25.65	11.73
MSCI AC ASIA x JAPAN	USD	481.59	0.39	-0.47	5.38	8.36	-1.46	-1.72	-3.67	-15.51	-13.32	12.03
MSCI EM LATIN AMERICA	USD	2050.84	0.90	4.54	13.68	22.62	10.47	4.54	12.08	-14.67	-47.66	14.50
MSCI EM Eur, ME & Africa	USD	219.81	-0.26	0.61	7.25	14.54	11.82	-5.52	4.57	-16.90	-36.99	10.32
EQUITY MARKET INDICES - BY SECTOR												P/E
MSCI ENERGY	USD	180.8	-0.63	-0.95	5.58	12.70	2.47	-2.55	1.38	-18.23	-27.90	24.96
MSCI MATERIALS	USD	185.38	-0.12	-0.71	5.39	12.43	1.13	-2.77	0.38	-17.95	-21.26	18.44
MSCI INDUSTRIALS	USD	189.23	-0.23	-1.22	2.75	8.93	-0.38	1.14	-1.35	-5.73	12.02	15.94
MSCI CONS DISCRETIONARY	USD	183.77	0.10	-1.15	2.29	9.41	-4.36	-2.75	-5.09	-4.88	26.87	15.41
MSCI CONS STAPLES	USD	211.44	-0.13	0.09	2.59	4.76	3.57	8.95	1.46	5.46	20.27	20.95
MSCI HEALTH CARE	USD	193.24	0.04	-0.16	1.42	5.20	-5.41	-7.82	-8.07	-7.50	36.67	15.66
MSCI FINANCIALS	USD	88.39	0.02	-1.05	4.98	11.83	-7.06	-7.93	-8.90	-12.33	-0.95	11.96
MSCI INFO TECH	USD	139.48	-0.06	-0.77	2.83	9.21	-4.59	1.45	-4.71	-1.93	37.34	16.32
MSCI TELECOMS	USD	70.32	-0.01	0.06	2.34	6.30	6.11	4.16	3.52	2.96	17.38	15.61
MSCI UTILITY	USD	115.79	0.07	0.65	2.95	4.03	6.92	7.02	3.69	2.66	11.60	15.28
MSCI WORLD REAL ESTATE	USD	187.19	-0.10	-0.56	3.66	10.12	1.01	4.03	-1.39	-4.11	2.17	23.57
HEDGE FUND INDICES												
HFRX GLOBAL HEDGE FUND	USD	1144.51	0.26	0.09	0.58	2.10	-2.84	-4.90	-2.52	-7.50	-3.28	
HFRX EQUAL WEIGHTED	USD	1149.62	0.19	0.09	0.35	1.45	-2.31	-3.73	-1.98	-4.74	-0.23	
HFRX GLOBAL EUR	EUR	1045.38	0.26	0.06	0.51	1.93	-3.18	-5.43	-2.78	-8.36	-4.93	

MARKET INDICES PERFORMANCE 10/03/2016

INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
				PRICE CHANGE IN % (unless indicated)								
FIXED INCOME INDICES - YIELD ON US GOVERNMENT BONDS (Change in bps)												
US 3 MONTH	USD	0.3154	0.01	0.05	0.00	0.04	0.10	0.29	0.15	0.30	-	
US 2 YEAR	USD	0.9332	0.01	0.07	0.16	0.28	0.06	0.23	-0.11	0.25	-	
US 10 YEAR	USD	1.9326	0.00	0.06	0.20	0.27	-0.19	-0.26	-0.34	-0.18	-	
FIXED INCOME INDICES - BY TYPE OF ISSUER												Yield to Worst
GLOBAL AGG TR HEDGED	USD	490.43	-0.14	-0.19	-0.34	0.12	1.95	2.60	2.09	2.14	10.96	1.55
US GOVERNMENT TR	USD	2139.1	-0.17	-0.13	-0.81	-1.39	1.39	1.87	2.12	2.43	6.16	1.55
US CORPORATE TR	USD	2608.39	0.02	0.42	0.34	0.76	0.49	1.20	1.50	-0.51	7.62	3.55
US HIGH YIELD TR	USD	1577.75	0.34	0.39	2.96	7.42	1.94	-3.41	1.88	-4.82	4.64	8.55
EU GOVERNMENT TR	EUR	247.1797	-0.35	-0.21	-0.91	0.11	1.26	2.95	1.84	-0.77	18.67	0.52
EU CORPORATE TR	USD	248	-0.08	-0.21	0.00	0.95	0.99	1.74	1.20	-0.70	12.17	1.32
EU HIGH YIELD TR	EUR	272.69	0.58	1.21	2.19	3.53	-0.75	-0.34	0.46	-1.78	16.43	5.24
BARCLAYS GLOBAL CONVERT.	USD	206.66	-0.15	0.06	1.98	4.50	-2.80	-4.90	-2.91	-6.65	11.43	-
GLOBAL EM TR (HEDGED)	USD	332.3606	0.06	0.42	1.19	2.73	2.03	2.37	2.49	2.40	6.26	5.39
S&P/LSTA U.S. LEV LOAN	USD	87.9826	0.20	0.99	1.70	1.86	0.21	-5.12	0.31	-8.82	-10.24	6.35
COMMODITY INDICES - BY TYPE OF ISSUER												
GSCI INDEX TOTAL RETURN	USD	2148.162	-0.68	5.28	6.50	13.80	-3.77	-19.37	-1.03	-29.03	-55.96	
GSCI ENERGY TR	USD	351.416	-1.66	8.70	10.08	22.99	-9.57	-30.66	-4.58	-41.07	-67.63	
GSCI INDUSTRIAL METALS TR	USD	989.665	-1.22	-0.79	1.85	7.17	6.35	-7.19	3.65	-15.99	-34.02	
GSCI PRECIOUS METALS TR	USD	1549.326	1.23	1.32	3.24	6.06	17.85	13.76	19.28	8.10	-24.16	
GSCI AGRICULTURE TR	USD	445.445	1.03	2.36	3.31	2.52	-3.83	-1.27	-1.03	-9.72	-38.69	
GENERIC 1ST 'CL' FUTURE	USD	37.84	1.88	7.32	14.22	37.09	-4.58	-26.14	-5.40	-35.79	-61.60	
GOLD SPOT $/OZ	USD	1272.26	-0.29	0.74	2.41	1.76	18.04	14.52	19.52	9.81	-19.79	
CURRENCIES												
DOLLAR INDEX SPOT	USD	96.066	0.42	-0.89	-1.77	0.95	-1.12	1.34	-2.19	-3.33	16.83	
Euro Spot	EUR	1.1177	-0.50	1.05	2.28	-1.78	1.23	-1.91	2.38	5.44	-14.76	
Japanese Yen Spot	JPY	113.19	-0.51	-0.03	-0.95	-1.19	6.36	5.99	5.67	6.75	-15.37	
British Pound Spot	GBP	1.4281	-0.12	0.25	2.49	-1.47	-6.24	-7.55	-3.20	-4.46	-4.36	
Swiss Franc Spot	CHF	0.985	-0.20	0.58	1.16	-1.47	-0.45	-1.80	1.53	2.26	-4.04	
Brazilian Real Spot	BRL	3.6263	1.75	4.77	10.74	8.36	5.13	6.16	9.22	-14.48	-46.39	
China Renminbi Spot	CNY	6.5085	0.15	0.14	0.82	1.16	-0.67	-1.91	-0.08	-3.64	-4.31	
Singapore Dollar Spot	SGD	1.3805	0.23	-0.19	2.13	0.90	2.63	2.41	2.99	0.85	-9.35	
Norwegian Krone Spot	NOK	8.516	0.08	-0.39	2.16	0.59	2.08	-4.20	3.92	-3.54	-32.76	
VOLATILITY / LIQUIDITY INDICES												
CBOE SPX VOLATILITY INDX	USD	18.05	-1.58	8.08	-12.17	-35.86	-25.99	-22.20	-0.88	6.99	56.14	
USD SWAP SPREAD SEMI 2YR		5.08	-	0.38	-4.92	-20.55	-52.67	-63.85	-56.06	-80.58	-63.14	
TED SPREAD		32.21	-	-10.75	1.38	3.10	17.94	0.41	-28.42	25.04	66.12	

All data is compiled from Bloomberg

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