Yesterday we saw US stock indices rising to new all-time-highs on the back of President Trump's promises of a "big league" tax announcement to come in the next few weeks. Or was it driven by generally better than expected Q4 earnings' releases? Or was it the generally positive economic news flows from around the globe? Whatever the reason, a good one or a wrong one, we are happier making money by mistake than losing money with reason… Arguably, the election of The Donald might have been a mistake, but if it truly is a driver for the rising markets, who are we to argue? This said, we believe that much of the ongoing equity rally around the world was inscribed into the future before the US Presidential elections, based on a real revival in general economic activity. Around mid-year 2016 the signs were showing… Better yet, into 2017, this tendency appears likely to continue. We remain optimistic on equities and hold our views that interest rates are likely to drift gently upwards into the year. We find confirmation for our views in little snippets of data- Japan, an exporting economy, recorded its second largest ever current account surplus in 2016 at $184 billion, of which $60Bn with the USA.
Oh, Germany had a record trade surplus for 2016 at $270 billion. Clearly someone somewhere is buying a lot of "stuff"…
Further support for the expanding economics came this week from Danish A.P. Moller-Maersk, the world's largest shipping firm, saying demand has outgrown supply for the first time since 2010. And they see a further 2 to 4 percent growth in container shipments for 2017. Yes, we believe 'things' are doing better, Trump policies and tweets notwithstanding…

On Monday, Goldman Sachs said that the Trump Rally may have been curbed; noting a cooling of sentiments, flow of funds and price action in markets, concluding that the Trump-fuelled enthusiasm is running out. Goldman's Chief credit strategist said "The risk for markets, ironically, may be the strength of recent macroeconomic data, which may have encouraged markets to price a more sustained improvement in GDP growth than we think likely". Himmelberg reflected on the 50% reversal in the rise of yields on the US 10 year Treasury notes, having spiked up by 60Bp and fallen back to 2.40%
We are not sure what to make of the announced fall in Chinese reserves in January to a six year low, just below $3 trillion (still quite a lot though…).While the $3 trillion mark is not seen as a firm "line in the sand" for Beijing, concerns are swirling in global financial markets over the speed at which the country is depleting its ammunition to defend the currency and staunch capital outflows.
Some analysts fear a heavy and sustained drain on reserves could prompt Beijing to devalue the currency. The Yuan fell 6.6% against the rising dollar in 2016, its biggest annual drop since 1994. For 2016 as a whole, China burned through nearly $320 billion of reserves, on top of a record drop of $513 billion in 2015. Analysts expect downward pressure on the yuan to resume, especially if the U.S. continues to raise interest rates, which would likely trigger fresh capital outflows from emerging economies such as China and test its enhanced capital controls. Could the weakness in the US$ over the past few weeks be attributed to Chines sales of reserves? We doubt that, as the price action in US Treasuries are not implying big sales, quite to the contrary as Yields slipped down some. And clearly there wasn't a big seller of Gold out there, as its price has been rising this year. And then, just yesterday, Trump assured Xi Jinping in a letter and a call that the US stands behind the "One China" policy of past. Hmmm… Hard for us to interpret.

Some analysts are touting investment in Europe, expecting the Eurozone to rebound and catch-up with the US markets. We are not convinced- Many powerful headwinds are blowing across the old continent- Let it be little Greece where we see two-year yields closing-in on 10% amid the IMF standoff with the European Union. Greece won't meet fiscal surplus targets set by its euro-area creditors, the International Monetary Fund said on Monday, after executive directors met to discuss the fund's annual assessment of the nation's economy. The IMF's assumptions aren't based in reality and don't take into account the reform of Greece's public finances, according to a European Union official who spoke on condition of anonymity because the discussions are sensitive. We must keep watch on this corner of Europe…
At the same time, as France is getting closer to its own Presidential elections, we see a political mess boiling there. Much like the US elections where none of the possible outcomes are palatable… Heightened French political risk and policy uncertainty, reflected by a jump in sovereign yields and a weaker single currency, are clouding a scheduled ratings review by Moody's, economists and currency strategists told CNBC. Moody's rates French government debt at Aa2, the third-highest investment grade ranking, but some are not ruling out a cut in the outlook to negative from stable. The spread between German and French ten year bonds widened significantly to 70.50Bp, up from a low of 18Bp in mid-2016. Clearly, there is a concern about the viability of France… "… the French are good for a revolution," Lothar Mentel, chief investment officer, at Tatton Investment Management told CNBC on Thursday. According to him, given the many elections across Europe, the situation "needs to be watched," though overall he doesn't believe that voters will follow the populist route when heading to the polls.
We see five generally ignored, big risks ahead;

1. Inspite of a bond-price rebound in the last few days, there will be a big price to pay if yields rise a lot.
2. A sudden rise in the US$ could hurt commodities and emerging economies.
3. Trump disappoints market expectations on taxes and fiscal stimuli. Much of which "is in the prices".
4. China's momentum is likely to weaken. Remember what this perception did last year?
5. The Fed could become more hawkish than expected by the street. The complacent VIX at 11 could spike…

But then again, "As goes January so goes the year", some say… But others say that age doesn't matter unless you are a cheese…

Market Weekly Highlights:

- The greenback has marked a pause since last year's strong rebound against all currencies. The DXY which had reached 103.80 lost some ground so far this year to trade now just at about 100. The USD is trading around 1.063 against the EUR and above parity against the CHF. The Pound is trading this week at roughly 1.2440 against the USD, a nice 3pts rebound for the year. The Japanese Yen is trading higher against the USD at 113.45, remaining up strongly vs the Dollar YTD.
  The Russian Rubble is trading at 58.70 following the oil's price stabilization. The Brazilian Real is now trading basically unchanged for the week at 3.12. Gold is now at $1'226, up about $80 since the start of the year. Crude oil WTI reached $55.24 a barrel on the first day of trading on January 1st and is now trading at about $53.50 as we write.

- The yield on 10Y U.S. Treasuries are basically back to year-end levels at roughly 2.50%, having bounced in a rather tight range around unclear tweets and talk from Trump, now trading at 2.41%. The Japanese 10 year JGB yield has remained almost unchanged since the end of last year and continues to offer POSITIVE returns trading at 0.092%. In Europe, this month, the German Bund has traded higher almost every day and now trading at 0.32%, remaining well above the 0% mark for the last three months, whilst the Swiss 10 year bond "rallied" to yield NEGATIVE 0.11%. In Peripheral Europe Italian 10Y yields crossed the 2% level having started the year at 1.71% and are currently at 2.24% whilst the Spanish 10Y yields trade 60bps lower having started the year at 1.30% and currently trading at 1.65%.

- "The Trump Rally" which begun in November and fuelled with Fed hawkishness on interest rates for 2017, pushed all risk assets up during the end of last year. Since 1st of January all markets are up globally with the emerging markets of Brazil and China in the spotlight respectively up 7.87% (BOVESPA) and 7.16% (Hang Seng).
  In the USA, all the major indices were up with NASDAQ reaching new all-time highs to show 6.17% for the year and the DJIA trading above 20'170. The NASDAQ gained for the week +1.40% and the DJIA rose by +1.45% as we write. The SP500 also was up for the week showing +1.18% and +3.08% for the year.
  In Europe, stocks are up for the week with the exception of Peripheral Europe which is down with Italian MIB down 1.28% and Spanish IBEX down 0.17%. The rest of the markets are up, with UK FTSE up 0.96%, Eurostoxx50 +0.28%, the CAC40 at + 0.24%, DAX up 0.34% and the Swiss SMI up 0.87%.
  In LATAM and ASIA, markets were up for the week with Nikkei up 2.44%, the BOVESPA at +0.60%, Hang Seng up 1.93% Shanghai Composite up 1.80% and Indian Nifty 50 up 0.60%.

Highlighted items are interesting data points for the week

All data is compiled from Bloomberg

MARKET INDICES PERFORMANCE

09/02/2017

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	2,307.87	0.59	1.18	1.27	1.72	6.48	6.09	3.08	24.62	28.23	17.66
DOW JONES INDUS. AVG	USD	20,172.40	0.61	1.45	1.55	1.60	7.26	9.07	2.07	26.75	27.66	16.80
NASDAQ COMPOSITE INDEX	USD	5,715.18	0.61	1.40	1.79	2.94	9.72	9.81	6.17	33.42	37.78	19.28
RUSSELL 2000 INDEX	USD	1,378.53	1.46	1.55	1.23	0.56	10.14	12.69	1.58	43.08	23.22	19.16
EURO STOXX 50	EUR	3,277.79	1.25	0.42	1.74	-0.58	7.89	8.89	-0.11	17.85	8.39	14.09
EURO STOXX 600	EUR	366.79	0.80	1.07	2.18	1.07	8.58	6.97	1.81	16.74	13.11	15.10
CAC 40 INDEX	EUR	4,826.24	1.25	0.40	2.02	-0.89	6.92	8.82	-0.36	19.29	14.34	14.40
DAX INDEX	EUR	11,642.86	0.86	0.44	1.45	1.03	10.09	9.87	1.93	29.78	25.97	13.58
FTSE 100 INDEX	GBP	7,229.50	0.59	1.13	2.40	-0.08	6.47	5.87	1.77	28.16	10.29	14.79
SWISS MARKET INDEX	CHF	8,437.54	0.70	1.11	1.84	-0.06	6.50	2.86	2.73	9.21	1.43	16.96
NIKKEI 225	JPY	18,907.67	-0.53	2.44	1.77	0.40	11.73	15.80	1.38	23.33	31.67	18.18
HANG SENG INDEX	HKD	23,525.14	0.17	1.93	0.92	3.65	3.22	4.81	7.16	22.23	9.25	11.83
SHANGHAI SE COMPOSITE	CNY	3,183.18	0.51	1.80	1.19	1.11	0.80	5.89	3.00	15.68	53.24	13.44
S&P BSE SENSEX INDEX	INR	28,329.70	0.14	0.27	2.39	5.27	2.90	1.95	6.35	19.18	39.26	19.25
RUSSIAN RTS INDEX $	USD	1,163.19	-0.13	-2.55	-0.35	-1.27	16.72	22.54	0.67	66.53	-13.17	6.66
BRAZIL IBOVESPA INDEX	BRL	64,964.89	0.20	0.60	0.45	4.56	6.15	14.13	7.87	60.90	36.16	12.61
MSCI WORLD	USD	1,807.54	0.31	0.11	0.84	1.57	6.25	4.63	3.22	21.58	11.80	16.63
MSCI WORLD HEDGED	USD	807.25	0.49	1.05	1.21	1.04	8.00	7.58	2.56	26.26	29.01	-
MSCI WORLD LOCAL	-	1,396.81	0.47	0.40	1.15	0.93	6.92	6.73	2.39	23.09	20.96	-
MSCI AC WORLD	USD	437.23	0.32	0.18	0.95	1.88	6.19	4.40	3.65	22.10	10.44	16.04
MSCI EM	USD	925.57	0.42	0.73	1.80	4.50	5.70	2.50	7.34	26.69	-1.06	12.40
MSCI AC ASIA x JAPAN	USD	556.06	0.37	1.32	1.81	4.57	4.03	2.46	8.11	22.01	7.20	12.95
MSCI EM LATIN AMERICA	USD	2,555.77	0.41	0.81	1.57	6.76	10.09	3.80	9.19	49.09	-12.02	14.15
MSCI EM Eur, ME & Africa	USD	250.79	0.24	-1.37	0.38	0.91	8.36	0.10	2.46	28.80	-17.83	10.60
EQUITY MARKET INDICES - BY SECTOR												P/E
MSCI ENERGY	USD	210.88	0.98	-1.64	-0.71	-2.51	3.38	5.92	-3.70	30.05	-18.93	22.68
MSCI MATERIALS	USD	234.88	-0.46	-0.84	-0.83	3.44	6.59	9.47	5.86	40.85	-0.83	16.82
MSCI INDUSTRIALS	USD	219.47	0.05	0.17	0.55	1.75	4.69	5.64	3.29	24.54	13.11	17.80
MSCI CONS DISCRETIONARY	USD	202.71	0.18	0.01	-0.20	0.79	7.07	4.10	3.19	20.49	15.83	16.44
MSCI CONS STAPLES	USD	214.36	0.04	0.85	1.66	3.30	5.36	-3.88	3.29	5.30	17.25	20.02
MSCI HEALTH CARE	USD	200.63	0.55	0.65	1.86	0.56	1.05	-4.90	4.05	7.66	14.31	15.62
MSCI FINANCIALS	USD	109.37	0.73	-0.47	0.86	1.31	9.53	17.64	3.00	34.78	10.74	12.96
MSCI INFO TECH	USD	172.32	0.18	0.77	2.24	4.25	9.75	9.88	6.88	34.67	42.13	18.15
MSCI TELECOMS	USD	69.11	0.44	0.26	-0.85	-1.47	6.50	-6.78	-0.60	3.77	1.29	14.39
MSCI UTILITY	USD	116.01	-0.42	0.68	0.34	1.87	4.91	-4.69	0.91	2.52	4.58	16.07
MSCI WORLD REAL ESTATE	USD	194.22	0.22	0.94	1.40	0.73	4.84	-7.62	2.17	13.30	11.23	24.81
HEDGE FUND INDICES												
HFRX GLOBAL HEDGE FUND	USD	1,213.11	-0.04	-0.10	0.30	0.39	2.99	2.53	0.80	8.05	-0.85	
HFRX EQUAL WEIGHTED	USD	1,226.62	-0.06	-0.03	0.35	0.57	2.54	2.60	0.78	8.09	2.23	
HFRX GLOBAL EUR	EUR	1,088.52	-0.05	-0.11	0.23	0.18	2.42	1.44	0.53	5.99	-3.96	

MARKET INDICES PERFORMANCE

09/02/2017

INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
			PRICE CHANGE IN % (unless indicated)									
LIBOR RATES AND YIELD ON US GOVERNMENT BONDS (Yield in %, Change in bps)												
US 3 MONTH	USD	0.53	-0.51	3.56	2.03	2.54	6.61	25.32	3.56	22.78	-	
US 2 YEAR	USD	1.19	0.83	-1.14	-1.89	-0.01	27.04	50.35	-0.28	49.95	-	
US 10 YEAR	USD	2.41	1.43	-5.57	-4.40	3.34	25.90	90.17	-3.52	74.10	-	
US LIBOR 3M	USD	1.03	-0.45	-0.08	-0.08	2.36	15.14	22.72	3.58	41.27	-	
EUR LIBOR 3M	EUR	-0.35	0.13	-0.47	-0.47	-0.69	-1.69	-3.26	-1.19	-15.77	-	
GBP LIBOR 3M	GBP	0.36	0.18	0.28	0.28	-1.09	-4.27	-3.79	-0.80	-23.18	-	
CHF LIBOR 3M	CHF	-0.73	0.06	0.30	0.30	0.36	1.36	2.64	0.36	2.34		
FIXED INCOME INDICES - BY TYPE OF ISSUER												Yield to Worst
GLOBAL AGG TR HEDGED	USD	499.23	-0.06	0.43	0.34	-0.04	-0.46	-2.52	-0.03	1.92	11.25	1.62
GLOBAL HY TR	USD	1,212.46	-0.01	-0.04	0.36	1.13	3.48	3.73	2.22	20.09	13.06	5.52
US GOVERNMENT TR	USD	2,127.89	-0.29	0.50	0.29	0.12	-0.67	-3.63	0.53	-1.65	6.05	1.62
US CORPORATE TR	USD	2,745.49	-0.34	0.60	0.38	0.13	0.21	-2.22	0.69	5.95	11.84	3.33
US HIGH YIELD TR	USD	1,848.95	0.00	0.08	0.48	0.78	4.29	5.45	1.94	24.47	15.60	5.76
EU GOVERNMENT TR	EUR	246.61	0.23	0.52	0.44	-0.78	-1.17	-4.48	-1.47	-0.01	13.55	0.58
EU CORPORATE TR	USD	260.86	0.00	0.40	0.58	0.37	0.53	-0.43	0.17	6.18	13.50	0.90
EU HIGH YIELD TR	EUR	299.28	0.05	0.14	0.30	0.54	2.44	3.28	1.03	13.63	16.41	3.68
BARCLAYS GLOBAL CONVERT.	USD	228.47	0.22	0.66	1.24	1.52	4.93	3.97	2.65	15.61	9.51	-
GLOBAL EM TR (HEDGED)	USD	362.66	0.02	0.39	0.81	1.09	1.78	0.18	1.96	12.10	18.13	4.38
S&P/LSTA U.S. LEV LOAN	USD	98.67	-0.02	-0.08	-0.17	-0.33	1.37	6.66	0.05	13.71	0.17	4.76
COMMODITY INDICES - BY TYPE OF ISSUER												
GSCI INDEX TOTAL RETURN	USD	2,398.73	0.48	-0.49	0.65	1.38	9.17	9.86	-0.77	27.03	-50.54	
GSCI ENERGY TR	USD	415.56	0.88	-1.09	0.25	0.18	12.72	14.53	-4.42	45.59	-63.15	
GSCI INDUSTRIAL METALS TR	USD	1,207.23	-0.85	-0.29	-0.80	5.42	6.14	16.94	7.55	29.88	-8.69	
GSCI PRECIOUS METALS TR	USD	1,515.53	-0.17	1.48	2.00	4.42	-3.35	-8.82	7.62	3.31	-5.01	
GSCI AGRICULTURE TR	USD	456.44	0.35	0.67	2.36	2.77	1.64	1.46	5.89	5.13	-26.12	
GENERIC 1ST 'CL' FUTURE	USD	53.00	0.13	-1.41	0.49	2.81	12.25	16.64	-2.66	36.85	-54.07	
GOLD SPOT $/OZ	USD	1,228.37	-0.40	0.27	1.06	3.01	-2.81	-9.14	6.18	2.20	-4.02	
CURRENCIES												
DOLLAR INDEX SPOT	USD	100.65	0.17	0.95	1.31	-1.17	2.06	5.41	-1.36	5.14	25.02	
Euro Spot	EUR	1.07	-0.17	-1.35	-1.49	0.79	-2.35	-4.82	1.14	-5.80	-22.05	
Japanese Yen Spot	JPY	113.25	-0.43	-0.99	-0.83	1.78	-6.08	-10.95	2.83	-0.34	-10.09	
British Pound Spot	GBP	1.25	-0.18	-0.07	-0.83	2.45	-0.64	-4.11	1.09	-14.10	-23.95	
Swiss Franc Spot	CHF	1.00	-0.12	-0.99	-1.37	1.41	-1.61	-2.78	1.61	-2.91	-10.58	
Brazilian Real Spot	BRL	3.13	-0.37	-0.18	0.68	2.32	3.14	0.58	4.09	24.83	-23.92	
China Renminbi Spot	CNY	6.87	-0.19	-0.22	0.03	0.57	-1.11	-3.58	0.91	-4.47	-11.94	
Singapore Dollar Spot	SGD	1.42	-0.17	-0.91	-0.92	0.93	-0.79	-5.71	1.68	-2.19	-10.69	
Russian Ruble Spot	RUB	58.92	0.03	0.17	2.19	2.13	11.53	10.23	4.48	34.56	-40.99	
Norwegian Krone Spot	NOK	8.34	-0.50	-2.07	-1.60	2.68	-0.18	-1.31	3.11	1.59	-26.87	
VOLATILITY / LIQUIDITY INDICES												
CBOE SPX VOLATILITY INDX	USD	10.88	-4.98	-0.82	-9.26	-5.31	-26.19	-9.71	-22.51	-58.62	-28.70	
USD SWAP SPREAD SEMI 2YR	USD	31.08	-	2.73	7.80	9.27	23.05	12.26	22.47	541.27	158.96	
TED SPREAD		50.07	-	-7.52	-4.06	-1.28	10.02	-6.62	0.04	58.80	227.68	

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