

Bedrock Friday 09 June 2017 Newsletter

Another week is wrapping-up... and what a week it has been- We had the ECB, we had the testimony of Comey before the Senate, we had the UK elections and we saw Qatar being excommunicated by its environment. Wow...

We woke up this Friday morning and looked at our screens with much apprehension only to find that our mentor, The Market, is telling us in just a few numbers that nothing much really happened... Maybe Donald Trump is right and all the news is fake?

Mario Draghi told us what we already knew; There is little to no inflation in the Eurozone, that the European economies are improving and that the ECB will not be changing its interest rates anytime soon. Wow... A wiggle in the Euro exchange rate and nothing else. The Euro/US\$ exchange rate is now at 1.117 just a fraction weaker than it was on June first, where it traded at 1.121.

Then we watched the circus of the Comey testimony. Fingers were pointed, powerful men asked strongly worded, leading questions. A stoic Comey responded from his tall perch and nothing changed- The S&P 500 index continued to trade with a wiggle on each word, but finished the day up yet again in record territory. Oil which has been weak for a while remained so, just as gold traded down and the VIX dropped again to the "10" level.

Then last night our British friends across the channel told May she should have gone away in May... Surprising her and many other observers in forcing the UK into a hung Parliament. As one would expect, the Pound Sterling got whacked and slapped around some, dropping from almost \$1.30 to \$1.274 but then, the FTSE 100 index is trading up some 0.50% The rest of Europe, in complete indifference to the political machinations of the UK, continues its upwards trading pattern. Yes, we understood that Super Mario is unlikely to pursue any further cuts in interest rates, but read between his lines that things are doing better.

And with the distractions of testimonies out of the way in the US, we observe with a smile the rising US equity futures ahead of Friday's trading. The true gage of market-sentiment being the yield on the US 10-year Treasury Note remains utterly indifferent to the pages of ink spilled around us- The benchmark yield is holding steady at 2.20%

The rift between Qatar and other Arab nations intensified Monday when Saudi Arabia closed its land border with Qatar and at least five Gulf-based airlines announced they will halt service to the desert peninsula nation. Saudi Arabia, Egypt, the United Arab Emirates, Bahrain and Yemen cut ties to Qatar on Monday, claiming the energy-rich monarchy is undermining stability in the region by supporting in the Iran-aligned militant groups. Authorities gave Qataris living in and visiting their countries two weeks to leave. Don't look down on this issue as being just a "family squabble"- Qatar is no outlier to the West: It is scheduled to host the 2022 FIFA World Cup, a month-long international soccer tournament and the world's most popular sports event. This could disrupt our TV watching plans for five years hence... What a mess... With all the noise from the above-mentioned headlines you probably missed the small headline that the House of Representatives pushed through a bill Thursday that would gut many of the key banking reforms implemented after the financial crisis. In a primarily partisan vote, the House passed the Financial Creating Hope and Opportunity for Investors, Consumers and Entrepreneurs. Goodbye Dodd-Frank... Among the most significant provisions are measures that allow banks to escape heightened regulatory requirements and cut stress tests back from their current annual schedule, while the bill also eviscerates the Consumer Financial Protection Bureau. Or should this news be pushed back to the inside back-page, as it stands virtually no chance of passing the Senate... "This is a symbolic victory for the House Republicans," said Sean Tuffy, who oversees global regulatory intelligence at Brown Brothers Harriman. "The Senate's been pretty clear that they're going to pursue financial regulatory reform, but on their own terms."

Well, we suppose we should be bracing for the expected big headlines of next week when the Fed will be telling us some more of what we think we know. While concerns about the global economy continue to plague investors, Paris-based OECD has forecast that the global economy is on course for its fastest growth in close to six years but has warned that countries need to strive to do better. Predicting that the global economy is set to grow 3.5% in 2017, followed by an increase to 3.6% in 2018 as confidence is increasing and investment and trade are picking up from low levels. If they are right, why then equities are not as expensive as some are saying... but officials tend to hedge their statements- "Everything is relative. What I would not like us to do is celebrate the fact that we're moving from very bad to mediocre," said Gurria, Chairman of the OECD, adding that this doesn't mean the world has to get used to it or live with it but has to continue to strive to do better. We are enjoying the rally in equities but have our eyes peeled on the yield curve- it has been flattening... and we remember from our earlier experiences that a steepening curve anticipates growth... Does a flattening tell us that the party is winding down? Enjoy with caution...

Remember that Success is getting what you want. Happiness is wanting what you get. Dale Carnegie

Market Weekly Highlights:

- The greenback has marked a pause since last year's strong rebound against all currencies. The DXY had reached 103.80 and then has lost ground to trade down at 97.40. The USD is trading around 1.1170 against the EUR and at 0.9720 vs. the CHF. The Pound is trading weaker at \$1.2727. The Japanese Yen is weakening also against the USD at 110.75. The Russian Rouble is moving in a very narrow band against the USD at 57 following the oil-price pattern. The Brazilian Real is now trading down for the week against the USD at 3.27 as we write. Crude oil WTI reached \$55.24 a barrel on the first day of trading on January 1st and dropped to \$44 in the first trading days of May, only to trade back up at 52 and fall back now to around \$46, while Brent is trading at \$48.
- The yield on 10Y U.S. Treasuries is trading at 2.20% as we write. The Japanese 10 year JGB is trading slightly higher for the week and continues to offer POSITIVE returns trading at 0.056%. In Europe, since the start of year we saw the German Bund trading lower in yield almost every day reaching almost 0.15% and then after the French election bouncing back to almost 0.50%, now is trading back at 0.25%. The French 10Y Yield hit 1.10% before the elections is now back trading at almost 0.70%. The Swiss 10 year bond yield traded this month at around -0.019%, having bounced from -0.20% lows of last month and now is trading back at -0.175% as we write. In Peripheral Europe Italian 10Y yields crossed the 2% level having started the year at 1.71% and are currently at 2.11% while the Spanish 10Y yields trade 67bps lower having started the year at 1.30% and currently trading at 1.44%.
- Markets are up this week in the USA, DJIA is trading at about 21'180 even after the small "correction" of recent weeks, Nasdaq at almost 6'300, and SP500 at just above 2'430. In reality, we are basically at the all time highs, or within a couple of percentage points thereof. In Europe stocks remain up for the month despite the "correction" of the last two days. First week of trading in June is positive, however we remain cautious as it might drift into negative levels down the road. The DAX remains up above 11% for the year, the Swiss SMI has gained 7.5% as did the other European indices: the best performer being the Spanish IBEX 35 at +17.15% for the year. Not so bad then... Nikkei is trading up for the year at 4.70%. In Latam the Bovespa is showing a weak +4.20% while in Asia the Hang Seng is up above 18% and Shanghai Composite at a mere +1.76%.

Highlighted items are interesting data points for the week

All data is compiled from Bloomberg

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MARKET INDICES PERFORMANCE

08/06/2017

INDEX NAME	CCY	Last Price	PRICE CHANGE IN % (unless indicated)									Fwd P/E	T12m P/E
			1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y		
EQUITY MARKET INDICES - BY REGION													
S&P 500 INDEX	USD	2,433.79	0.03	0.15	0.91	1.54	2.91	7.71	8.71	15.05	24.73	18.73	21.62
DOW JONES INDUS. AVG	USD	21,182.53	0.04	0.18	0.83	0.99	1.55	7.22	7.18	17.78	25.02	17.48	18.63
NASDAQ COMPOSITE INDEX	USD	6,321.76	0.39	1.20	1.99	3.29	8.27	16.11	17.44	27.49	45.79	24.08	33.51
RUSSELL 2000 INDEX	USD	1,415.61	1.36	1.40	3.31	1.71	4.08	1.98	4.31	19.85	20.39	28.75	45.01
EURO STOXX 50	EUR	3,563.88	0.42	0.01	1.05	-1.56	5.34	12.34	8.16	20.17	8.68	15.26	20.12
EURO STOXX 600	EUR	389.15	0.04	-0.65	0.00	-1.47	4.59	9.74	7.90	14.28	11.87	16.02	25.30
CAC 40 INDEX	EUR	5,264.24	-0.02	-0.64	0.48	-1.65	6.58	11.44	9.19	20.51	15.69	15.70	19.63
DAX INDEX	EUR	12,713.58	0.32	1.04	1.44	0.37	6.83	14.22	11.46	26.84	27.85	14.05	20.04
FTSE 100 INDEX	GBP	7,449.98	-0.23	-0.35	0.02	2.44	2.82	8.15	5.30	20.69	9.40	15.26	32.67
SWISS MARKET INDEX	CHF	8,811.62	-0.73	-1.85	-1.76	-2.81	2.52	9.36	7.76	9.67	2.29	17.73	24.97
NIKKEI 225	JPY	19,909.26	-0.38	-0.81	1.85	0.86	3.60	5.35	4.70	20.07	32.33	17.52	19.18
HANG SENG INDEX	HKD	26,063.06	0.43	0.33	1.36	4.50	10.67	14.27	18.22	22.12	12.51	12.78	14.31
SHANGHAI SE COMPOSITE	CNY	3,150.33	0.33	1.70	1.32	2.53	-1.81	-2.30	1.76	7.90	55.55	13.93	16.94
S&P BSE SENSEX INDEX	INR	31,213.36	-0.19	-0.32	0.09	4.14	7.76	16.55	17.08	16.48	21.86	18.93	22.94
RUSSIAN RTS INDEX \$	USD	1,038.50	0.41	-1.10	-1.78	-4.71	-1.18	-6.81	-10.22	8.80	-24.02	6.08	7.08
BRAZIL IBOVESPA INDEX	BRL	62,755.57	-0.66	0.75	0.07	-5.31	-2.83	3.73	4.20	22.76	15.63	11.69	16.93
MSCI WORLD	USD	1,924.20	-0.14	-0.57	0.65	1.63	4.81	9.32	9.88	13.95	10.84	17.41	21.61
MSCI WORLD HEDGED	USD	859.36	0.00	-0.06	0.66	0.99	4.02	9.71	9.18	17.85	26.92	-	-
MSCI WORLD LOCAL	-	1,470.84	0.00	-0.58	0.59	0.65	3.00	7.63	7.81	15.63	18.97	17.41	21.61
MSCI AC WORLD	USD	467.19	-0.08	-0.46	0.73	1.76	5.41	10.04	10.75	14.76	9.40	16.75	20.68
MSCI EM	USD	1,019.07	0.35	0.39	1.37	2.87	10.42	16.09	18.18	21.75	-2.85	12.88	15.45
MSCI AC ASIA x JAPAN	USD	630.37	0.64	0.94	1.92	4.39	12.65	18.71	22.58	24.09	9.62	13.67	15.54
MSCI EM LATIN AMERICA	USD	2,543.70	-0.85	0.04	0.45	-3.34	0.84	8.44	8.67	16.42	-25.03	13.69	18.05
MSCI EM Eur, ME & Africa	USD	275.48	-0.33	-2.24	-0.89	-3.30	5.40	7.61	5.19	9.89	-23.75	10.81	12.80

EQUITY MARKET INDICES - BY SECTOR													
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	P/E	P/E
MSCI ENERGY	USD	195.45	-0.32	-0.87	-1.27	-3.44	-3.86	-10.24	-10.75	-3.59	-34.86	23.08	49.49
MSCI MATERIALS	USD	240.11	0.05	-0.34	1.15	1.89	4.10	5.71	8.22	17.75	-3.71	15.86	20.62
MSCI INDUSTRIALS	USD	236.69	-0.02	-1.11	0.46	1.22	6.45	9.84	11.39	17.10	13.18	17.95	22.58
MSCI CONS DISCRETIONARY	USD	218.65	-0.74	-1.69	-0.02	0.46	6.17	9.40	11.31	15.15	20.65	17.39	19.46
MSCI CONS STAPLES	USD	232.99	-1.13	-1.37	-0.34	3.20	6.90	13.28	12.26	5.64	17.28	21.32	24.28
MSCI HEALTH CARE	USD	217.05	-0.23	-1.13	0.56	1.70	4.01	14.01	12.56	5.26	17.35	17.21	23.12
MSCI FINANCIALS	USD	112.07	0.78	0.77	1.74	0.32	-0.03	3.61	5.55	21.34	6.42	13.15	15.85
MSCI INFO TECH	USD	196.83	0.23	0.35	1.82	4.28	10.88	21.31	22.08	33.50	51.21	20.18	26.02
MSCI TELECOMS	USD	70.26	-0.80	-1.34	-1.11	2.17	1.45	3.76	1.04	-2.34	-3.88	14.85	19.46
MSCI UTILITY	USD	129.31	-0.37	-0.36	0.10	4.94	9.71	14.55	12.48	5.64	6.05	17.33	21.25
MSCI WORLD REAL ESTATE	USD	203.38	-0.60	-0.69	0.84	2.25	6.17	6.51	6.99	1.45	6.72	25.11	20.13

HEDGE FUND INDICES													
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	P/E	P/E
HFRX GLOBAL HEDGE FUND	USD	1,234.76	-0.08	-0.25	0.25	0.34	0.97	3.00	2.60	5.51	-0.75	-	-
HFRX EQUAL WEIGHTED	USD	1,244.66	-0.02	-0.10	0.28	0.23	0.81	2.55	2.26	5.67	2.34	-	-
HFRX GLOBAL EUR	EUR	1,099.96	-0.08	-0.26	0.16	0.14	0.39	1.86	1.59	3.36	-4.47	-	-

MARKET INDICES PERFORMANCE													
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	P/E	P/E
LIBOR RATES AND YIELD ON US GOVERNMENT BONDS (yield in %, change in bps)													
US 3 MONTH	USD	0.99	-0.01	2.04	2.03	9.67	26.47	45.79	49.35	74.23	-	-	-
US 2 YEAR	USD	1.32	0.42	3.06	3.67	-2.20	-5.41	18.56	13.02	55.15	-	-	-
US 10 YEAR	USD	2.20	1.03	3.97	-0.40	-19.89	-40.65	-26.87	-24.55	51.21	-	-	-
US LIBOR 3M	USD	1.22	0.20	1.10	1.10	4.06	11.48	27.02	22.31	56.44	-	-	-
EUR LIBOR 3M	EUR	-0.37	0.00	0.00	0.00	-0.71	-1.64	-3.29	-3.36	-9.17	-	-	-
GBP LIBOR 3M	GBP	0.29	-0.08	-0.36	-0.36	-3.10	-6.54	-8.92	-7.64	-29.13	-	-	-
CHF LIBOR 3M	CHF	-0.73	0.00	0.00	0.00	0.24	-0.66	1.04	-0.04	1.22	-	-	-

FIXED INCOME INDICES - BY TYPE OF ISSUER													
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	Yield to Worst	Yield to Worst
GLOBAL AGG TR HEDGED	USD	508.31	-0.06	0.01	0.08	1.02	2.27	2.45	1.79	1.08	11.00	1.53	1.53
GLOBAL HY TR	USD	1,261.78	-0.13	-0.16	0.09	1.33	4.26	7.12	6.38	11.19	12.15	5.19	5.19
US GOVERNMENT TR	USD	2,160.03	-0.08	-0.19	0.02	1.22	2.58	2.40	2.04	-0.83	6.80	1.53	1.53
US CORPORATE TR	USD	2,824.96	-0.10	-0.19	0.12	1.72	3.83	4.67	3.60	3.11	11.91	3.16	3.16
US HIGH YIELD TR	USD	1,902.50	-0.08	-0.12	0.09	0.95	3.06	5.44	4.89	12.39	14.54	5.55	5.55
EU GOVERNMENT TR	EUR	249.95	0.25	0.32	0.23	1.08	1.97	0.94	-0.14	-0.97	10.60	0.49	0.49
EU CORPORATE TR	USD	265.75	-0.03	0.07	0.15	0.72	1.87	2.88	2.04	3.98	12.32	0.80	0.80
EU HIGH YIELD TR	EUR	308.16	-0.03	0.01	0.13	0.47	2.43	5.13	4.03	8.12	14.98	3.28	3.28
BARCLAYS GLOBAL CONVERT.	USD	234.73	0.15	0.24	0.95	1.09	2.62	5.88	5.46	8.72	8.00	-	-
GLOBAL EM TR (HEDGED)	USD	374.63	-0.08	0.01	0.24	1.13	3.50	6.03	5.32	7.46	14.93	4.15	4.15
S&P/LSTA U.S. LEV LOAN	USD	98.81	-0.03	-0.09	-0.10	-0.02	-0.29	0.70	0.20	8.34	0.01	4.58	4.58

COMMODITY INDICES - BY TYPE OF ISSUER													
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	Yield to Worst	Yield to Worst
GSCI INDEX TOTAL RETURN	USD	2,149.43	0.13	-2.72	-2.84	-1.21	-6.45	-8.92	-11.08	-13.93	-56.87	-	-
GSCI ENERGY TR	USD	349.11	-0.15	-5.29	-5.42	-3.07	-10.94	-16.10	-19.71	-19.59	-69.62	-	-
GSCI INDUSTRIAL METALS TR	USD	1,163.94	0.95	-0.84	-0.99	0.99	-2.74	-1.00	3.70	18.33	-13.42	-	-
GSCI PRECIOUS METALS TR	USD	1,553.17	-1.07	0.76	0.31	4.40	4.84	7.76	10.29	0.27	-1.29	-	-
GSCI AGRICULTURE TR	USD	416.11	0.78	2.73	1.98	0.51	-5.89	-4.41	-3.46	-20.64	-36.21	-	-
GENERIC 1ST 'CL' FUTURE	USD	45.45	-0.42	-4.64	-5.94	-1.79	-10.92	-17.93	-19.60	-21.87	-63.08	-	-
GOLD SPOT \$/OZ	USD	1,272.85	-0.41	-0.50	0.31	4.21	5.97	9.73	10.46	0.24	1.64	-	-

CURRENCIES													
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	Yield to Worst	Yield to Worst
DOLLAR INDEX SPOT	USD	96.92	0.49	0.70	0.49	-2.27	-4.38	-4.13	-4.71	3.66	20.76	-	-
Euro Spot	EUR	1.12	-0.19	-0.76	-0.45	2.93	5.82	5.98	6.43	-1.09	-17.66	-	-
Japanese Yen Spot	JPY	110.02	-0.33	0.02	0.36	3.26	4.14	4.48	5.96	-2.97	-7.11	-	-
British Pound Spot	GBP	1.30	-1.95	-1.43	-1.44	-1.78	4.43	1.05	2.95	-12.13	-24.39	-	-
Swiss Franc Spot	CHF	0.97	-0.28	-0.70	-0.22	3.87	4.35	4.87	5.06	-0.55	-7.51	-	-
Brazilian Real Spot	BRL	3.26	0.25	-0.34	-1.06	-1.94	-2.79	3.49	-0.19	3.09	-31.10	-	-
China Renminbi Spot	CNY	6.80	0.04	0.19	0.30	1.62	1.67	1.63	2.17	-3.46	-8.20	-	-
Singapore Dollar Spot	SGD	1.38	-0.13	-0.24	-0.06	2.00	2.64	3.39	4.54	-2.25	-9.70	-	-
Russian Ruble Spot	RUB	56.91	-0.10	-0.59	-0.62	2.53	4.05	9.64	8.01	12.90	-39.75	-	-
Norwegian Krone Spot	NOK	8.49	-0.33	-1.23	-1.02	1.93	0.70	-0.23	1.38	-4.29	-29.95	-	-

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