It is already the mid-point of summer! For a change, we are closing a week which was rich with data and information;
The GOP did name Donald Trump as its candidate and the Democrats name Hillary Clinton as their offering. No surprizes here and nothing to be excited about. Worried rather… And then, recent polls showing Donald edging ahead of Hillary, but we know how reliable polls can "not be" (See BREXIT!).

We had the Federal Reserve telling us that matters were stable and as expected, the Federal Open Market Committee kept its overnight interest rate target in the 0.25% to 0.5% range. However, it noted a labour market that has "strengthened" and said other indicators were pointing to growth. Near-term risks to the economic outlook have diminished," the statement said, expressing a sentiment that had not been in the June missive. At last month's meeting, the committee scaled back its economic projections and slashed its previous forecast of four rate hikes this year to two. On the downside, the statement noted that inflation remains mired and is "expected to remain low in the near term". Clearly, a big-non-event… US 10 year Treasury notes yield 1.52% much unchanged.
Then we had the Bank of Japan which was expected to announce huge cash infusions and further rate cuts, actually disappointed the markets- The Bank of Japan (BOJ) pledged to increase purchases of exchange-traded funds (ETF) but kept interest rates steady at the close of its two-day meeting on Friday, confounding market expectations of hefty stimulus.
Japanese Prime Minister Shinzo Abe said on Wednesday his government would compile a stimulus package of more than $265 billion to reflate the flagging economy, media reported, though it is unclear how much will be spent to directly boost growth. Abe's promise of a hefty fiscal stimulus package had effectively forced the central bank to come up with matching monetary ammunition, taking stimulus expectations to sky-high levels. The 28 trillion yen ($265 billion) fiscal injection, which Reuters estimated at 6% of Japan's economy, surprised markets on Wednesday as many anticipated a fiscal package only sometime next week. The BOJ believed the combination of Friday's monetary policy measures and the government's initiatives would produce "synergy effects on the economy."

How is our world doing? With the Fed running hesitant, the Japanese arguably in "panic mode" maybe things are yet to find stability. Oil prices have drifted back down towards $40/Bbl on WTI and $42 for Brent, about a 20% drop from mid-June… In the same interval Gold has rallied about 11% to $1'330 or so. And we watch the VIX sink almost daily to trade at 12.6, a truly low level and dramatically down from late June (50%). As globally we see interest rates drifting lower yet, clearly, not everything is in balance…
West Texas Intermediate oil futures are down 11% so far this month, after rallying above $50 in the spring. The world remains oversupplied with crude oil, but the fact that it has become highly oversupplied with gasoline is currently worrying the market. "The gasoline inventories are 10 percent above the level from a year ago, and that's feeding back into crude," said Greg Priddy, director of global energy at Eurasia Group. The real fear is that the demand for crude will drop even further once refineries go offline as they normally do in early fall for routine maintenance ahead of winter fuel refining. Bart Melek, head of commodities strategy at TD Securities, said oil could be heading to its 200-day moving average at around $41 per barrel. "Technicals will seek a level around $40.38, then we'll see ... the fundamental outlook is much, much better than it was six months ago. We're still looking toward $60 for year end," he said. He added that if $40 is broken, the next level would be just above $36. "Bottom line is the global markets are still balanced." He said that compares to last year when the world was overproducing 1.7 million barrels a day.
We are in the full swing of Q2 earnings. Some huge, like in Really Big, positive surprises made us smile. With 299 companies (59%) of the S&P500 reporting, 81% beat on EPS, 18% missed and as usual, only 1% of analysts' expectations were met. The really encouraging news is that 58% beat on top line the rest missed (no expectations at all were met!).
Well, the S&P 500 closed Thursday at 2'170.05, the DJIA at 18'456 (5 and 165 points below their all-time highs) and the NASDAQ at 5'154.98 about 75 points below its own all time high of July 2015. Basically, we are at the highs. In Europe the STOXX50 at 2'981 still a way away from its March 2000 high of 5'522. The Nikkei at 16'570 is a lifetime away from its own highs of almost 40'000 set in December 1989. On a daily basis, nothing seems to change much, yet clearly, we have seen a significant change in relative valuations, with the US running up, Europe in a quagmire and Japan languishing at the bottom of the pile.
A potential boost for the future can be found in a negative bit of data- In the second quarter of this year, home ownership rate fell to 62.9%, which is the same as it was in 1965, when the U.S. Census started tracking the metric. You can read this to say that a big pent-up demand is building… But remember- We are here and it is now. Further than that, all human knowledge is moonshine. ☺

Market Weekly Highlights:

- This week was marked by the Fed's and the BOJ's July meetings. As expected the Fed did not act but the FOMC statement mentioned that "near term risks to the economic outlook have diminished", letting the doors open for a hike later this year. Two days ago, Japan Prime Minister Abe unveiled a 28 trillion yen fiscal stimulus package that had increased the odds of a subsequent easing move by the BOJ. However, this morning the BOJ's highly anticipated policy announcement left investors underwhelmed, sparking a surge in the yen and sending Japanese government bonds to their biggest retreat since 2008. Indeed the BOJ decided to keep its government-bond buying target to JPY 80 trillion and its interest policy unchanged at -0.10%. However it pledged to expand its ETF purchases to JPY 6trn a year (from JPY 3.3trn), and to increase its loan facility to Japanese firms making overseas investments to USD 24bn (from USD 12bn).

- The Dollar is down for the week with the USD Index (DXY) trading at round 96.3 off 1.2% WTD, bringing the YTD performance to -2.2%. The USD is now trading at about $1.1083 against the EUR (+1.1% WTD) and at 0.9797 against the Swiss Franc. The GBP climbed up 0.66% over the week but remains negative 10.45% for the year. The Yen was the main winning currency this week, climbing by 2.5% to 103.52 yen per USD after reaching 102.7 earlier this morning. YTD the Yen against the USD has fallen from the 120 mark to 103.5, a 16% gain for the Japanese currency. The Russian Ruble has been declining this week, losing 3.5% against the USD at 67.2. The Brazilian Real as well declined this week against the USD and is trading at or around 3.29.

- Tension in the market was high this week on the potential announcement from the two central banks, pushing Gold up 0.85% to $1'334.

- Oil headed for the biggest monthly decline in a year as rising crude and fuel inventories force a retreat toward $40 a barrel: this week the WTI plunged by 7.6% and the Brent by 7.2%, trading respectively at $40.8 and 42.4 a barrel.

- Big swings in the Bond markets as well- this morning the yield on 10-year JGBs increased 11Bp reaching -0.16%, its biggest daily jump since 2008. Over the week, the US 10 year note lost 5Bp to 1.52%, the German Bund further declined to NEGATIVE 0.08%. The Swiss 10Yr yield is at NEGATIVE 0.57%. The Italian 10Yr has lost 2.5Bps is trading at 1.21%, so did the Spanish 10Yr yield which trades at around 1.09% as we write. In the UK, the Gilts' yields moved lower, currently loosing 7.3Bp WTD and trading at 0.73%.

- Following the BOJ decision, Japanese stocks recorded big swings to finally close the last trading session of July +0.56% as the BOJ intension to expand its ETF purchase was well perceived by investors. The Nikkei maintained a strong +6.4% performance over the month.

- European markets were strong this week on better than expected economic data, continuing their July rally. The DAX index is up +1.7% WTD and +6.6% for the month and the Eurostoxx50 up +3.9% in July. However, the picture might change during this last trading session of the month, with the European Financial sector under pressure before the results of the banking stress test later today. The UK FTSE100 is up +3.1% for the month.

- Within the US, the earnings season is continuing to show encouraging results from US firms with a majority of companies beating analysts – low – expectations. Tech companies have helped the NASDAQ to jump +6.45% this month, whilst the Dow is up +3% for the month.

Highlighted items are interesting data points for the week

All data is compiled from Bloomberg

MARKET INDICES PERFORMANCE

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				PRICE CHANGE IN % (unless indicated)								
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
EQUITY MARKET INDICES - BY REGION												P/E
S&P 500 INDEX	USD	2170.06	0.17	0.23	3.39	4.79	5.07	11.84	6.17	2.92	28.76	17.77
DOW JONES INDUS. AVG	USD	18456.35	-0.09	-0.33	2.94	4.30	3.84	12.09	5.92	3.97	18.90	17.38
NASDAQ COMPOSITE INDEX	USD	5154.982	0.31	1.60	6.45	7.86	7.95	11.73	2.95	0.85	43.23	19.31
RUSSELL 2000 INDEX	USD	1217.325	-0.13	1.12	5.68	7.57	7.65	17.57	7.17	-1.00	16.98	17.87
EURO STOXX 50	EUR	2966.1	-1.11	0.25	4.01	5.21	-1.60	-2.15	-8.81	-16.66	8.68	13.94
EURO STOXX 600	EUR	339.47	-0.94	0.10	3.27	4.34	-0.24	-0.47	-6.87	-13.54	13.91	15.97
CAC 40 INDEX	EUR	4420.58	-0.59	1.13	4.56	5.61	0.04	0.31	-4.45	-11.69	11.64	14.91
DAX INDEX	EUR	10274.93	-0.43	1.66	6.57	7.32	2.76	5.29	-3.97	-7.99	24.91	13.13
FTSE 100 INDEX	GBP	6721.06	-0.40	-0.42	3.04	5.38	7.38	10.17	7.37	1.08	2.17	17.21
SWISS MARKET INDEX	CHF	8095.07	-1.54	-1.17	0.98	1.50	1.73	-2.66	-8.16	-13.73	3.64	17.53
NIKKEI 225	JPY	16476.84	-1.13	-0.35	6.38	6.44	-0.58	-5.42	-12.95	-18.39	21.29	16.31
HANG SENG INDEX	HKD	22174.34	-0.20	-0.24	5.37	7.21	4.00	11.32	-0.02	-11.00	0.28	12.17
SHANGHAI SE COMPOSITE	CNY	2994.323	0.08	-1.11	1.70	1.63	1.40	8.83	-15.82	-21.37	50.75	13.37
S&P BSE SENSEX INDEX	INR	28208.62	0.68	1.11	4.12	5.13	9.79	13.04	7.64	1.99	43.48	17.57
RUSSIAN RTS INDEX $	USD	923.39	0.19	-2.14	-1.59	-1.66	-3.70	22.89	20.99	5.79	-31.72	7.12
BRAZIL IBOVESPA INDEX	BRL	56667.12	-0.33	0.05	9.98	11.11	5.11	40.24	30.72	12.78	15.15	13.67
MSCI WORLD	USD	1707.59	0.08	0.04	3.29	4.48	2.20	9.31	2.69	-3.02	13.17	16.91
MSCI WORLD HEDGED	USD	742.946	-0.15	0.02	3.81	7.12	3.47	11.74	3.26	-0.20	26.85	-
MSCI WORLD LOCAL	-	1299.966	-0.17	-0.26	3.73	4.97	3.66	7.64	1.74	-3.14	20.18	-
MSCI AC WORLD	USD	413.12	0.09	0.11	3.46	4.69	2.42	10.16	3.45	-2.94	10.76	16.38
MSCI EM	USD	875.52	0.17	0.72	4.97	6.53	4.21	17.94	10.25	-2.73	-8.21	12.94
MSCI AC ASIA x JAPAN	USD	531.56	0.25	1.13	5.54	7.22	5.80	15.15	6.32	-3.05	2.35	13.35
MSCI EM LATIN AMERICA	USD	2353.73	-0.08	-1.67	3.72	5.40	2.69	34.96	28.63	2.44	-26.20	15.59
MSCI EM Eur, ME & Africa	USD	239.89	-0.25	0.69	3.98	5.21	-1.51	19.18	14.12	-8.25	-23.21	11.28
EQUITY MARKET INDICES - BY SECTOR												P/E
MSCI ENERGY	USD	198.16	-0.35	-2.93	-2.83	-1.87	-1.70	14.48	11.11	-6.28	-22.77	28.12
MSCI MATERIALS	USD	209.67	0.20	1.54	5.96	7.40	1.21	26.41	13.54	0.05	-4.34	19.40
MSCI INDUSTRIALS	USD	204.68	0.13	0.48	3.78	5.40	1.80	13.49	6.71	3.12	16.06	17.21
MSCI CONS DISCRETIONARY	USD	192.6	0.10	0.62	5.43	5.91	0.93	6.35	-0.53	-4.59	19.16	16.66
MSCI CONS STAPLES	USD	221.19	0.37	-1.09	-0.87	0.94	2.71	6.29	6.14	5.09	21.82	21.70
MSCI HEALTH CARE	USD	212.38	0.07	0.25	3.73	4.68	5.66	9.71	1.03	-6.15	35.00	17.25
MSCI FINANCIALS	USD	90.72	-0.12	0.02	3.59	4.75	-2.63	3.79	-6.49	-14.19	-3.34	12.89
MSCI INFO TECH	USD	154.2	0.32	1.26	7.75	8.81	9.34	11.86	5.34	5.76	45.32	18.19
MSCI TELECOMS	USD	72.74	-0.37	-0.91	-0.97	0.06	1.32	7.10	7.08	1.38	14.12	15.22
MSCI UTILITY	USD	124.19	0.19	-1.07	-0.31	1.77	3.45	9.63	11.21	7.79	14.03	17.28
MSCI WORLD REAL ESTATE	USD	210.29	0.74	0.27	3.39	4.26	6.69	16.24	10.78	8.94	18.06	23.93
HEDGE FUND INDICES												
HFRX GLOBAL HEDGE FUND	USD	1179.41	-0.05	-0.09	1.29	2.70	1.69	3.67	0.45	-3.86	-1.31	
HFRX EQUAL WEIGHTED	USD	1191.94	0.04	0.07	1.39	2.32	2.30	3.76	1.63	-1.12	1.54	
HFRX GLOBAL EUR	EUR	1070.58	-0.07	-0.13	1.17	2.57	1.28	2.85	-0.44	-5.07	-3.45	

MARKET INDICES PERFORMANCE

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				PRICE CHANGE IN % (unless indicated)								
INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
FIXED INCOME INDICES - YIELD ON US GOVERNMENT BONDS (Change in bps)												
US 3 MONTH	USD	0.2333	-2.14	-0.08	-0.03	-0.03	0.02	-0.08	0.07	0.19	-	
US 2 YEAR	USD	0.7263	2.79	0.02	0.14	0.09	-0.06	-0.05	-0.32	0.02	-	
US 10 YEAR	USD	1.5352	0.03	-0.03	0.07	0.02	-0.30	-0.39	-0.73	-0.75	-	
FIXED INCOME INDICES - BY TYPE OF ISSUER												Yield to Worst
GLOBAL AGG TR HEDGED	USD	511.1065	0.03	0.33	0.49	0.53	2.84	4.86	6.39	7.17	16.41	1.12
US GOVERNMENT TR	USD	2205.94	0.02	0.33	0.08	0.01	2.22	3.16	5.31	5.61	10.90	1.12
US CORPORATE TR	USD	2798.9	-0.04	0.17	1.15	1.09	3.34	8.53	8.92	8.90	17.52	2.80
US HIGH YIELD TR	USD	1736.34	-0.08	-0.24	2.81	3.14	4.40	13.96	12.12	5.39	14.00	6.68
EU GOVERNMENT TR	EUR	257.1131	0.02	0.52	0.55	0.72	3.68	4.01	5.94	7.19	22.63	0.17
EU CORPORATE TR	USD	260.773	-0.03	0.22	1.65	1.82	3.17	5.70	6.41	6.62	16.91	0.69
EU HIGH YIELD TR	EUR	287.3844	-0.01	0.10	2.14	2.33	1.78	7.17	5.87	4.33	19.61	4.11
BARCLAYS GLOBAL CONVERT.	USD	218.21	-0.07	0.79	3.47	4.80	2.51	7.83	2.52	-2.45	12.58	-
GLOBAL EM TR (HEDGED)	USD	358.1833	0.08	-0.02	1.43	1.58	4.15	10.46	10.45	9.08	18.84	4.30
S&P/LSTA U.S. LEV LOAN	USD	92.54329	-0.12	-0.08	1.97	2.15	1.90	6.19	5.51	-1.74	-5.83	5.32
COMMODITY INDICES - BY TYPE OF ISSUER												
GSCI INDEX TOTAL RETURN	USD	2139.233	-0.80	-4.04	-10.29	-9.83	-8.01	5.47	-1.45	-23.84	-55.78	
GSCI ENERGY TR	USD	352.583	-1.10	-6.46	-14.27	-13.47	-11.70	7.87	-4.27	-35.23	-68.42	
GSCI INDUSTRIAL METALS TR	USD	1031.893	1.15	-1.09	0.70	1.98	0.54	10.80	8.08	-4.14	-22.15	
GSCI PRECIOUS METALS TR	USD	1659.396	0.56	0.39	1.88	2.53	6.26	21.63	27.76	23.06	-0.15	
GSCI AGRICULTURE TR	USD	444.6701	-0.99	-2.03	-7.54	-8.73	-5.70	0.70	-1.21	-6.12	-31.45	
GENERIC 1ST 'CL' FUTURE	USD	41.14	-0.58	-7.45	-16.77	-19.31	-15.48	-0.63	-11.82	-34.20	-65.26	
GOLD SPOT $/OZ	USD	1335.77	-0.15	0.85	0.87	1.11	3.15	19.28	25.65	21.60	0.43	
CURRENCIES												
DOLLAR INDEX SPOT	USD	96.73901	-0.47	-1.21	0.15	0.54	3.44	-3.33	-2.38	-0.71	17.91	
Euro Spot	EUR	1.1077	0.15	1.07	-0.11	-0.28	-3.12	2.43	2.14	1.00	-16.35	
Japanese Yen Spot	JPY	105.27	1.65	2.48	-0.35	-0.70	2.84	16.98	16.09	19.68	-5.41	
British Pound Spot	GBP	1.3164	0.26	0.68	-0.85	-1.72	-9.68	-7.34	-10.44	-15.41	-13.96	
Swiss Franc Spot	CHF	0.9809	0.29	0.92	-0.21	0.16	-1.86	4.60	2.45	-1.03	-4.81	
Brazilian Real Spot	BRL	3.2918	-0.91	-0.60	-2.39	0.35	5.99	23.63	20.32	1.97	-31.46	
China Renminbi Spot	CNY	6.6576	0.13	0.46	-0.01	-0.18	-2.57	-1.10	-2.33	-6.62	-7.77	
Singapore Dollar Spot	SGD	1.3541	0.30	0.63	-0.21	-0.15	-0.44	5.50	5.07	1.39	-6.15	
Norwegian Krone Spot	NOK	8.5557	0.04	-0.01	-2.21	-1.86	-5.87	1.48	3.40	-4.67	-30.57	
VOLATILITY / LIQUIDITY INDICES												
CBOE SPX VOLATILITY INDX	USD	12.72	-0.86	5.82	-18.62	-23.56	-18.98	-37.03	-30.15	1.76	-5.00	
USD SWAP SPREAD SEMI 2YR	USD	21.7	-	-17.56	44.12	61.87	59.96	234.21	82.58	-2.52	36.07	
TED SPREAD		51.81	-	27.93	31.03	37.25	21.02	78.66	15.13	106.41	107.41	

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