US-CHINA TRADE WAR TAKING ITS TOLL

This week we received further evidence of the US-China trade war taking a toll, with data showing Chinese exports reportedly dropping 21% year on year. While some of this is down to a slowing global economy, the falling out with Donald Trump isn't helping. This comes alongside data showing that Russia has massively increased its global share of soybean exports, largely at the expense of US farmers who have been targeted by retaliatory Chinese sanctions. With the extent of the mutual harm the dispute is causing now more evident, it is unsurprising that both sides seem keener on reaching a deal.

Elsewhere; the Financial Stability Board, a global regulator, has started to look closely at the leveraged loan market. As the sector has expanded massively after a decade of low interest rates, there is a concern that the risks the asset class poses to the global markets might have been overlooked. While its likely a lack of supervision has encouraged bad behaviour, at least its being looked at now rather than after something has imploded.

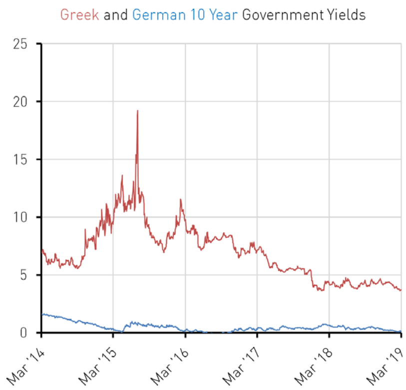
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-0.12%	-1.28%	-2.67%	-0.75%	-2.03%	-0.12%	-0.12%	+0.39%	-0.37%	-4.64%	-0.86%

EUROZONE: LONG DATED EURO DEBT ENJOYS RESURGENCE

Over a decade ago, a combination of the Great Recession and underreported government debt levels led to a crisis in confidence for Greek sovereign bonds. This ultimately resulted in them being shunned from the international debt market. Instead Greece turned to the IMF, ECB and Eurogroup for funding. Since then the country exited its third bailout programme in August 2018.

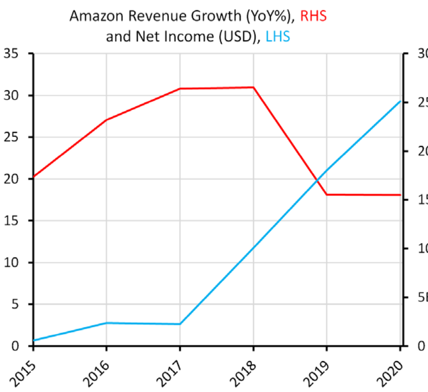
An almost stable economy and somewhat better political system prompted ratings agency Moody's to notch up its rating from B3 to B1 making Greece once again an attractive proposition to foreign investors. This week saw the country raise its first 10-year bond in nine years managing to raise €2.5bn priced at 3.9 per cent yield. The sale drew offers worth €11bn euros. Global growth slowing has prompted central banks to follow a dovish path holding off on rate hikes, which ultimately helped make longer dated bonds more attractive to the market. Italian, Spanish and French sovereign bonds have all benefiting from strong demand.



US: AMAZON GROCERY PLANS SEND RETAIL STOCKS IN RETREAT

Reports emerging of Amazon plans to launch dozens of grocery stores across the US sent retails stocks into retreat. The worst performer was Kroger falling by 4.47 per cent: which also unfortunately coincided with poor earnings results deepening its woes. Amazon's physical stores are nothing new, the company has been operating a series of pop up kiosk stores since 2014 and last year tapped into the grocery market buying Whole Foods for $13.7bn. However, what is becoming more apparent is a strategy shift towards brick and mortar stores. Cashier-less stores would both complement online retail (require prime membership) while competing with grocery giants like Walmart and Kroger.

This week PMI reports were published providing an opportune moment to revisit the health of the US economy. Non-manufacturing sector and business activity ticked up exceeding expectations. Both new orders and exports improving from January's dip as government shutdown worries eased in February.



EM: CHINA A SHARES RECEIVE BOOST IN MSCI INDEXES

MSCI is set to increase the weighting of Chinese A shares in its global indexes starting this May. It will do so in a three-phase approach. The share of China A large-cap stocks will increase from a 5 per cent inclusion factor currently to a 10 per cent inclusion factor in May, then will look to be bumped up to 15 per cent in August and 20 per cent in November. Once the process has been implemented, China A shares will account for 3.3 per cent of the MSCI Emerging Markets Index.

Meanwhile Italy is planning on becoming the first G7 country to join China's multi-trillion-dollar Belt and Road initiative. The "new silk road" project scope is vast and covers everything from Chinese investments in ports and roads to cultural exchanges and trade deals. So far around 80 countries have joined the initiative. Italy's plans prompted a stern rebuke from the White House and alarm for the EU. The main fear is that by accepting large amounts of investments, recipients would be trapped by debt further enhancing China's global influence.