End Of Week Rates Report

Date

The Penn State Asset Management Group

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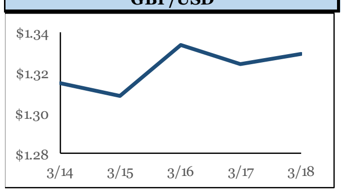
March 11, 2019 – March 15, 2019

Weekly Price Action

FX Markets Last Week		
Americas		
DXY Index	-0.64%	96.5950
USD/CAD	-0.46%	1.3346
USD/MXN	-1.01%	19.2070
USD/BRL	-0.69%	3.8148
Asia-Pacific		
USD/JPY	0.25%	111.4720
AUD/USD	0.27%	0.7089
USD/CNY	-0.19%	6.7135
Europe		
EUR/USD	0.70%	1.1326
GBP/USD	1.08%	1.3293
USD/CHF	-0.85%	1.0020

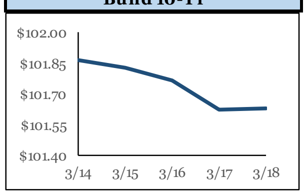
Notable FX Changes		
GBP/USD	1.08%	1.32925
EUR/USD	0.70%	1.1326
USD/CHF	-0.85%	1.00195
USD/MXN	-1.01%	1.32925

GBP/USD



Rates Market Last Week		
UST Yield Curve		
UST 2-Yr	-3bps	2.4419
UST 5-Yr	-4bps	2.4018
UST 10-Yr	-5bps	2.5907
UST 30-Yr	-1bps	3.0159
2s10s Spread	-20bps	0.1488
10s30s Spread	36bps	0.4252
10-Yr Sovereign Debt		
UST 10-Yr	-1bps	3.0159
Bund 10-Yr	2bps	0.081
JGB 10-Yr	-1bps	-0.109
UK 10-Yr	2bps	0.081
Libor		
1M LIBOR	-2bps	2.4818
3M LIBOR	1bps	2.6146
1-Yr LIBOR	-2bps	2.8459
Futures		
Fed Funds	0bps	97.6
Eurodollars	1bps	97.4

Bund 10-Yr

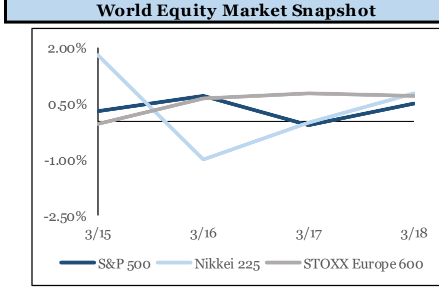


Commodities Markets Last Week		
Oil		
WTI	3.05%	$58.52
Brent	0.17%	$66.71
Emini Crude	3.05%	$58.52
Energy		
RBOB	1.12%	$1.84
Coal	-1.31%	$71.45
Natural Gas	0.83%	$2.80
Heating Oil	-1.33%	$1.97
Precious Metals		
Gold	0.91%	$1,302.90
Silver	0.33%	$15.32
Platinum	2.46%	$1,518.50
Palladium	1.84%	$831.80
Base Metals		
Copper	-1.11%	$445.15
Aluminum	-0.71%	$700.00
Steel	1.96%	$2,808.00
Zinc	3.11%	$3.73
Agriculture		
Corn	7.88%	$4.62
Wheat	2.16%	$9.09
Soybean	0.08%	$1.29
Live Cattle	37.67%	$0.87
Lean Hogs	-0.23%	$2,197.00
Cocoa	0.62%	$0.98
Coffee	1.87%	$0.13
Sugar	2.08%	$1,868.00

	Global Equity Markets Last Week		
U.S.	S&P 500	1.41%	2,822.48
U.S.	Dow Jones	0.77%	25,848.87
U.S.	NASDAQ	1.73%	7,688.53
U.S.	RUSSEL 2000	0.30%	3,860.93
U.K.	FTSE 100	1.37%	7,228.28
Tokyo	Nikkei 225	1.54%	21,450.85
Tokyo	Topix	1.34%	1,602.63
Hong Kong	Hang Seng	1.79%	29,012.26
Shanghai	CSI 300	0.40%	3,745.01
Europe	STOXX Europe 50	2.13%	3,113.68
Europe	STOXX Europe 600	2.04%	381.10
Germany	DAX	1.23%	11,685.69
France	CAC 40	2.65%	5,405.32

	Notable Index Changes		
Top Performer	CAC 40	2.65%	5405.32
Worst Performer	RUSSEL 2000	0.30%	3860.933444

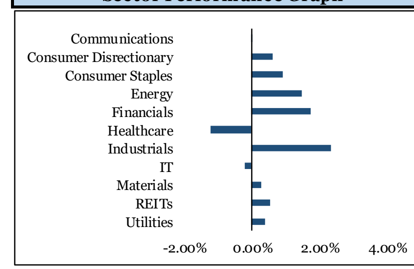
World Equity Market Snapshot



Equity Sector Performance Last Week	
Communications	0.04%
Consumer Directionary	0.64%
Consumer Staples	0.94%
Energy	1.49%
Financials	1.74%
Healthcare	-1.21%
Industrials	2.36%
IT	-0.20%
Materials	0.28%
REITs	0.53%
Utilities	0.40%

Notable Sector Performance Changes	
Industrials	2.36%
Financials	1.74%
IT	-0.20%
Healthcare	-1.21%

Sector Performance Graph



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This Week in Rates

Global Rates remained largely unchanged this week due to minimal economic data being released, causing traders to focus on news surrounding Brexit and risk sentiment ahead of next week when policy makers in the U.S., U.K., Brazil, Colombia, Iceland, Switzerland, Philippines, Indonesia, Russia, Thailand and Norway all gather to set monetary policy. None are expected to shift, but most will sound dovish in their outlooks at a time when the world economy is the shakiest since the financial crisis. The outlier is Norway, which is predicted to lift its benchmark for the second time in six months as inflation consolidates above target.

Euro zone bond yields were slightly higher this week after British lawmakers on Wednesday rejected leaving the European Union without a deal, paving the way for a vote that could delay Brexit until at least the end of June.

Irish and Italian bond yields were the only Countries in the EU to stray from the trend, both falling. Italian debt tends to rally when risk sentiment improves, unlike better-rated counterparts, while Irish bonds benefit from signs of a "soft" Brexit since Ireland is most likely to be affected by an unruly divorce between Britain and the EU. **Ireland's 10-year yield** fell 3.50 bps to 0.69 percent, outperforming most euro zone peers. Italian bond yields fell even more sharply by 7-8 bps across the board, and the closely-watched **Italy-Germany 10-year bond yield spread** tightened to around 240 bps — its tightest in a week.

German 10-year bond yields, the benchmark for the bloc, rose 2.5 bps to 0.09%; still not far from more than two-year lows of 0.048% hit earlier this month. Other high-grade **euro zone bond yields**, such as France and the Netherlands, also rose 1-2 bps on the day.

The **Sterling** had one of its strongest days this year so far on Wednesday as it became apparent which way the vote was going to go.
British gilt yields were sharply higher, with 10-year yields up as much as 5 bps. Many investors believe that a favorable outcome on Brexit would allow the Bank of England to hike rates later this year.

Greek 10-year bonds drew strong demand on Tuesday for its first issue since plunging into a debt crisis nine years ago, in a clear vote of confidence from markets in its economic revival days after securing a ratings upgrade. It raised 2.50 bn euros ($2.83 bn) from a sale that drew offers worth 11.80 bn euros, it said in a regulatory filing. The yield was set at 3.90 percent, a slim premium judged by the secondary yields of outstanding Greek bonds and down from initial guidance of 4.125 percent. The coupon was 3.875 percent.

Brazilian Bond yields fell the most this week after President Jair Bolsonaro talked about the importance of pension reform. Economists forecast Latin America's largest economy will grow 2.8% next year, up from 2.50% one month ago, according to a weekly survey compiled by the central bank.

Southeast Asia across the board has experienced low inflation and the trend seems to be enduring, raising the odds some of the region's biggest economies may reverse course on interest rates this year. Food prices have been falling across the region, driving down inflation and pushing up real interest rates. Malaysia is already in deflation, while others like Thailand are seeing almost stagnant price growth. With the Federal Reserve turning more cautious on rate hikes, investors are bracing for further monetary policy easing in Asia after India took the first step last month. While the three Southeast Asian central banks deciding rates this week – Indonesia, the Philippines and Thailand -- are likely to stay on hold, they may signal some willingness to cut in coming months.

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