

US: The Philadelphia Fed's Manufacturing Index retreated to 22.2 in January, from 27.9. The decline was primarily driven by a fall in new orders (-18.1 points). The number of employees also edged lower to 16.8 (-2.8 point). On the other hand, prices paid and received moved higher. Shipments also picked up, while there was some inventory accumulation recorded this month. Altogether, despite the decline in the headline print, the index remains well within its six-month average of 23.2 and continues to signal strong manufacturing production in the US.

Jobless claims for the week ending January 13 declined to 220k from 261k. Claims around this level were last recorded in the early 1970s. The four-week moving average edged lower to 244k. The week ending January 13 is the survey week for the January employment report, and at 220k, initial jobless claims are comfortably below where they were in the December survey week (245k), which bodes well for the outlook on employment in December. Elsewhere, continuing claims for the week ending January 6 increased to 1.95mn (from 1.88mn). The insured unemployment rate edged higher by a tenth to 1.4

UK: Retail sales unwound the Black Friday sales bounce in November, returning to the weakening trend in place since 2016. "Cyber Monday" (27 November) sales were included in the December numbers, yet total retail sales volumes rose just 0.4% 3m/3m, steadily weaker than the previous six months. Food store sales weakened -0.6% 3m/y and -1.1% m/m in December. Non-store retailing including online sales led the monthly weakness at -4.8% m/m, with the quarterly growth slowing from 13-17% in the previous six months to 9% in December. Annual headline growth numbers on the less volatile 3m/y basis remained weak at 1%, compared with the cyclical high of 5.8% 3m/y in October 2016. Mixed picture from other sales indicators had warned of a bleak December: The BRC Retail sales monitor continued to edge lower, declining to 1.1% 3m/y (values) from 1.7% 3m/y in September. The Visa Expenditure index still printed negative (-1.1 after -0.9%y/y) and the CBI distributive trades survey continued to trend lower. Finally, the GfK consumer confidence continued to drift lower over November and December with purchasing intentions declining to the lowest level in three years.

Japan: The latest capex-related data underscored the strength of the current investment cycle and augured well for the year ahead. Domestic shipments of capital goods ex-transport equipment – a coincident capex indicator – remained firm, increasing 2.4% m/m in November (October: 1.1%) for a second consecutive gain. Shipments were 1.1% higher on average in October-November than in Q3 (-0.3% q/q), roughly in line with our estimate of Q4 GDP-based real capex (1.0% q/q). At the same time, core machinery orders – a leading capex indicator – increased 5.7% m/m in November (October: 5.0% m/m) and were 3.1% higher on average in October-November than in Q3 (4.7% q/q), suggesting they are on track for another quarterly gain in Q4, contrary to the Cabinet Office forecast (-3.5% q/q) based on its survey of major machinery makers.

EM flows: Inflows into EM equity and bond funds were strong for the second consecutive week (for the week ending 17 January), nearing last week's record print.

Equity	Current		Total Return			
	Level	Dividend yield	1 week (%)	MTD (%)	QTD (%)	1 year (%)
S&P 500	2833	1.79	1.69	6.05	6.05	6.05
NASDAQ	7408	1.04	2.02	7.34	7.34	7.34
RUSSELL 2000	1605	1.28	0.83	4.56	4.56	4.56
MSCI World (Developed only)	2221	2.22	1.25	5.65	5.65	5.65
MSCI All Country World	543	2.21	1.37	5.80	5.80	5.80
MSCI Europe	136	3.20	1.07	3.37	3.37	3.37
MSCI Australia	2160	2.93	0.67	5.38	5.38	5.38
MSCI EM	1239	2.10	2.31	6.93	6.93	6.93
MSCI Asia Pacific	184	2.20	1.03	5.81	5.81	5.81
MSCI Asia ex-Japan	759	2.03	1.97	6.34	6.34	6.34
MSCI Brazil	2248	2.44	2.77	11.21	11.21	11.21
MSCI China	99	1.72	3.61	10.26	10.26	10.26
MSCI India	1313	1.25	1.65	3.79	3.79	3.79
MSCI Indonesia	7699	2.28	1.18	1.06	1.06	1.06
MSCI Korea	754	0.86	-1.07	0.75	0.75	0.75
MSCI Russia	677	4.74	2.04	12.07	12.07	12.07
MSCI Taiwan	423	3.44	3.80	7.12	7.12	7.12
Nikkei 225	24124	1.51	0.43	4.62	4.62	4.62
Shanghai Composite	3532	1.75	2.66	5.87	5.87	5.87
Hang Seng Index	32817	3.12	3.36	8.27	8.27	8.27

Fixed income	Current		Total Return			
	Spread	YTM/ YTW	1 week (%)	MTD (%)	QTD (%)	1 year (%)
Global Bonds (Barclays Global Agg)	34	1.76	-0.19	0.51	0.51	0.51
US Bonds (Barclays US Agg)	35	2.92	-0.55	-1.04	-1.04	-1.04
Global IG Corp (Barclays Global Agg Corp)	88	2.65	-0.30	0.07	0.07	0.07
Global High Yield (Barclays Global HY)	315	5.18	-0.05	0.92	0.92	0.92
EM USD Bonds (JP EMBI Global)	296	5.60	-0.29	-0.24	-0.24	-0.24
EM Corporate Bonds (JP CEMBI Div)	241	4.57	-0.13	0.07	0.07	0.07
EM Local Bonds (JP GBI-EM Global Div)	N/A	6.09	0.17	3.17	3.17	3.17
Asian USD Bonds (IACI)	213	4.07	-0.25	-0.32	-0.32	-0.32
Asian Local Currency (Markit iBoxx ALCB)	N/A	3.78	0.10	0.95	0.95	0.95

Commodities	Current		Price Change			
	Level	Yield	1 week (%)	MTD (%)	QTD (%)	1 year (%)
Goldman Sachs Commodity Index	452.50		-0.34	2.39	2.39	13.32
WTI Crude	64.04		0.58	5.96	5.96	14.83
Brent Crude	69.46		0.45	3.87	3.87	21.75
Natural Gas	3.26		4.12	10.33	10.33	0.46
Spot Gold	1337.60		-0.06	2.65	2.65	9.81
Spot Silver	17.08		-0.62	0.86	0.86	-0.89
CBOT Corn	351.50		0.93	0.21	0.21	-12.67
CBOT Wheat	424.75		1.98	-0.53	-0.53	-15.85

FX market	Current		Price Change			
	Level	Implied Yield	1 week (%)	MTD (%)	QTD (%)	1 year (%)
USD Index	90.32	N/A	-0.08	-1.95	-1.95	-9.82
AUD (quoted in USD)	0.80	2.01	0.35	2.31	2.31	5.34
GBP (quoted in USD)	1.40	0.56	1.42	3.45	3.45	11.59
EUR (quoted in USD)	1.23	-0.62	0.05	2.17	2.17	13.93
JPY	110.78	-0.41	-0.30	1.72	1.72	1.74
BRL	3.20	6.44	0.69	3.44	3.44	-1.21
CNH	6.40	3.97	0.60	1.82	1.82	6.47
CNY	6.40	4.14	0.80	1.71	1.71	6.81
INR	63.78	6.18	0.38	0.10	0.10	6.70
KRW	1070.40	1.13	-0.61	-0.30	-0.30	8.88
MXN	18.69	8.44	0.42	5.14	5.14	14.42
NZD	1.36	2.24	0.89	3.37	3.37	1.38
RUB	56.49	6.37	0.10	2.09	2.09	5.41
SGD	1.32	1.23	0.21	1.47	1.47	7.59
TWD	29.20	-0.75	1.23	1.59	1.59	7.25
TRY	3.78	13.79	0.44	0.36	0.36	-0.57
ZAR	12.10	7.28	1.53	2.34	2.34	11.49

Watch list this week	
23 January 2018	Eurozone Consumer Confidence (Jan);
24 January 2018	UK ILO Unemployment Rate (Nov); Eurozone Markit PMI surveys (Jan);
25 January 2018	Japan CPI (Dec);
26 January 2018	US GDP (Q4); UK GDP (Q4);

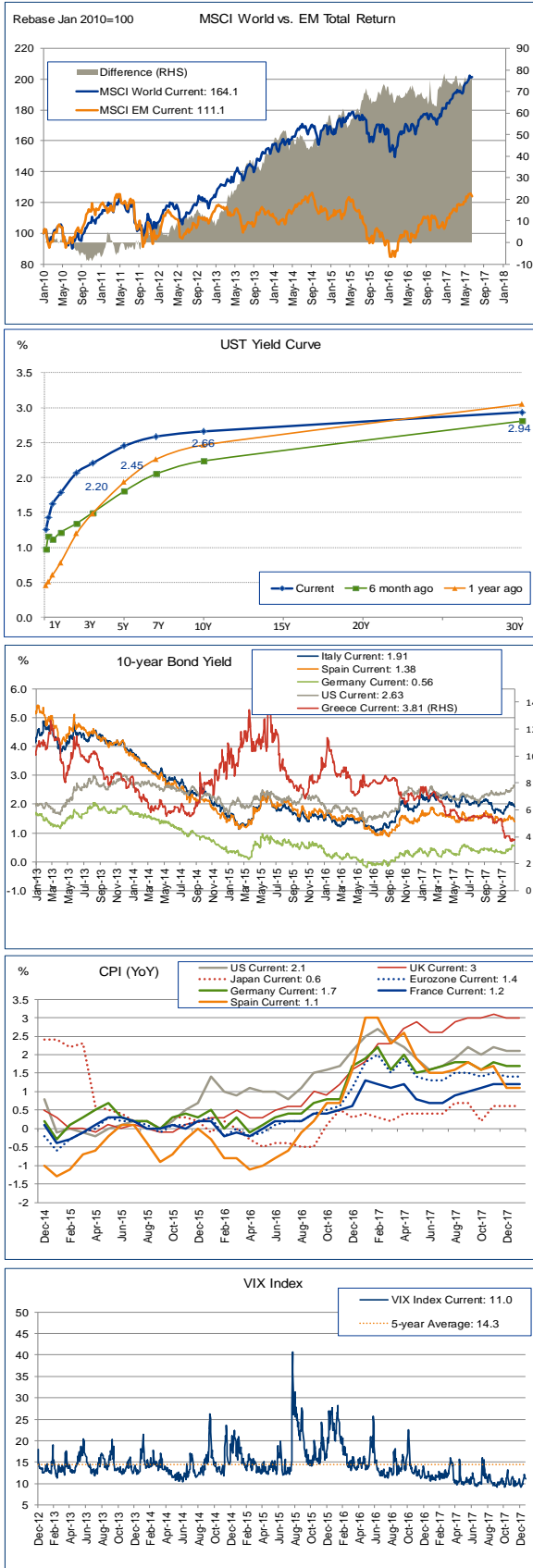
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Source: Barclays Research and HSBC research