

LAST WEEK IN 30 SECONDS...

European equities outperformed their US counterparts last week as positive earnings reports from some of the regions biggest companies helped to drive the benchmark indices higher. Swedish telecoms company Ericsson was one of the big movers, gaining 15% after shrinking losses while it continues to restructure. The French CAC 40 was the best performing index in the region, gaining 1.84% over the week.

In the US, the DJIA, NASDAQ & S&P 500 all ended the week higher despite finishing on a sour note on Friday. The catalyst for Fridays wobble was Apple which fell over 4% after a Morgan Stanley note suggested that iPhone sales are likely to be weaker than expected, affecting earnings estimates.

The 10 Year US Treasury yield is closing in on 3% after increasing 12bps last week. 3% is considered a pivotal milestone for many bond investors and a further indicator that the bond bull market is finally over.

A rally in commodities is also heaping pressure on government debt by raising inflation expectations. WTI Crude & Brent Crude oil are both up over 10% YTD while aluminium & copper prices have also surged helping to push the DJ UBS Index into positive territory.

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It's a blockbuster week for earnings reports as many of the big-name technology companies release their Q1 results. Facebook, Google & Amazon will be the most keenly watched in what is the busiest week of Q1 earnings season. Elsewhere, the ECB & BOJ meet this week with no major policy changes expected.

Equities	Value	1 Wk Change	YTD
FTSE World €	561.78	0.88%	-2.25%
DJIA	24462.94	0.42%	-1.04%
Nasdaq Comp	7146.13	0.56%	3.52%
S&P 500	2670.14	0.52%	-0.13%
CAC 40	5412.83	1.84%	1.89%

Forex	Value	1 Wk Change	YTD
EUR/USD	\$1.228	-0.39%	2.25%
EUR/GBP	£0.876	1.20%	-1.36%
EUR/YEN	¥132.25	-0.23%	-2.24%
USD/YEN	¥107.71	0.17%	-4.39%

CHART OF THE WEEK

The yield curve is the line that plots the yields of similar quality bonds against their maturities ranging from shortest to longest typically from 3 months to 30 years. Yields on long term bonds are typically higher than yields on shorter term bonds reflecting the greater risks associated with holding them. The US Treasury yield curve is continuing to flatten, despite the yield increase in longer-term debt, and looks like inverting in the near future (short term rates moving higher than longer term rates) which has been a precursor to the last 7 recessions.

10-year minus 1-year Treasury yield



Source: Reuters

Bonds 10 Yr	Value	1 Wk Change	YTD
Germany	0.59%	0.07	0.17
Ireland	0.98%	0.04	0.30
UK	1.48%	0.04	0.29
Japan	0.06%	0.02	0.01
USA	2.95%	0.12	0.54

Commodities	Value	1 Wk Change	YTD
WTI Crude	\$68.26	1.35%	12.90%
Brent Crude Oil	\$73.57	1.17%	10.45%
Gold 100 oz	\$1,338.58	-0.52%	2.69%
DJ UBS Index	\$89.85	0.64%	1.91%