

**US:** The ISM nonmanufacturing index declined to 55.9 in December from 57.4 in November. The decline in the composite index was driven by drops in business activity (to 57.3 from 61.4) and new orders (to 54.3 from 58.7). These declines were large enough to offset the modest improvement in employment and supplier deliveries. At 55.9, the composite index remains solidly in expansionary territory and in line with the six-month average of 57.1.

Headline payrolls rose by 148k. The main reason for the miss relative to our expectation came in the area of retail trade, where the sector shed 20k after adding 26k the previous months. On average retail payrolls have declined by 5k per month over the past year and the outsized drop relative to this trend accounted for the downside surprise.

**UK:** Service sector activity picked up in Q4. The headline index showed a strong rate of growth with December posting the second-fastest rate of expansion since April. Survey respondents cited increased consumer spending in December, although concerns about higher operating costs and Brexit-related uncertainties were also cited as weighing on client willingness to commit to new projects. New orders growth slowed for the second consecutive month, and the rate of staff hiring eased to the weakest level since March. Anecdotal evidence was mixed here, as on the one hand tight labour market conditions were cited as making it difficult to replace departing staff, while on the other hand, efforts to reduce operating costs were also cited as acting as a brake on hiring plans.

**Japan:** Industrial production increased 0.6% m/m in November. METI said industrial production is "picking up", upgrading its assessment from showing a "picking up movement" in October. The support came from general machinery (3.1% m/m) and electronic parts & devices (4.3% m/m). The downward push came from chemicals (excluding pharmaceuticals: -1.7% m/m), reflecting reduced output of moisturizer, latex and synthetic detergents. Shipments of capital goods excluding transport machinery, which is closely correlated with capex, increased by 3.8% m/m in November (October: +1.6%), up for two consecutive months. Such shipments were 2.3% higher on average in October-November than they were in Q3 (-0.2% q/q). METI forecast indices, released with today's data, pointed to production increases of 3.4% m/m in December and decreases of 4.5% m/m in January. The headline METI forecasts for December suggest production is on track to increase by 3.6% q/q in Q4 (Q3: 0.4% q/q).

**EM flows:** In the week to 3 January, flows into both EM dedicated equity and EM dedicated bond funds remained sizeable, adding to the positive flow momentum over the holiday season.

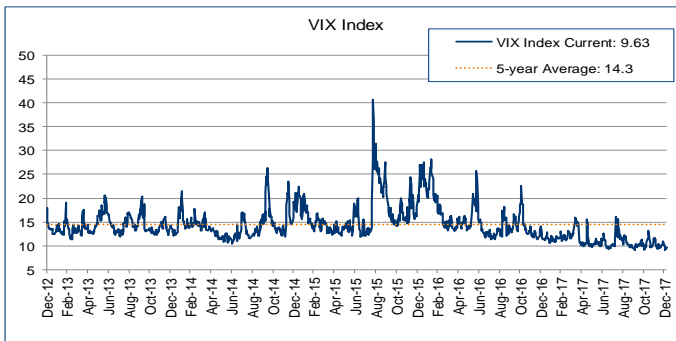
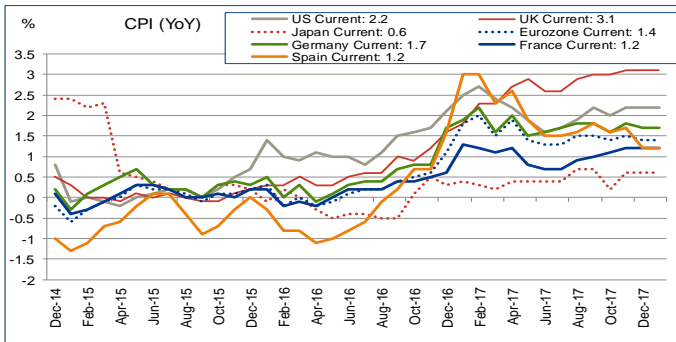
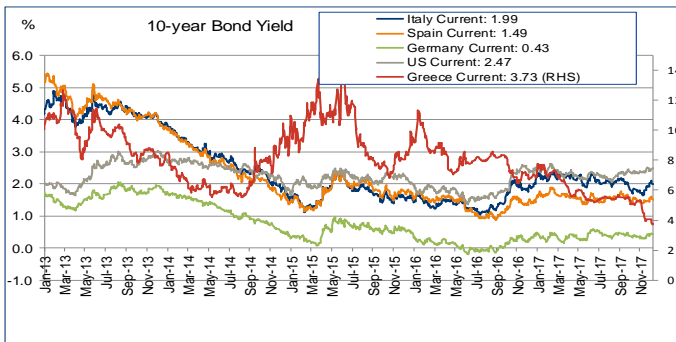
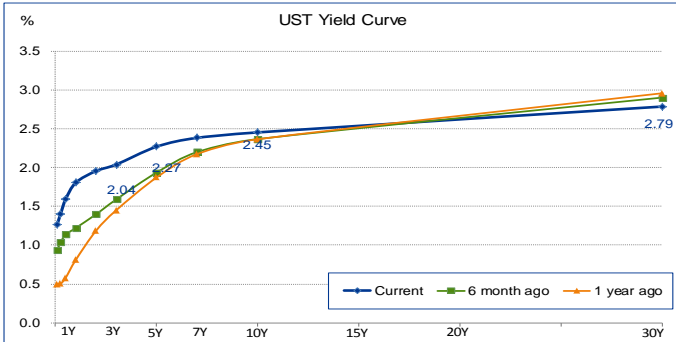
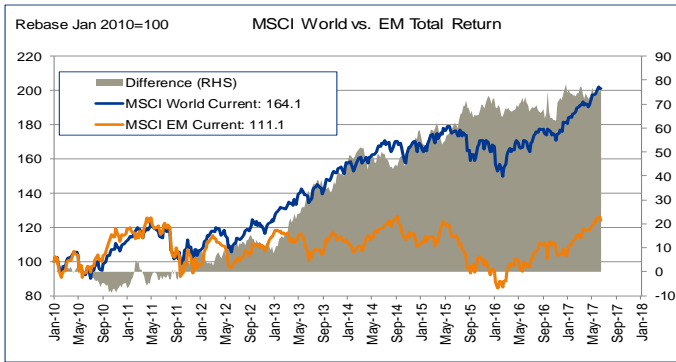
Equity	Current		Total Return			
	Level	Dividend yield	1 week (%)	MTD (%)	QTD (%)	1 year (%)
S&P 500	2743	1.84	2.63	2.63	2.63	2.63
NASDAQ	7137	1.08	3.40	3.40	3.40	3.40
RUSSELL 2000	1560	1.32	1.61	1.61	1.61	1.61
MSCI World (Developed only)	2157	2.27	2.54	2.54	2.54	2.54
MSCI All Country World	527	2.26	2.68	2.68	2.68	2.68
MSCI Europe	134	3.22	2.08	2.08	2.08	2.08
MSCI Australia	2101	2.95	2.45	2.45	2.45	2.45
MSCI EM	1201	2.15	3.68	3.68	3.68	3.68
MSCI Asia Pacific	179	2.23	3.13	3.13	3.13	3.13
MSCI Asia ex-Japan	738	2.09	3.49	3.49	3.49	3.49
MSCI Brazil	2146	2.51	6.12	6.12	6.12	6.12
MSCI China	94	1.79	5.61	5.61	5.61	5.61
MSCI India	1272	1.29	0.56	0.56	0.56	0.56
MSCI Indonesia	7561	2.32	0.21	0.21	0.21	0.21
MSCI Korea	763	0.85	1.84	1.84	1.84	1.84
MSCI Russia	640	4.97	6.18	6.18	6.18	6.18
MSCI Taiwan	404	3.60	2.28	2.28	2.28	2.28
Nikkei 225	23715	1.54	4.17	4.17	4.17	4.17
Shanghai Composite	3409	1.81	2.56	2.56	2.56	2.56
Hang Seng Index	30900	3.31	2.99	2.99	2.99	2.99

Fixed Income	Current		Total Return			
	Spread	YTM/ YTW	1 week (%)	MTD (%)	QTD (%)	1 year (%)
Global Bonds (Barclays Global Agg)	35	1.69	-0.10	-0.10	-0.10	-0.10
US Bonds (Barclays US Agg)	35	2.78	-0.32	-0.32	-0.32	-0.32
Global IG Corp (Barclays Global Agg Corp)	92	2.59	-0.12	-0.12	-0.12	-0.12
Global High Yield (Barclays Global HY)	320	5.09	0.70	0.70	0.70	0.70
EM USD Bonds (JP EMBI Global)	300	5.48	0.34	0.34	0.34	0.34
EM Corporate Bonds (JP EMBI Div)	251	4.45	0.27	0.27	0.27	0.27
EM Local Bonds (JP GBI-EM Global Div)	N/A	6.06	1.78	1.78	1.78	1.78
Asian USD Bonds (JACI)	219	3.95	0.05	0.05	0.05	0.05
Asian Local Currency (Markit iBoxx ALCB)	N/A	3.72	0.88	0.88	0.88	0.88

Commodities	Current	Price Change			
		1 week (%)	MTD (%)	QTD (%)	1 year (%)
Goldman Sachs Commodity Index	443.70	0.96	0.40	0.40	11.45
WTI Crude	61.43	1.67	1.67	1.67	6.65
Brent Crude	67.47	0.90	0.90	0.90	14.71
Natural Gas	2.86	-3.32	-3.32	-3.32	-13.09
Spot Gold	1316.57	1.08	1.04	1.04	11.47
Spot Silver	17.15	1.20	1.26	1.26	3.56
CBOT Corn	350.25	-0.14	-0.14	-0.14	-11.10
CBOT Wheat	426.75	-0.06	-0.06	-0.06	-12.42

FX market	Current		Price Change			
	Level	Implied Yield	1 week (%)	MTD (%)	QTD (%)	1 year (%)
USD Index	92.26	N/A	0.14	0.14	0.14	-9.75
AUD (quoted in USD)	0.78	1.95	0.38	0.33	0.33	6.54
GBP (quoted in USD)	1.35	0.53	0.26	0.12	0.12	11.30
EUR (quoted in USD)	1.20	-0.61	-0.17	-0.10	-0.10	13.42
JPY	113.23	-0.40	-0.54	-0.48	-0.48	2.47
BRL	3.23	6.22	2.57	2.57	2.57	-1.01
CNH	6.50	4.00	0.28	0.27	0.27	5.89
CNY	6.50	4.15	0.12	0.12	0.12	6.74
INR	63.41	5.92	0.76	0.68	0.68	7.41
KRW	1067.24	1.27	-0.06	-0.01	-0.01	12.75
MXN	19.23	8.34	2.41	2.18	2.18	11.16
NZD	1.40	2.21	0.83	1.00	1.00	2.11
RUB	57.11	6.70	1.52	0.99	0.99	5.32
SGD	1.33	1.24	0.46	0.47	0.47	7.90
TWD	29.55	0.64	0.49	0.39	0.39	8.32
TRY	3.75	13.44	0.98	1.03	1.03	-1.03
ZAR	12.38	7.29	0.03	0.01	0.01	10.47

Watch list this week	
09 January 2018	Eurozone Unemployment Rate (Nov);
10 January 2018	UK Industrial Production (Nov); China CPI (Dec);
11 January 2018	--
12 January 2018	US CPI (Dec);



Source: Barclays Research and HSBC research

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