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Banco Espirito (BES PL) 1-Year Price History
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Deutsche Bank - Fixed Income Research

Early Morning Reid - Macro Strategy
01 July 2014 (6 pages/ 178 kb)

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Key Market Data

(Index @ Close // Change)
(ITX Crossover @ 242 // +3)
(ITX Europe 125 @ 62 // +1)
(CDX 125 @ 59 // +1)
(CDX HY - pts @ 108.66 // -0.154)
(S&P 500 @ 1960 // -0.04%)
(Brent Oil[^] @ 112.55 // -0.66%)
(Gold[^] @ 1327 // +0.83%)
(10 yr Treasury[^] @ 2.52 // -1 bp)
[^] - Change from previous day's 5:30 GMT to 05:30 GMT

Macro Strategy (J. Reid, N. Burns, A. Ip)

I'll be honest and say that yesterday's EMR was a bit of a daze. I had a belated party for my 40th on Saturday and spent virtually the entire Friday night awake with my builders trying to put a house back together that has been owned by the builders for 8 months. I had 15 people there until 4am Friday night with 3 of them working non-stop until the first guests arrived at 230pm. Never have I been so stressed and tired. So all day Sunday and Monday morning were a bit of a daze. Sadly I'm now back living with builders again as they finish things off after the party. It was blissful for the few hours we were apart. At least we've moved out of the kitchen where we were living and sleeping for nearly 5 months before last week. Hopefully by the time the second half of the year ends I'll never have to see a builder again.

Anyway, the second half has now begun for markets and in our H1/Q2/ June performance review today we show that most assets have had a positive year so far. So much so that if the year eventually goes to penalties it will end up being a very poor second half showing in line with many of England's in recent years!! We briefly review the numbers at the end but all the data and charts are in the pdf of this document. Its pretty rare to have almost all main global assets in positive territory this far into a year. Central bank liquidity continues to drive markets in our opinion which has helped this synchronised uplift in valuations. However we can't help sensing that there's less joy over these returns than might be expected. Investors are worried about valuations in numerous assets and worried that the Fed might become more hawkish soon. There's little chance of the ECB following suit anytime soon though and European Government bonds have had a very good 2014 so far.

Over the last month we've again highlighted how many European Government bond markets have hit multi-century, all time yield lows. Well yesterday it was the turn of the Dutch 10 year yield to go through it's all time low again. The Dutch series is where we have our longest history of any government bond market with data going back to 1517 spanning almost half a millennia. The graph is in the pdf today and further shows just how unique the current