Markit Recap – 6/30/2014

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The World Cup group stages have been finalised yesterday with many surprise exits, and it appears South American nations will be dominating the second stage of the world's largest sports event. While the tournament continues full throttle, the financial markets have also had an eventful week with many economic data announcements.

The Markit Flash US Manufacturing PMI for June was released last Monday which revealed an increase of 1.3 points to land at 57.5, compared to May. Furthermore, new home sales in the US beat expectations with an annual rate of 504,000 in May and comfortably exceeded April's figure of 433,000.

However, despite the positive data releases in the US, the Markit CDX Investment Grade index has not changed much week-on-week closing at 56.82bps on Thursday compared to 56.28bps last week. These are still some of the tightest spreads for the index since its release back in March.

Europe failed to beat the US in terms of positive data releases. The Markit Flash Eurozone PMI Composite Output Index for June came in at a six-month low level of 52.8. The index is a weighted average of the Manufacturing PMI Output and Services PMI Activity indices and measures growth within the Eurozone region.

The Markit iTraxx Europe index widened 2.83bps week-on-week to close at 59.89bps on Thursday. The Markit iTraxx Europe Crossover index took a bigger hit widening 13.95bps in a week to close at 237.09bps on Thursday.

On the corporate front, the Portuguese bank Banco Espirito Santo SA grabbed the headlines earlier this week as uncertainty on the future of its management hit both its share price and CDS spreads. CDS on Banco Espirito is highly liquid, and according to data compiled by the Depository Trust & Clearing Corporation (DTCC), market risk transfer has occurred on 136 contracts summing up to a total of $533 million.

Banco Espirito's CDS spreads have responded negatively to the headlines widening 66.55bps week-on-week to close at 245.26bps on Thursday.

Other than the mass attention expected to turn towards the Round of 16 of the World Cup in Brazil, market data releases scheduled for next week will also be well anticipated as we now approach the quiet summer season. The ISM Manufacturing Index data release and Fed Chair Janet Yellen's speech at the IMF central banking conference are some of the major events to watch out for.

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