

Carlsquare/Vontobel weekly trading note: Lower credit spreads reflected in rising HYG

After a sharp rise in the price of cattle, a report from the US Department of Agriculture (USDA) has caused this commodity to fall. We also note that credit spreads in the bond market between high-risk and low-risk issuers have narrowed, presumably reflecting improved risk sentiment.

Live cattle prices hit the ATH at a CFD price of 192 USD/Lbs. Since then, however, prices have started to look fragile, with a CoF report from the United States Department of Agriculture (USDA) causing bearish sentiment. We see prices continuing to fall and reaching a support level where a bounce could be possible.

The most important macroeconomic report this week is the US PCE Deflator due on Friday 29th March. High yield credit spreads have tightened recently.

Technically, US equity indices remain strong, although the S&P500 is losing some momentum.

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Contact

MARKUS AUGUSTSSON

Head of Equity Research

markus.augustsson@carlsquare.com

+46 (0)76 235 03 20

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