

# BITE THE ASS OFF BEAR: THE BLOG

## *The Week in Pictures*



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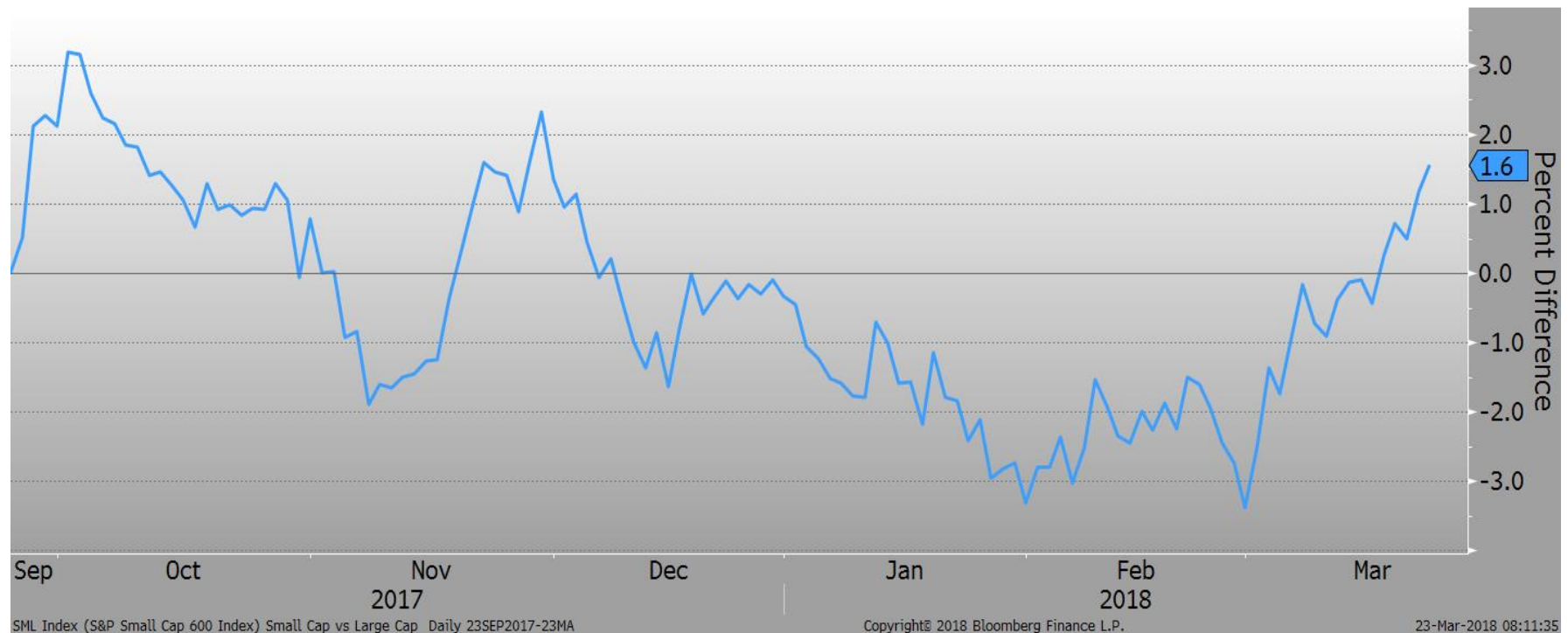
March 26, 2018

# Small Cap Equities



## Small Cap vs Large Cap

(S&P Small Cap 600 vs S&P 500)

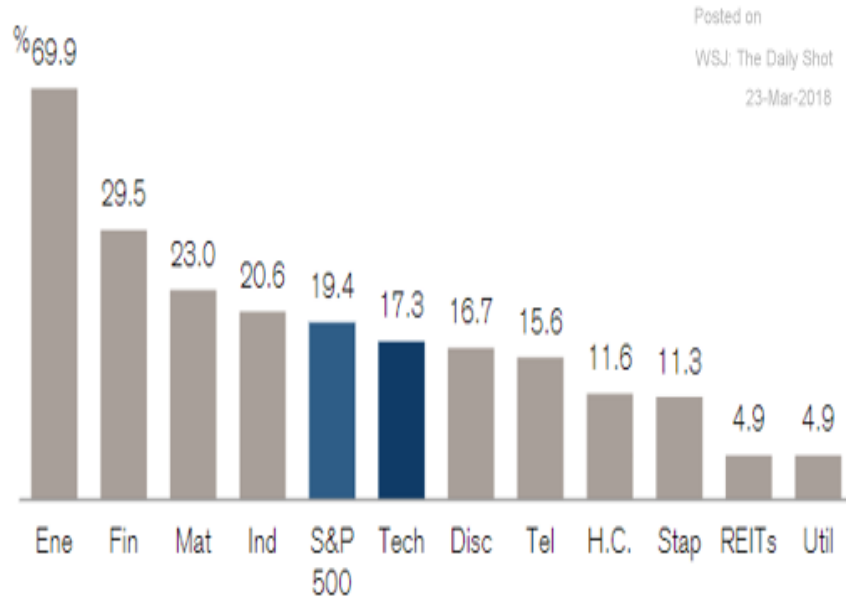


Small cap stocks continue to outperform their large cap counterparts. Trade tariffs and Tech regulations have a bigger impact on global companies.

# Impact of Tax Reform

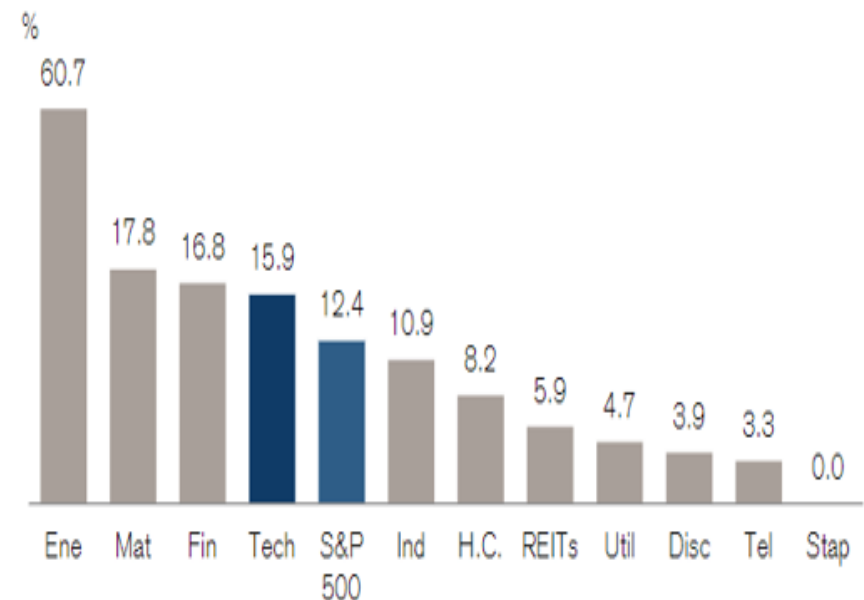


2018 Earnings Growth: Including Tax Impacts



Source: Standard & Poor's, Thomson Financial, FactSet, Credit Suisse

2018 Earnings Growth: Underlying Trends before Tax Impacts



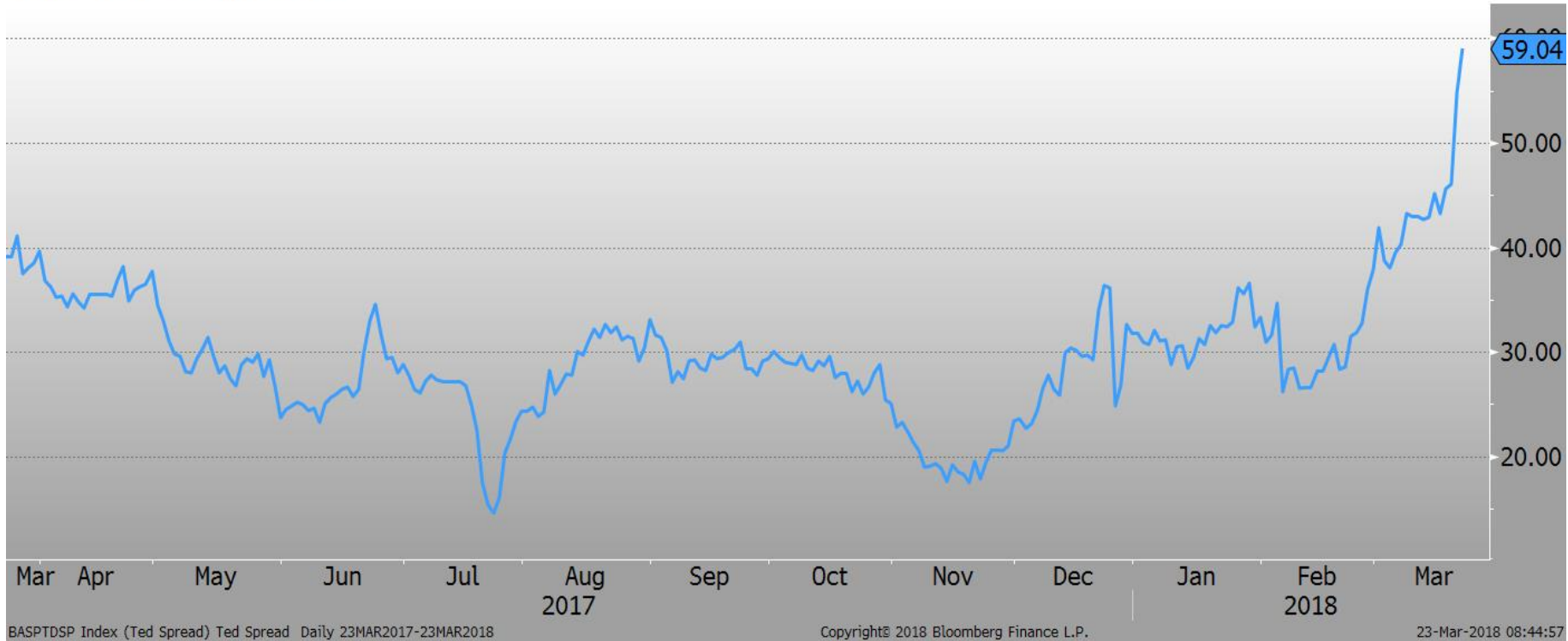
Note: Utilities earnings growth adjusted for companies with 100% tax deferrals from prior bonus depreciation (2015 Jobs Act).  
Source: Standard & Poor's, Thomson Financial, FactSet, Credit Suisse

The financial sector is one of the largest beneficiaries of tax reform. Earnings growth for S&P as a whole is expected increase to 19.4% from 12.4%.

# TED Spread

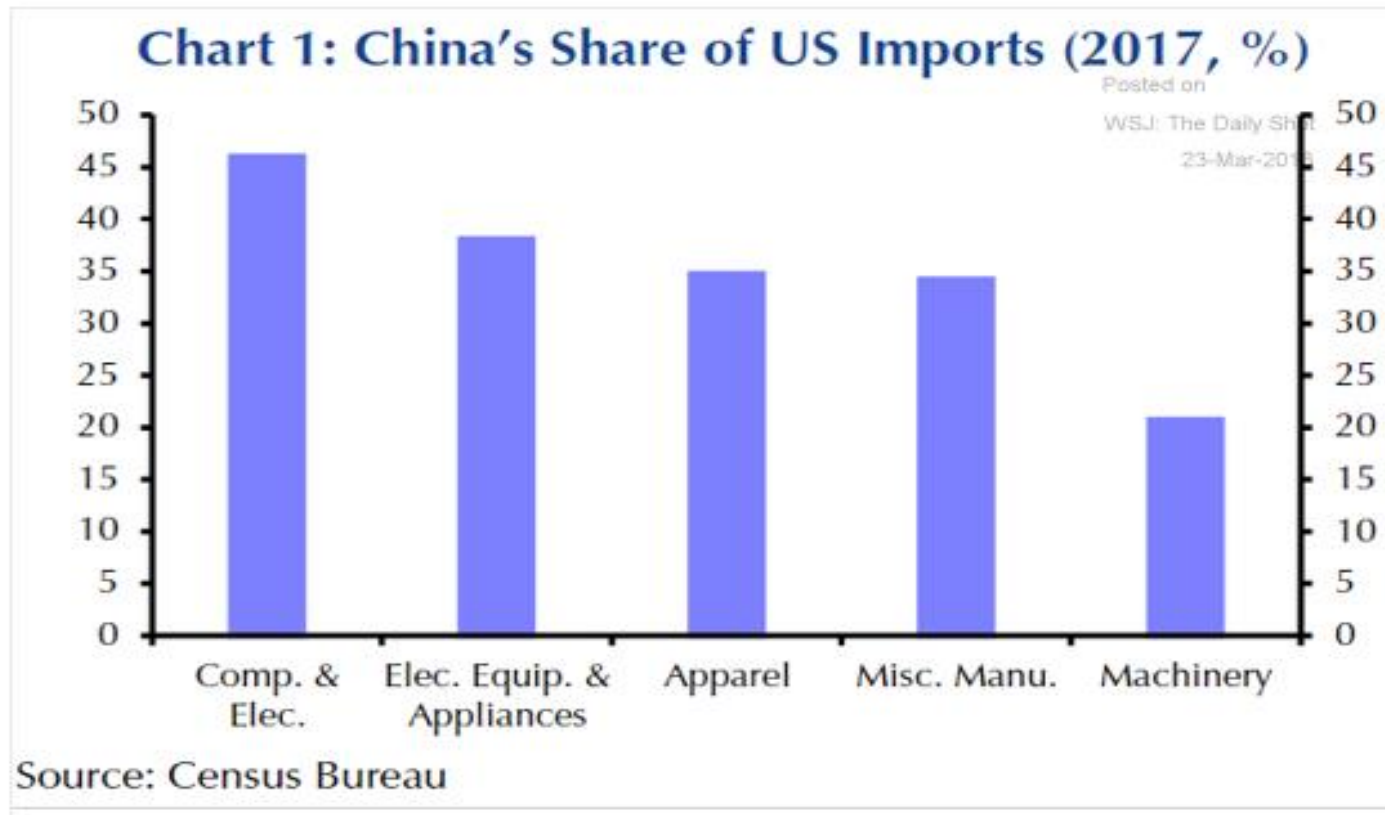


## 3m TED Spread



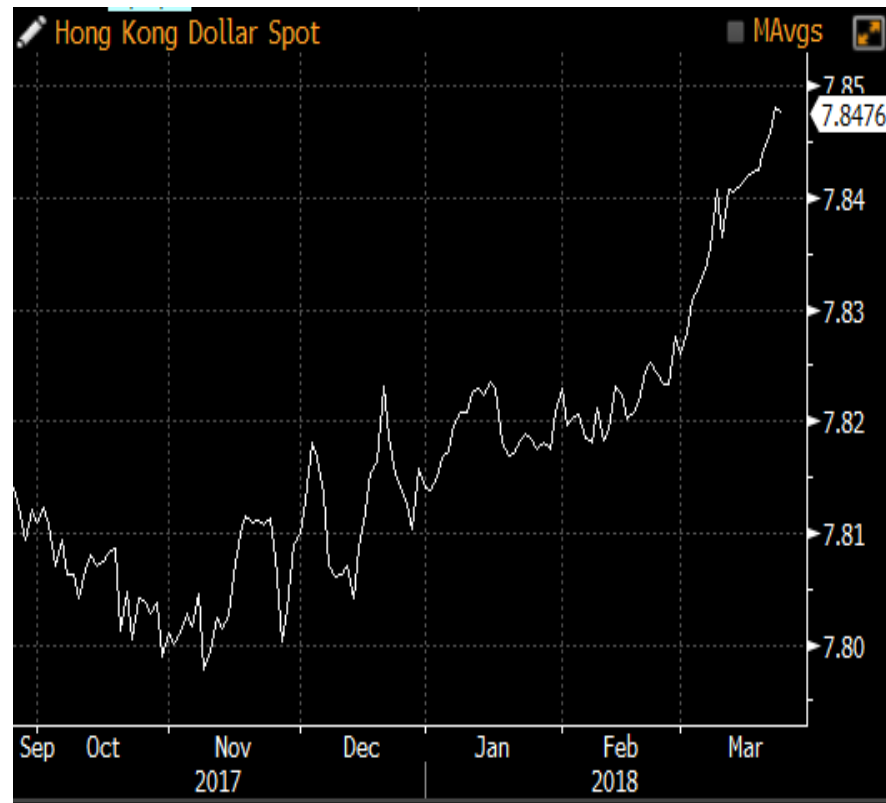
The difference between 3m T-Bills and 3m LIBOR continues to widen. Lack of demand for short-term USD credit has caused LIBOR to widen.

# Impact of China Tariffs



China accounts for up to 45% of imports in certain sectors. Tariffs are a big deal.

# FX Highs & Lows

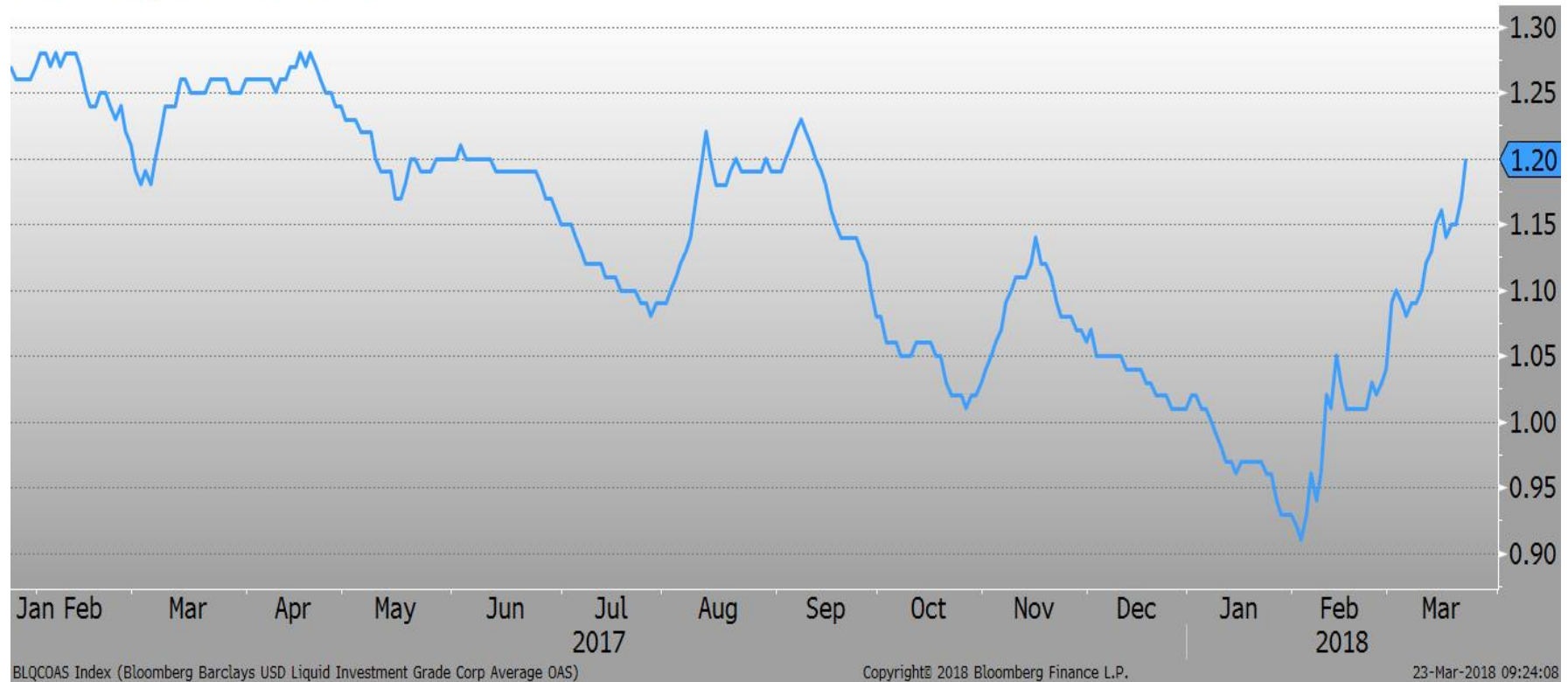


JPY is strengthening (new 6m high) while the HKD is weakening (new 6m low).

# US Investment Grade Credit



## Barclays US IG OAS



IG credit spreads are leaking wider.

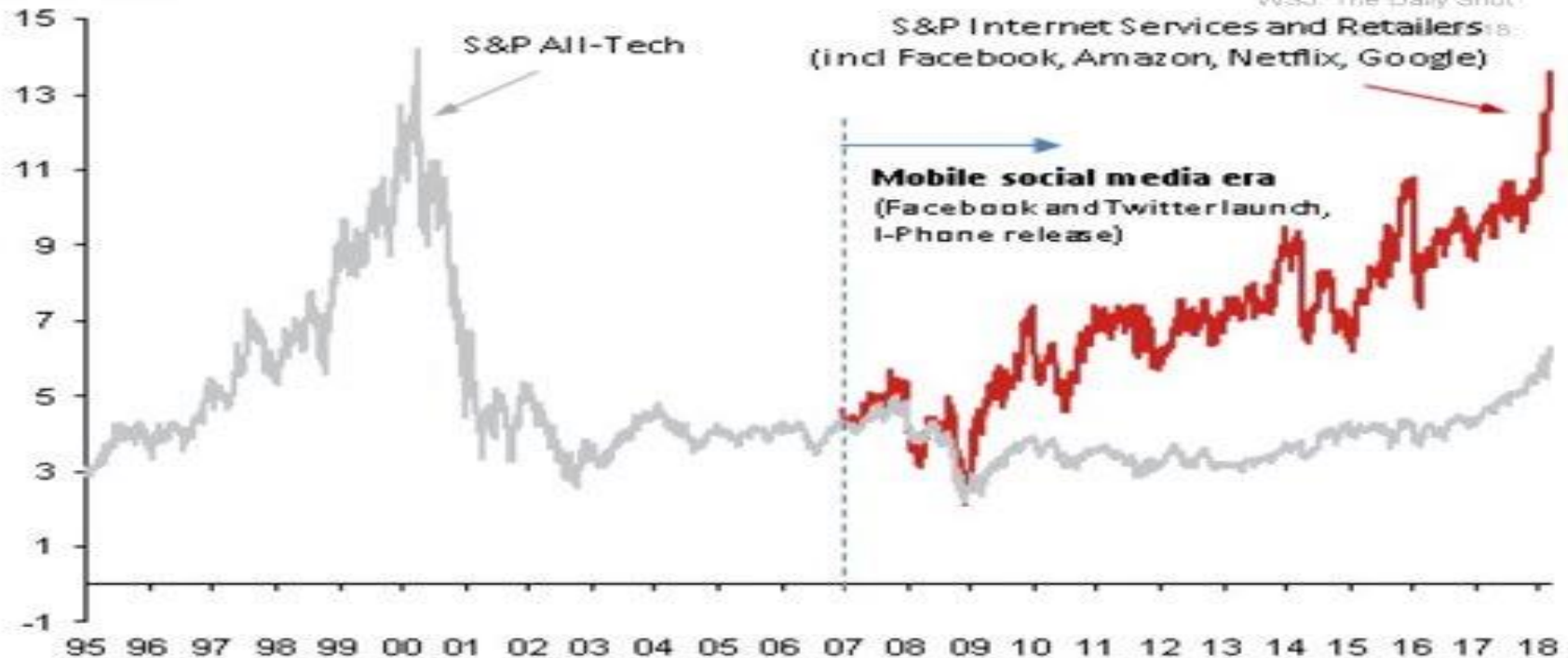


# FANG Valuations



**Fig. 1: Valuations of FANG-type stocks reaching extremes**

price-book ratio



Source: Nomura, Bloomberg

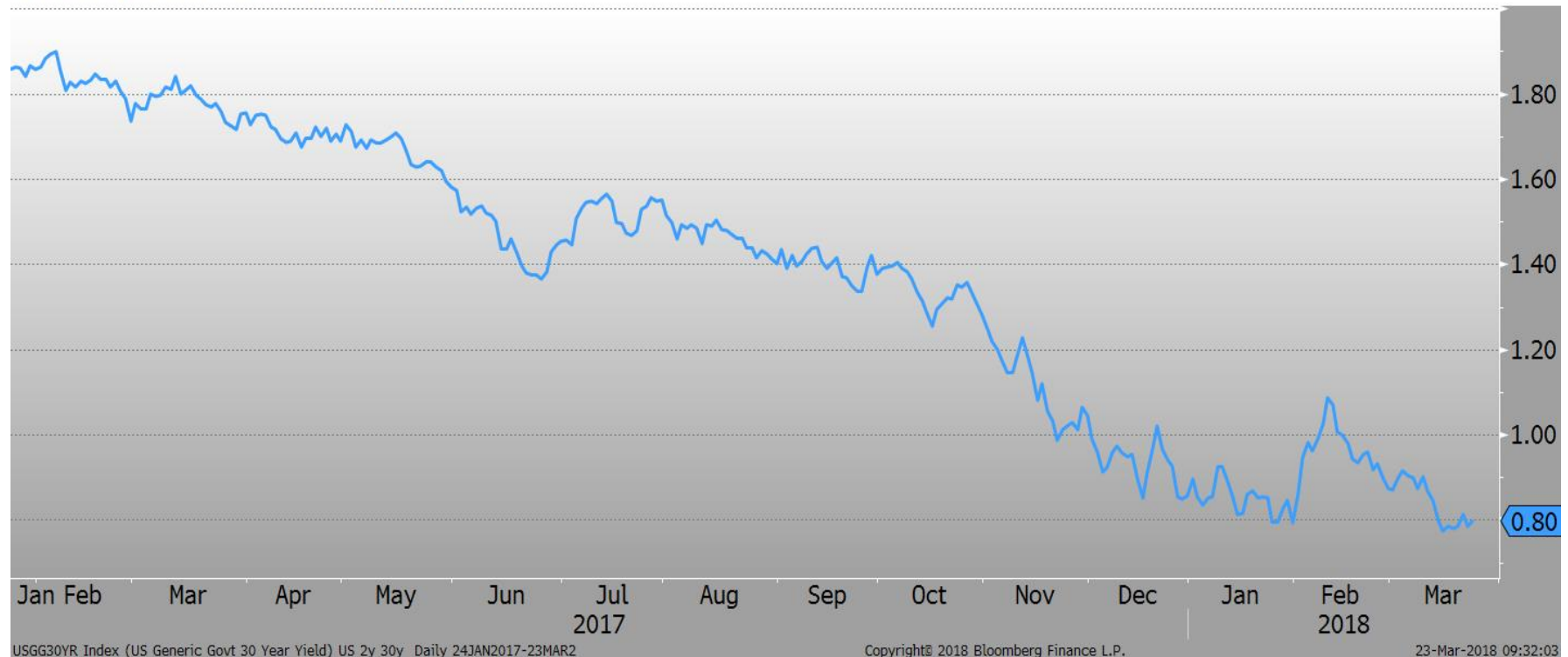
FANG stock price-to-book valuations are similar to the tech sector as a whole during the dotcom bubble.



# Yield Curve Flattening

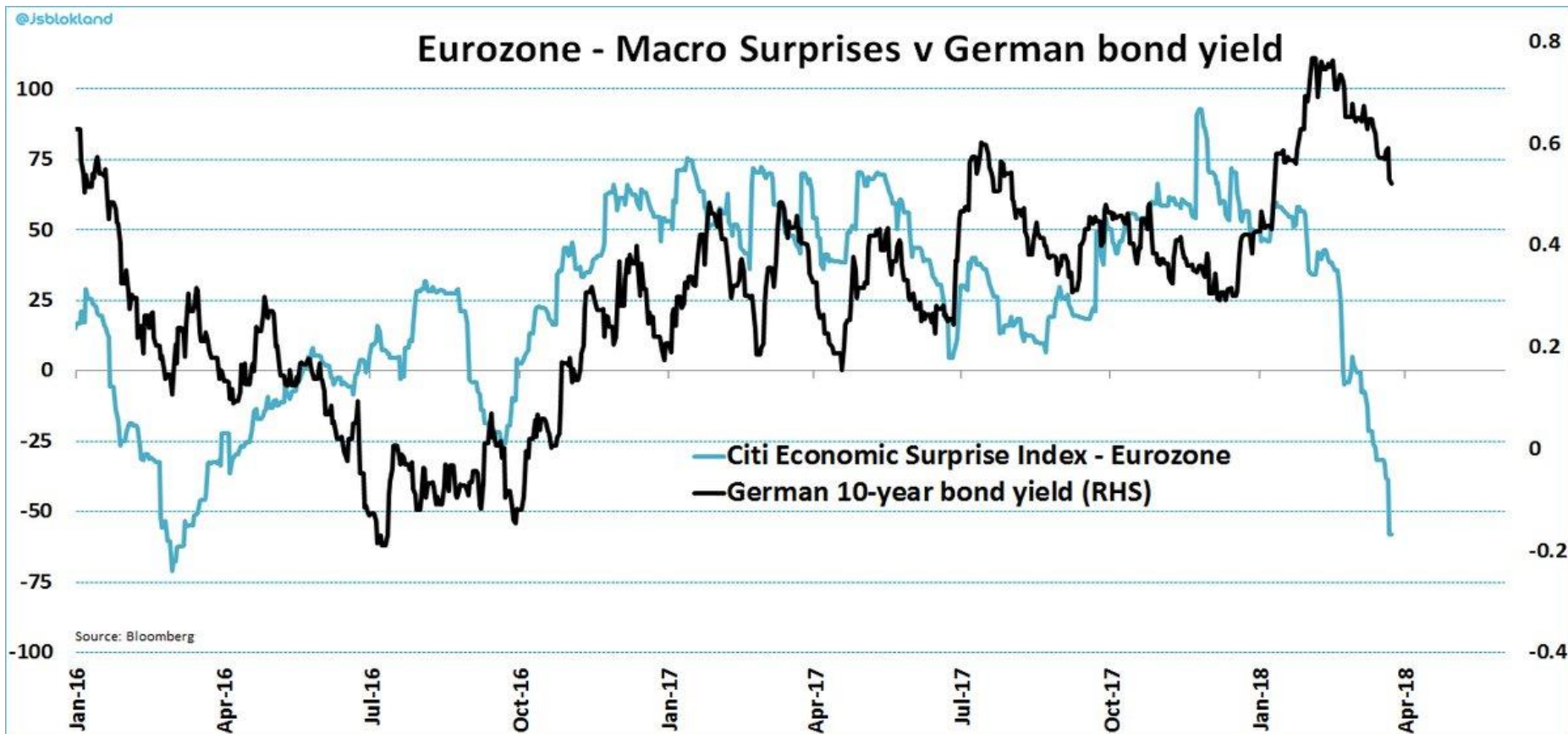


## US 2Y30Y UST Spread



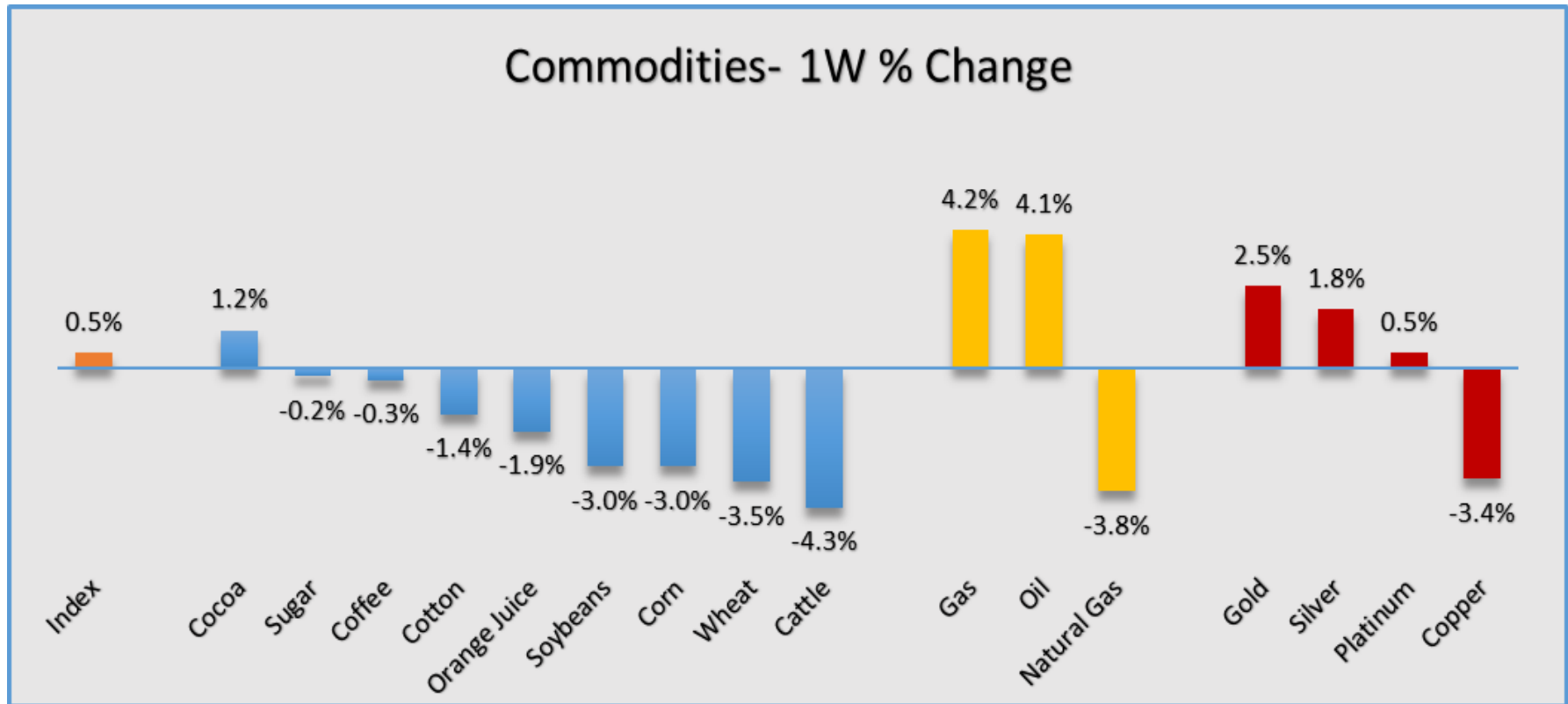
The 2y/30y yield curve spread touched a new low this week, despite the “flight to quality” coming from equity market weakness.

# European Bond Yields



European economic data has been disappointing.  
Bund yields have responded accordingly.

# Commodity Returns



Commodities were mixed last week: Gold was up, Copper was down. Agriculture commodities fell, oil & gas rose.

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