

Market Weekly Review

Week ending **4 January 2015**

- Global growth prospects worry markets
- Oil price continues to fall
- Anti-austerity Syriza leads in Greek polls
- ECB hints strongly at further monetary easing
- Chinese manufacturing activity contracts

The pace of global growth remains a worry for investors at the beginning of the New Year, as Brent crude continues to fall (-5.1% last week) and global equities returned a disappointing -1.4%. US equities suffered on the back of poor manufacturing data, with December's ISM manufacturing print reading 55.5 versus consensus expectations of 57.5 (a number greater than 50 indicates expansion). New order numbers also attracted attention printing 57.3 compared to 66.0 in November. US equities returned -1.4%, while US Treasuries added 0.8%. At the time of writing, the US dollar has appreciated by a further 0.5% on Monday 5 January, to reach an eleven-year high against a basket of major currencies.

In Europe, equities fell by 0.8% in euro terms last week as worries surrounding the upcoming Greek election take hold. Current polls suggest that the leftist, anti-austerity Syriza party will win the upcoming general election which is scheduled for 25 January. The snap-election, a result of the current Greek parliament failing to elect a new president, could lead to a confrontation between Greek policy makers and the EU, as the Syriza party looks to renegotiate the Greek bailout conditions.

Over the weekend, the German periodical Der Spiegel suggested that German Chancellor, Angela Merkel, is now confident that Greece leaving the euro would no longer be calamitous (although this assertion has now been refuted by the German government). Der Spiegel noted that Ms Merkel and her finance

minister, Wolfgang Schaeuble, believe that the reforms put in place following the 2012 euro crisis are sufficient to prevent contagion across the continent, citing German government insiders. With the possibility of Greece leaving the euro area in a so called "Grexit", the currency has fallen to a nine-year low versus the greenback at time of writing.

European assets have also reacted to comments made by Mario Draghi, President of the European Central Bank (ECB), last week, in an interview with the German newspaper Handelsblatt. Mr Draghi noted that the central bank is "preparing to alter the size, speed and composition" of its current bond-buying programme, hinting strongly at the possibility of buying euro area government bonds. He also stated that there is currently a "higher risk than six months ago" to the ECB's mandate of price stability in the common currency bloc. European government bonds reacted to the news by gaining 0.8% in euro terms last week, as yields on European government bonds fell. The yield on the 5-year German bund closed in negative territory for the first time ever.

Asian equities bucked the global trend over the past few days, posting positive returns of 1.7% last week, despite Chinese manufacturing data surprising on the downside. The China HSBC/Markit Chinese Purchasing Managers' Index (PMI) dropped from 50.0 in November to 49.6 in December (a PMI reading below 50 indicates a contraction in activity). In other Emerging Markets the falling price of oil continues to have a significant impact. Emerging European equities fell by 4.5% and Latin American equities fell by 2.7%. Russia continues to suffer as a result of Western sanctions combined with the plummeting price of energy. Its economy contracted for the first time in five years in November, with GDP shrinking by 0.5% on an annualised basis, compared to November last year.

Asset Class/Region	Currency	Currency returns			
		Week ending 2 Jan. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	-1.4%	0.0%	0.0%	14.0%
United Kingdom	GBP	-0.9%	-0.3%	-0.3%	0.7%
Continental Europe	EUR	-0.8%	-0.1%	-0.1%	7.4%
Japan	JPY	-1.4%	0.0%	0.0%	10.3%
Asia Pacific (ex Japan)	USD	1.3%	0.3%	0.3%	3.8%
Australia	AUD	0.9%	0.5%	0.5%	5.8%
Global	USD	-1.4%	-0.3%	-0.3%	5.6%
Emerging Market Equities					
Emerging Europe	USD	-4.5%	0.2%	0.2%	-29.4%
Emerging Asia	USD	1.7%	0.6%	0.6%	6.7%
Emerging Latin America	USD	-2.7%	-3.2%	-3.2%	-13.4%
BRICs	USD	1.4%	0.3%	0.3%	-1.4%
MENA countries	USD	-2.3%	0.4%	0.4%	2.8%
South Africa	USD	0.0%	-1.7%	-1.7%	4.4%
India	USD	3.0%	1.3%	1.3%	34.5%
Global emerging markets	USD	0.3%	-0.3%	-0.3%	-1.3%
Bonds					
US Treasuries	USD	0.8%	0.3%	0.3%	6.3%
US Treasuries (inflation protected)	USD	1.1%	0.7%	0.7%	4.8%
US Corporate (investment grade)	USD	0.8%	0.4%	0.4%	7.6%
US High Yield	USD	0.1%	0.0%	0.0%	2.4%
UK Gilts	GBP	1.4%	0.9%	0.9%	15.1%
UK Corporate (investment grade)	GBP	1.3%	0.3%	0.3%	12.5%
Euro Government Bonds	EUR	0.8%	0.5%	0.5%	13.4%
Euro Corporate (investment grade)	EUR	0.3%	0.1%	0.1%	8.5%
Euro High Yield	EUR	-1.0%	-0.5%	-0.5%	-7.3%
Japanese Government	JPY	0.1%	0.0%	0.0%	4.8%
Australian Government	AUD	0.5%	-0.3%	-0.3%	11.4%
Global Government Bonds	USD	0.3%	0.0%	0.0%	0.8%
Global Bonds	USD	0.2%	-0.1%	-0.1%	1.0%
Global Convertible Bonds	USD	-0.8%	-0.2%	-0.2%	-0.9%
Emerging Market Bonds	USD	-0.2%	-0.1%	-0.1%	6.2%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 2 Jan. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	0.2%	1.5%	1.5%	30.9%
Australian Property Securities	AUD	-2.0%	1.2%	1.2%	21.0%
Asia Property Securities	USD	1.4%	0.9%	0.9%	0.2%
Global Property Securities	USD	0.3%	0.8%	0.8%	14.9%
Currencies					
Euro	USD	-1.5%	-0.8%	-0.8%	-12.2%
UK Pound Sterling	USD	-1.5%	-1.6%	-1.6%	-6.8%
Japanese Yen	USD	-1.2%	-1.2%	-1.2%	-13.7%
Australian Dollar	USD	-0.4%	-1.0%	-1.0%	-9.2%
South African Rand	USD	-1.3%	-1.5%	-1.5%	-9.1%
Swiss Franc	USD	-1.4%	-0.7%	-0.7%	-10.2%
Chinese Yuan	USD	0.4%	0.0%	0.0%	-2.5%
Commodities & Alternatives					
Commodities	USD	-2.8%	-0.7%	-0.7%	-21.7%
Agricultural Commodities	USD	-3.0%	-1.0%	-1.0%	-6.9%
Oil	USD	-5.1%	-1.6%	-1.6%	-47.7%
Gold	USD	-0.6%	0.4%	0.4%	-2.9%
Hedge funds	USD	0.3%	0.0%	0.0%	-0.4%

* Estimate

Source: Bloomberg

For more information, please contact your adviser or alternatively contact:

Financial Partners Ltd.
泛柏資產管理有限公司
24/F, Kinwick Centre
32 Hollywood Road
Central, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
client.services@f-p.hk
www.f-p.hk
A Member of Wealthnet

Important notes

This communication is issued by Financial Partners Limited 泛柏資產管理有限公司 and/or a Financial Partners' related company (collectively, and individually "FP") solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of FP. Opinions or views of any FP company expressed in this communication may differ from those of other departments or companies within FP, including any opinions or views expressed in any research issued by FP. FP may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. FP has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advice to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by FP.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or returns (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by FP are not the only ones that might reasonably have been selected and therefore FP does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of FP, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. FP therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communications carried within the FP system may be monitored.