FP FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending **8 February 2015**

- Global equities rise
- US jobs data surprise on upside
- European leaders meet Putin
- Greece strikes defiant tone
- China hits record trade surplus

Global equities performed well last week adding 2.6%. US stocks added 3.1%, while US Treasuries fell by 1.5% as strong economic data brought forward expectations of a rate hike by the Federal Reserve. The UK's equity market added 1.6% while its gilt market fell by 2.8%, in sterling terms. Emerging markets added 1.8%, with emerging Europe adding 5.5% despite on-going concerns about the conflict in Ukraine. The euro had a volatile week against the US dollar, but ended the week +0.2% while the Japanese yen weakened by 2.4% against the greenback.

The latest US payroll number surprised on the upside with the US economy adding 257,000 jobs in January versus forecasts of a 228,000 increase. The three month average growth rate hit +336,000 ? the largest three month average increase since 1997. The US Federal Reserve is set to meet later this month, where the attention will be focused on Chair Janet Yellen's statement and any signs of a more hawkish stance going forward. The ADP employment print came in a little lower than expected, however, at +213,000 (versus expectations of 223,000).

In Europe, geopolitics continues to dominate the headlines. The German Chancellor Angela Merkel and her French counterpart François Hollande flew to Moscow to meet Vladimir Putin last week as Russian-led rebels continue to make inroads into Ukraine. The diplomatic effort will continue this week with representatives from France, Germany, Ukraine and Russia meeting in Minsk, hoping to forge a diplomatic solution. US President Barack Obama and his administration seem increasingly likely to arm Ukrainian rebels, a move resisted so far by European leaders.

In Greece, fears of a potential stand-off between the highly indebted country and its creditors increased. The newly elected Greek Prime Minister, Alexis Tsipras, struck a defiant tone in a speech to the Greek parliament over the weekend, resolutely rejecting calls to extend the international bailout package. Instead, Mr Tsipras is calling for a bridge loan to be implemented, allowing negotiations around Greece's debt to take place.

The European Central Bank (ECB) announced last week that it will no longer accept Greek government debt as collateral when lending to Greek banks, a surprise move that many interpreted as the ECB hardening its stance ahead of debt negotiations. Greek banks will still be able to fund themselves through the Emergency Liquidity Assistance (ELA) programme, although it is worth noting that access to this facility is reviewed by the ECB every fortnight.

Data released over the weekend shows that China's trade surplus has hit its highest level on record (USD 60bn versus expectations of USD 48.9bn) highlighting diminishing domestic demand. Exports fell by 3.3% (versus consensus forecasts of a rise of 5.9%) while imports surprised significantly on the downside printing -19.9% versus an expectation of -3.2%. Last week saw the Chinese authorities cut the Reserve Requirement Ratio (RRR) for all banks by 0.50 percentage points in an effort to boost the slowing economy. According to Deutsche Bank, this could lead to an increase in liquidity of around RMB 640bn (the equivalent of USD 102bn).

Brent crude oil had a volatile week with large price swings throughout. The commodity finished the week having added 9.1%, but is still down by 46.1% over the past 12 months. The ratings agency Standard and Poor's have now downgraded the debt of 19 oil and gas companies in the high yield sector since October last year. The Financial Times reported that this was the largest set of downgrades for a single sector since the global financial crisis of 2008-2009. Gold pared back some of its recent gains last week, falling 3.9% but remaining +4.1% year-to-date.

Source: Bloomberg. Returns in US dollars unless otherwise stated.

Asset Class/Region	Currency	Currency returns			
		Week ending 6 Feb. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	3.1%	3.1%	0.0%	17.6%
United Kingdom	GBP	1.6%	1.6%	4.4%	8.0%
Continental Europe	EUR	1.3%	1.3%	9.2%	17.5%
Japan	JPY	0.2%	0.2%	0.7%	24.4%
Asia Pacific (ex Japan)	USD	1.7%	1.7%	3.2%	12.9%
Australia	AUD	4.1%	4.1%	7.6%	18.5%
Global	USD	2.6%	2.6%	0.7%	10.1%
Emerging Market Equities					
Emerging Europe	USD	5.5%	5.5%	1.8%	-24.3%
Emerging Asia	USD	1.0%	1.0%	3.4%	16.3%
Emerging Latin America	USD	2.5%	2.5%	-3.9%	-7.9%
BRICs	USD	1.4%	1.4%	2.6%	8.9%
MENA countries	USD	3.2%	3.2%	5.3%	4.1%
South Africa	USD	3.1%	3.1%	7.8%	25.0%
India	USD	-1.6%	-1.6%	6.6%	45.4%
Global emerging markets	USD	1.8%	1.8%	2.4%	7.9%
Bonds					
US Treasuries	USD	-1.5%	-1.5%	1.3%	5.9%
US Treasuries (inflation protected)	USD	-1.5%	-1.5%	1.8%	4.3%
US Corporate (investment grade)	USD	-1.3%	-1.3%	1.7%	7.5%
US High Yield	USD	1.0%	1.0%	1.6%	3.3%
UK Gilts	GBP	-2.8%	-2.8%	2.5%	14.7%
UK Corporate (investment grade)	GBP	-1.8%	-1.8%	2.8%	13.2%
Euro Government Bonds	EUR	-0.1%	-0.1%	2.2%	13.3%
Euro Corporate (investment grade)	EUR	0.0%	0.0%	1.0%	8.1%
Euro High Yield	EUR	0.4%	0.4%	1.5%	6.3%
Japanese Government	JPY	-0.4%	-0.4%	-0.4%	3.3%
Australian Government	AUD	0.0%	0.0%	2.1%	12.6%
Global Government Bonds	USD	-1.0%	-1.0%	-0.6%	-1.8%
Global Bonds	USD	-0.6%	-0.6%	-1.0%	-1.5%
Global Convertible Bonds	USD	1.2%	1.2%	0.3%	-0.8%
Emerging Market Bonds	USD	0.4%	0.4%	0.9%	7.8%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 6 Feb. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	-1.5%	-1.5%	5.1%	29.8%
Australian Property Securities	AUD	4.5%	4.5%	12.5%	35.0%
Asia Property Securities	USD	1.1%	1.1%	3.1%	11.9%
Global Property Securities	USD	-0.9%	-0.9%	4.5%	20.2%
Currencies					
Euro	USD	0.2%	0.2%	-6.5%	-16.7%
UK Pound Sterling	USD	1.2%	1.2%	-2.2%	-6.6%
Japanese Yen	USD	-2.4%	-2.4%	0.0%	-15.3%
Australian Dollar	USD	0.4%	0.4%	-4.6%	-13.0%
South African Rand	USD	1.3%	1.3%	0.6%	-4.1%
Swiss Franc	USD	-0.8%	-0.8%	7.3%	-2.8%
Chinese Yuan	USD	0.2%	0.2%	-0.6%	-3.0%
Commodities & Alternatives					
Commodities	USD	3.3%	3.3%	-2.3%	-24.0%
Agricultural Commodities	USD	2.1%	2.1%	-4.7%	-12.3%
Oil	USD	9.1%	9.1%	0.8%	-46.1%
Gold	USD	-3.9%	-3.9%	4.1%	-1.9%
Hedge funds	USD	0.6%	0.6%	0.4%	0.4%

* Estimate

Source: Bloomberg

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Important notes