

Market Weekly Review

Week ending 9 February 2014

- Global equities arrest slide
- Data remains patchy following disappointing payrolls report
- Japanese equities suffer 4% fall on Tuesday
- Australian dollar supported by December trade surplus
- ECB keeps policy on hold
- Government bonds post gains alongside commodities

Global equities added 0.9% last week, after rallying strongly on Thursday and Friday. Emerging markets followed a similar pattern to record a modest gain of 0.1%. Year to date emerging markets have declined by 6.4%, their worst start to a calendar year since 2010, compared to falls of 2.9% for developed markets.

The S&P 500 index added 1.3% on Friday, despite the monthly nonfarm payrolls figure coming in well below consensus expectations at 113,000 new jobs versus 180,000 expected. Unemployment in the US nonetheless fell to 6.6% (from 6.7% previously), and the participation rate - which has received a lot of attention in the press in recent months - also increased from a 36 year low of 62.8% in December.

It remains difficult to gauge the impact of the polar vortex on recent US data. Disaggregating the impact of the recent spate of cold weather in North America is becoming a significant headache, at a critical time for policymakers as they try to decide whether the US economy is strong enough to cope with the reduction in the rate of central bank asset purchases. So far, Fed officials have appeared unmoved by recent weak data releases and the selloff in emerging market currencies and equities, but Janet Yellen's first speech as Chair of the Federal Reserve this week assumes greater significance as a result. She is set to speak before the House Financial Services Committee on Tuesday and the Senate Banking Committee on Thursday. January's ISM manufacturing report registered an eight month low of 51.3

versus 56.0 expected, the biggest negative surprise in the report since Bloomberg began compiling data back in 1998. Later in the week the ISM services report rose to 54.0 from 53.0 at the end of 2013, and ahead of expectations at 53.7.

Japanese equities declined by more than 4% on Tuesday (Nikkei -4.2%; Topix -4.8%), to record their worst one-day performance since June last year. The dollar-yen exchange rate moved back towards 100 on Monday, before rising to 102.3 by the end of the week. Year to date Japanese equities have declined by 8.7% in local currency terms.

The Australian dollar moved to 0.90 against the US dollar last week, following the announcement of an AUD 468 million trade surplus for the country in December (compared to a deficit of AUD 200 million forecast by economists). The positive balance of trade was driven in part by the rising value of Australia's cereal-related exports, but also by a 2.4% rise in iron ore exports, which was picked up by the analyst community as a positive sign of activity in nearby China.

The European Central Bank elected to keep rates on hold at its January meeting on Thursday, despite speculation that it may move to introduce negative short term deposit rates. European equities added 1.2% over the week in euro terms, whilst the euro rose to 1.36 and 0.83 versus the US dollar and the pound respectively.

Global government bonds added 0.3% over the week, with US Treasuries, UK Gilts and Japanese government bonds all flat in local currency terms. Emerging Market Bonds added 1.6%, although there are still clear pressures affecting certain borrowers, with Russia cancelling a bond auction for the second week in a row on Tuesday as a result of elevated financing costs. Finally, the broad commodities spectrum added 2.1% over the week, with the price of gold rising to USD 1,267 per ounce (USD 1,245 previously).

Market Weekly Review

Week ending 9 February 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 7 Feb 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.9%	0.9%	-2.6%	20.3%
United Kingdom	MSCI UK NR	GBP	0.9%	0.9%	-2.7%	6.3%
Continental Europe	MSCI Europe ex UK NR	EUR	1.2%	1.2%	-0.3%	16.3%
Japan	Topix TR	JPY	-2.6%	-2.6%	-8.7%*	24.2%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	0.0%	0.0%	-5.1%	-5.3%
Australia	S&P/ASX 200 TR	AUD	-0.4%	-0.4%	-3.4%	5.0%
Global	MSCI World NR	USD	0.9%	0.9%	-2.9%	16.9%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	3.8%	3.8%	-5.6%	-8.9%
Emerging Asia	MSCI EM Asia NR	USD	-0.9%	-0.9%	-5.6%	-4.7%
Emerging Latin America	MSCI EM Latin America NR	USD	1.3%	1.3%	-8.3%	-21.3%
BRICs	MSCI BRIC NR	USD	0.1%	0.1%	-7.6%	-10.6%
MENA countries	Dow Jones MENA TR	USD	0.6%	0.6%	4.6%	27.7%
South Africa	MSCI EM South Africa NR USD	USD	1.5%	1.5%	-13.9%	-24.9%
India	Nifty Fifty TR	USD	0.4%	0.4%	-4.1%	-5.5%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.1%	0.1%	-6.4%	-8.9%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.0%	0.0%	1.7%	-1.4%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.1%	0.1%	2.3%	-6.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.1%	0.1%	1.9%	0.5%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.2%	0.2%	0.9%	6.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.0%	0.0%	2.2%	-0.9%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.1%	-0.1%	2.1%	3.0%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	0.1%	2.3%	4.9%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	0.1%	1.5%	3.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.4%	1.4%	-0.2%	14.8%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	0.0%	0.9%	1.9%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.7%	-0.7%	0.5%	0.4%
Global Government Bonds	JP Morgan Global GBI	USD	0.3%	0.3%	2.0%	-0.1%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.4%	0.4%	1.5%	1.2%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	0.8%	0.8%	0.5%	12.1%
Emerging Market Bonds	JP Morgan EMBI+	USD	1.6%	1.6%	0.0%	-6.2%

* Estimate

Source: Bloomberg

Market Weekly Review

Week ending 9 February 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 7 Feb 2014	Month to date	YTD 2014	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	0.8%	0.8%	5.1%	1.4%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-0.3%	-0.3%	0.2%	-5.3%
Asia Property Securities	S&P Asia Property 40 NR	USD	-0.8%	-0.8%	-7.3%	-4.7%
Global Property Securities	S&P Global Property USD TR	USD	0.7%	0.7%	-0.3%	-0.8%
Currencies						
Euro		USD	1.1%	1.1%	-0.8%	4.4%
UK Pound Sterling		USD	-0.2%	-0.2%	-0.9%	8.2%
Japanese Yen		USD	-0.3%	-0.3%	2.9%	-9.6%
Australian Dollar		USD	2.3%	2.3%	0.5%	-12.3%
South African Rand		USD	0.5%	0.5%	-5.2%	-18.4%
Swiss Franc		USD	0.9%	0.9%	-0.6%	4.3%
Chinese Yuan		USD	-0.1%	-0.1%	-0.1%	2.6%
Commodities & Alternatives						
Commodities	RICI TR	USD	2.1%	2.1%	0.8%	-3.5%
Agricultural Commodities	RICI Agriculture TR	USD	2.0%	2.0%	1.2%	-9.7%
Oil	ICE Crude Oil CR	USD	-1.0%	-1.0%	-4.0%	-5.0%
Gold	Gold Spot	USD	1.8%	1.8%	5.1%	-19.8%
Hedge funds	HFRX Global Hedge Fund	USD	-0.3%*	-0.3%*	-0.6%*	3.6%*

* 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.