Market Weekly Review

Week ending 9 March 2014

- Crimea moving towards referendum on split from Ukraine
- Global equities post gains despite weakness emanating from Eastern Europe
- US payrolls beat modest expectations
- China suffers first onshore corporate bond default
- ECB elects to keep policy on hold

Events in Crimea continued to weigh on global markets last week. European banking stocks with exposure to Ukraine and Russia came under pressure on Monday, with a number of banks responding to intra-day volatility by issuing statements clarifying their exposure to the two countries. Russia's benchmark equity index, the MICEX, fell by 7.3% last week, its worst one week performance since May 2012 when Putin cracked down on protesters in the wake of his re-election. Officials in Crimea have pledged to hold a referendum on 16 March on the question of whether to join Russia. While the Kremlin has said it will respect the outcome of the vote, officials in Kiev and the west have labelled the proposal unconstitutional and illegal. The European Union has halted trade and visa negotiations with Russia but appears unlikely to go down the path of further sanctions at this stage, given its reliance on Russian energy.

Following a slow start to the week, markets rebounded on Tuesday, and maintained this momentum into Friday's close, with global equities finishing up by 0.4%. Japan was the best performing of the major markets in local currency terms, after stocks rallied by 2.1%, while the UK underperformed with prices sliding by 1.3%. Emerging markets added 0.1% despite falls of 5.2% for Emerging Europe in euro terms. Elsewhere, global convertible bonds performed in line with global equities (+0.4%), while government bonds sold off by half a percent.

Data from the US has been weak at the start of the new year, with the US economic surprise index, compiled by Citigroup, falling to a nine month low at the end of last week. January US personal income (+0.3% month-on-month) and personal spending (+0.4%) were both ahead of expectations, however, along with the ISM manufacturing index (53.2 versus 52.3 expected). February's non-manufacturing ISM report disappointed, at 51.6 versus 53.5 expected, with a big decline in the employment sub-component. With analysts cutting their forecasts for US jobs growth ahead of Friday's closely-watched payrolls report, a print of 175,000 new jobs was comfortably ahead of consensus expectations at 149,000.

Chinese officials have set the country's official growth target for 2014 at 7.5%, in line with most commentators' forecasts. Finance Minister Lou Jiwei was keen to manage expectations, however, saying in a statement that growth moderately below this level would also be acceptable. Last week saw China's first onshore corporate bond default involving a missed coupon payment by Shanghai Chaori Solar Energy. No last minute bailout was forthcoming from the authorities, as China's new administration tries to introduce greater market discipline. The number of Chinese non-financial companies with debt-to-equity ratios in excess of 200% has risen significantly since 2007, according to data from Bloomberg, raising the prospect of more defaults to come. Chinese trade data published over the weekend revealed a notable miss for exports, with the total value of exported goods and services contracting by 18.1% year-on-year versus +7.5% expected and down from January's +10.6%. It is always difficult to gauge Chinese activity around this time of year, given the effects of the Chinese New Year. Imports grew by 10.1% year-on-year versus +7.6% expected by the market.

Finally, in Europe the central bank again held back from implementing further monetary easing, despite its own low inflation forecast for the single currency block, at its regular monthly meeting on Thursday. The euro appreciated by 0.5% versus the US dollar and by 0.7% versus the pound over the week, adding further deflationary pressure to the system. Draghi pointed to a persistent, albeit slow, recovery, and said the central bank was looking through the current period of low inflation in forming its monetary policy.

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

FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending 9 March 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 7 March 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	1.0%	1.0%	1.9%	21.4%*
United Kingdom	MSCI UK NR	GBP	-1.3%	-1.3%	-0.1%	7.8%
Continental Europe	MSCI Europe ex UK NR	EUR	-1.2%	-1.2%	2.0%	18.0%
Japan	Topix TR	JPY	2.1%	2.1%	-5.0%*	20.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	1.1%	1.1%	0.4%	1.8%
Australia	S&P/ASX 200 TR	AUD	1.4%	1.4%	3.2%	14.7%*
Global	MSCI World NR	USD	0.4%	0.4%	1.5%	19.4%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-5.2%	-5.2%	-12.0%	-13.7%
Emerging Asia	MSCI EM Asia NR	USD	0.8%	0.8%	-0.9%	2.4%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.7%	-0.7%	-8.4%	-21.4%
BRICs	MSCI BRIC NR	USD	-1.4%	-1.4%	-6.9%	-7.4%
MENA countries	Dow Jones MENA TR	USD	0.3%	0.3%	9.0%	31.1%
South Africa	MSCI EM South Africa NR USD	USD	3.1%	3.1%	-1.2%	-10.4%
India	Nifty Fifty TR	USD	4.9%	4.9%	4.7%	3.4%*
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.1%	0.1%	-3.3%	-4.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.7%	-0.7%	1.3%	-1.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.5%	-0.5%	2.1%	-6.9%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.8%	-0.8%	2.0%	0.5%*
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.2%	-0.2%	2.5%	7.1%*
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.3%	-0.3%	2.1%	-2.9%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.2%	-0.2%	2.3%	1.5%*
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.2%	0.2%	3.0%	4.9%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	0.1%	2.0%	3.9%*
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.7%	0.7%	3.3%	20.2%*
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.2%	-0.2%	0.9%	0.6%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.6%	-0.6%	0.8%	1.0%
Global Government Bonds	JP Morgan Global GBI	USD	-0.5%	-0.5%	2.4%	0.6%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.3%	-0.3%	2.2%	2.2%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	0.4%	0.4%	4.2%	15.4%
Emerging Market Bonds	JP Morgan EMBI+	USD	-0.3%	-0.3%	1.7%	-3.5%*

* Estimate

Source: Bloomberg

FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending 9 March 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 7 March 2014	Month to date	YTD 2014	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.5%	-0.5%	8.7%	2.1%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	0.5%	0.5%	4.2%	1.3%*
Asia Property Securities	S&P Asia Property 40 NR	USD	2.0%	2.0%	-5.2%	-4.4%
Global Property Securities	S&P Global Property USD TR	USD	0.5%	0.5%	3.4%	0.7%
Currencies						
Euro		USD	0.5%	0.5%	1.0%	8.2%
UK Pound Sterling		USD	-0.2%	-0.2%	0.9%	10.0%
Japanese Yen		USD	-1.4%	-1.4%	2.0%	-8.8%
Australian Dollar		USD	1.6%	1.6%	1.7%	-13.0%
South African Rand		USD	0.2%	0.2%	-2.2%	-13.9%
Swiss Franc		USD	0.2%	0.2%	1.7%	8.1%
Chinese Yuan		USD	0.3%	0.3%	-1.1%	1.4%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.4%	1.4%	5.6%	0.7%*
Agricultural Commodities	RICI Agriculture TR	USD	4.3%	4.3%	10.9%	0.1%*
Oil	ICE Crude Oil CR	USD	-1.0%	-1.0%	-3.3%	-1.5%*
Gold	Gold Spot	USD	1.0%	1.0%	11.1%	-16.2%
Hedge funds	HFRX Global Hedge Fund	USD	0.2%*	0.2%*	1.6%*	5.1%*

* 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.