

Market Weekly Review

Week ending **9 November 2014**

- Global equities flat over the week
- US employment numbers mixed
- ECB reaffirms commitment to balance sheet expansion
- Shanghai-Hong Kong Stock Connect launched
- Tensions rise in Ukraine

Global equities were flat last week as the pace of global growth continues to worry investors. Brent crude continued its fall, losing 4.3%, and agricultural commodities were marked down by 2.0% as deflationary pressures in the euro area and China continue. This week will see the release of UK inflation data, with UK stocks adding a subdued 0.5% in sterling terms ahead of the latest figures. In the US, high yield bonds fell by 0.1%, although inflows into the asset class continue. In Europe, on the other hand, investors are once again withdrawing money from high yield bonds, after a brief period of positive inflows. High yield bonds in Europe fell by 0.4% in euro terms over the week.

In the US, the latest employment figures were released on Friday, with the number of unemployed people falling by 267,000 to take the unemployment rate to its lowest level since the global financial crisis (5.8%). Payroll numbers increased by 214,000, below forecasts for a 235,000 increase, but figures for August and September were both revised up by 31,000 each. US equities added 0.7% over the week, while the US dollar appreciated by 0.8% against a basket of major currencies. US Treasuries ended the week +0.1% after the 2-year government bond yield fell by 4 basis points (0.04%) and the 10-year yield fell 8 basis points (0.08%) on Friday. According to Deutsche Bank, this was probably a reaction to the weak earnings figures released as part of the employment numbers, decreasing the prospect of earlier rate hikes by the Federal Reserve.

In Europe, European Central Bank officials met last week and reaffirmed their unanimous commitment to increasing the

bank's balance sheet by EUR 1 trillion, amid rumours that up to ten council members were uneasy about the prospect of such an expansion. On the data front, German manufacturing data disappointed on the downside, printing 1.4% month-on-month versus forecasts of a 2% increase, while France's manufacturing data was flat (versus expectations of 0.2% month-on-month decrease) and Spain surprised on the upside by printing 1.0% versus forecasts of a 0.7% increase, year-on-year. European equities fell by 0.8% in euro terms last week, while the euro weakened further against the US dollar, down by 0.6%.

In Asia, markets are reacting positively to the news that the Shanghai-Hong Kong Stock Connect is to be launched on November 17th, enabling cross border trading on the respective exchanges, and allowing increased access to the Chinese equity market for foreign investors. The news has overshadowed disappointing inflation numbers out of China, with the Producer Price Index (PPI) falling by 2.2% year-on-year in October, marking the 32nd consecutive month where prices have fallen. The Consumer Price Index (CPI) rose by a mere 1.6% year-on-year, matching economists' expectations for subdued consumer price inflation in the world's second largest economy. The CPI number is at its lowest level since January 2010 and unchanged from September's print. The yuan strengthened as the People's Bank of China raised the Chinese currency's reference rate by 0.4%, the largest increase since June 2010.

Emerging European equities fell by 5.6% as tensions in Ukraine once again rose following reports of Russian tanks crossing the Ukrainian border. As economic sanctions continue to put pressure on Russia, the rouble plunged last week, with the Russian central bank announcing that it will no longer prop up the currency unless financial stability is at risk. The currency fell by 7.9% against the US dollar, its largest weekly fall in eleven years.

Asset Class/Region	Currency	Currency returns			
		Week ending 7 Nov. 2014	Month to date	YTD 2014	12 months
Developed Market Equities					
United States	USD	0.7%	0.7%	11.3%	14.0%
United Kingdom	GBP	0.5%	0.5%	0.4%	2.0%
Continental Europe	EUR	-0.8%	-0.8%	3.7%	4.5%
Japan	JPY	2.3%	2.3%	6.7%	10.5%
Asia Pacific (ex Japan)	USD	-1.8%	-1.8%	4.5%	3.2%
Australia	AUD	0.8%	0.8%	7.8%	8.6%
Global	USD	0.0%	0.0%	4.6%	6.8%
Emerging Market Equities					
Emerging Europe	USD	-5.6%	-5.6%	-18.2%	-20.3%
Emerging Asia	USD	-2.1%	-2.1%	4.5%	3.2%
Emerging Latin America	USD	-4.1%	-4.1%	-2.9%	-5.3%
BRICs	USD	-3.2%	-3.2%	0.6%	-1.5%
MENA countries	USD	-2.2%	-2.2%	15.3%	18.9%
South Africa	USD	-2.9%	-2.9%	5.9%	7.1%
India	USD	0.2%	0.2%	34.8%	38.7%
Global emerging markets	USD	-2.8%	-2.8%	0.7%	-0.7%
Bonds					
US Treasuries	USD	0.1%	0.1%	5.0%	3.9%
US Treasuries (inflation protected)	USD	0.4%	0.4%	5.6%	4.0%
US Corporate (investment grade)	USD	0.0%	0.0%	6.7%	6.5%
US High Yield	USD	-0.1%	-0.1%	4.6%	5.1%
UK Gilts	GBP	0.5%	0.5%	9.6%	8.2%
UK Corporate (investment grade)	GBP	0.4%	0.4%	9.0%	7.9%
Euro Government Bonds	EUR	-0.1%	-0.1%	10.4%	9.7%
Euro Corporate (investment grade)	EUR	0.3%	0.3%	7.5%	7.0%
Euro High Yield	EUR	-0.4%	-0.4%	-5.1%	-3.4%
Japanese Government	JPY	0.1%	0.1%	2.9%	2.3%
Australian Government	AUD	-0.3%	-0.3%	7.2%	7.7%
Global Government Bonds	USD	-0.8%	-0.8%	0.6%	-0.4%
Global Bonds	USD	-0.7%	-0.7%	1.0%	0.5%
Global Convertible Bonds	USD	-0.3%	-0.3%	-0.9%	0.3%
Emerging Market Bonds	USD	-1.2%	-1.2%	8.1%	8.6%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 7 Nov. 2014	Month to date	YTD 2014	12 months
Property					
US Property Securities	USD	-0.2%	-0.2%	24.0%	24.1%
Australian Property Securities	AUD	0.6%	0.6%	17.8%	14.1%
Asia Property Securities	USD	-2.9%	-2.9%	-0.5%	-1.2%
Global Property Securities	USD	-1.3%	-1.3%	11.4%	11.0%
Currencies					
Euro	USD	-0.6%	-0.6%	-9.4%	-8.4%
UK Pound Sterling	USD	-0.8%	-0.8%	-4.1%	-3.0%
Japanese Yen	USD	-2.2%	-2.2%	-8.4%	-11.2%
Australian Dollar	USD	-1.8%	-1.8%	-3.1%	-5.2%
South African Rand	USD	-2.1%	-2.1%	-6.9%	-9.8%
Swiss Franc	USD	-0.4%	-0.4%	-7.6%	-6.2%
Chinese Yuan	USD	-0.1%	-0.1%	-1.1%	-0.5%
Commodities & Alternatives					
Commodities	USD	-0.9%	-0.9%	-9.7%	-8.3%
Agricultural Commodities	USD	-2.0%	-2.0%	-7.9%	-9.4%
Oil	USD	-4.3%	-4.3%	-26.0%	-25.7%
Gold	USD	0.4%	0.4%	-2.3%	-6.0%
Hedge funds	USD	-0.1%	-0.1%	-0.3%	0.3%

* Estimate

Source: Bloomberg

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