

# Market Weekly Review

Week ending **11 January 2015**

- Global equities fall
- US earnings data disappoints
- Europe falls into deflation
- Chinese PPIs remain negative
- Brent crude falls below USD 50 a barrel

Global equities ended the week down by 1.2% as deflationary concerns worried markets. In the UK, stocks fell by 0.6% in sterling terms and in Europe they fell by 1.3% in euro terms. Greek equities fell by 6.8% in euro terms as the general election approaches and the anti-austerity Syriza party holds on to its lead in the polls. Emerging market equities added 0.8%, with Emerging Europe returning 2.4% and Asian equities rising by 0.3% over the week. European high yield bonds added 0.1% in euro terms, while their investment grade counterparts added 0.2% in euros. In the US, high yield bonds rose by 0.2% and corporates added 0.9%.

In the US, the Federal Open Market Committee (FOMC) released the minutes from their December meeting last week. The minutes suggest that an interest rate rise by the US Federal Reserve would be unlikely before the April hike that markets have been expecting. The widely watched non-farm payroll numbers were also released, with the headline jobs figure beating analysts' expectations of +240,000 to read +252,000 month-on-month. Markets focused on the underlying hourly earnings data, however, which surprised on the downside printing -0.2%, versus a consensus view of +0.2% month-on-month. This is the biggest monthly fall in earnings since records began in 2006, causing some of the US dollar's recent gains to be pared back. US equities ended the week down by 0.6%, while US Treasuries gained on the news ending the week +0.9%.

In Europe, preliminary data suggests that euro area has now fallen into deflation for the first time since the global financial crisis.

The Eurostat Consumer Prices Index (CPI) fell by 0.2% year-on-year in December. The core inflation measure, which excludes volatile energy and food costs, remained flat at +0.8%, far below the European Central Bank (ECB) 2% target. With these persistently low levels of inflation, expectations for the ECB to engage in sovereign bond buying continue to heighten. The euro fell by 1.3% against the dollar last week, to reach a nine-year low. Other European economic data prints also continue to disappoint. For example, November's industrial production numbers in Germany printed -0.1% month-on-month (versus expectations of +0.3%), and in France the print read -0.3% month-on-month (also versus expectations of +0.3%). French manufacturing output fell 0.6% month-on-month, versus a consensus view of +0.4%.

Chinese property development company Kaisa unsettled credit markets in the region, as it appears likely to default on a US dollar denominated bond (the first time this has happened in China, according to Standard and Poor's).

At time of writing, Bloomberg is reporting that bondholders have not yet received payment, although there is a 30-day grace period for the company. The Financial Times reports that lenders have asked a Shenzhen court to freeze the company's assets. Following a selective default last month by the same firm, the case acts to illustrate why there are growing concerns around the Chinese property market. Chinese CPI numbers printed in line with consensus views at +1.5% last week, but the Producer Price Index (PPI) numbers continue to disappoint, with a -3.3% year-on-year print for December. This marks the 34th consecutive month of negative PPI numbers in China.

The price of oil continued to tumble last week with Brent crude falling by 11.2% and West Texas Intermediate down by 8.2%. The respective per barrel prices are now USD 48.4 and USD 46.4, their lowest levels since 2009. Gold added 2.8% last week.

Asset Class/Region	Currency	Currency returns			
		Week ending 9 Jan. 2015	Month to date	YTD 2015	12 months
<b>Developed Market Equities</b>					
United States	USD	-0.6%	-0.6%	-0.6%	12.8%
United Kingdom	GBP	-0.6%	-0.9%	-0.9%	0.6%
Continental Europe	EUR	-1.3%	-1.3%	-1.3%	5.0%
Japan	JPY	-1.9%	-1.9%	-1.9%	8.6%
Asia Pacific (ex Japan)	USD	0.3%	0.6%	0.6%	6.2%
Australia	AUD	0.5%	1.0%	1.0%	7.2%
Global	USD	-1.2%	-1.5%	-1.5%	4.3%
<b>Emerging Market Equities</b>					
Emerging Europe	USD	2.4%	2.6%	2.6%	-25.7%
Emerging Asia	USD	0.3%	0.9%	0.9%	9.7%
Emerging Latin America	USD	1.6%	-1.7%	-1.7%	-9.1%
BRICs	USD	1.6%	2.0%	2.0%	3.6%
MENA countries	USD	-1.3%	-0.9%	-0.9%	0.3%
South Africa	USD	2.4%	0.7%	0.7%	11.9%
India	USD	0.5%	1.8%	1.8%	35.7%
Global emerging markets	USD	0.8%	0.6%	0.6%	2.4%
<b>Bonds</b>					
US Treasuries	USD	0.9%	1.2%	1.2%	7.2%
US Treasuries (inflation protected)	USD	0.3%	1.0%	1.0%	4.4%
US Corporate (investment grade)	USD	0.9%	1.2%	1.2%	8.4%
US High Yield	USD	0.2%	0.2%	0.2%	2.1%
UK Gilts	GBP	1.5%	2.4%	2.4%	16.4%
UK Corporate (investment grade)	GBP	1.1%	1.4%	1.4%	12.8%
Euro Government Bonds	EUR	-0.2%	0.3%	0.3%	12.9%
Euro Corporate (investment grade)	EUR	0.2%	0.3%	0.3%	8.3%
Euro High Yield	EUR	0.1%	0.2%	0.2%	5.2%
Japanese Government	JPY	0.6%	0.6%	0.6%	5.0%
Australian Government	AUD	0.8%	0.5%	0.5%	12.2%
Global Government Bonds	USD	0.2%	0.2%	0.2%	0.9%
Global Bonds	USD	0.0%	-0.1%	-0.1%	0.9%
Global Convertible Bonds	USD	-0.6%	-0.8%	-0.8%	-1.8%
Emerging Market Bonds	USD	-0.3%	-0.4%	-0.4%	5.7%

\* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 9 Jan. 2015	Month to date	YTD 2015	12 months
<b>Property</b>					
US Property Securities	USD	3.5%	5.1%	5.1%	34.0%
Australian Property Securities	AUD	3.1%	4.3%	4.3%	23.0%
Asia Property Securities	USD	-1.1%	-0.2%	-0.2%	1.1%
Global Property Securities	USD	1.7%	2.5%	2.5%	17.1%
<b>Currencies</b>					
Euro	USD	-1.3%	-2.1%	-2.1%	-13.0%
UK Pound Sterling	USD	-1.1%	-2.7%	-2.7%	-8.0%
Japanese Yen	USD	2.4%	1.2%	1.2%	-11.6%
Australian Dollar	USD	1.4%	0.4%	0.4%	-7.8%
South African Rand	USD	2.1%	0.6%	0.6%	-6.2%
Swiss Franc	USD	-1.3%	-2.0%	-2.0%	-10.6%
Chinese Yuan	USD	-0.1%	-0.1%	-0.1%	-2.5%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	-2.7%	-3.3%	-3.3%	-22.2%
Agricultural Commodities	USD	0.8%	-0.2%	-0.2%	-5.5%
Oil	USD	-11.2%	-12.6%	-12.6%	-52.9%
Gold	USD	2.8%	3.2%	3.2%	-0.4%
Hedge funds	USD	0.0%	0.0%	0.0%	-0.7%

\* Estimate

Source: Bloomberg

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