

Market Weekly Review

Week ending **14 December 2014**

- Global equities fall on fears of slowing growth
- Oil prices continue to tumble
- Snap election called in Greece
- Japan's Shinzo Abe regains a majority in the lower house
- Chinese equity rally comes to an end

Global equities lost 3.6% last week, as the continued and rapid fall in oil prices disconcerted investors. Brent crude fell by 10.5% and although the fall in price will provide some relief to consumers, worries that it may reflect slowing global demand resulted in a sell-off in equities. Investors sought refuge in the safest of assets with yields on US Treasuries dropping to 2010 lows, and resulting in returns of 1.1% over the week. Emerging market equities fell by 4.8% and high yield bonds were down 2.1% as concerns grew over the creditworthiness of bonds issued by companies in the energy sector.

The price of oil hit new post financial crisis lows last week; at time of writing Brent crude is priced at USD 62.2 a barrel and West Texas Intermediate (WTI) at USD 57.6 a barrel. The continued fall comes on the back of the Organisation for Petroleum Exporting Countries (OPEC) and the International Energy Agency (IEA) both downgrading their oil demand forecasts. The IEA is now expecting demand to grow by 900,000 barrels a day, rather than the previous 1.3 million barrel estimate, while OPEC expects 280,000 barrels a day less demand for its share of the supply. Despite this prospect the Oil Minister of the U.A.E. was quoted as saying that prices could fall to USD 40 a barrel without the cartel considering a cut to output, while his Saudi Arabian counterpart stated that "the market will correct itself".

In Greece, Prime Minister Antonis Samaras called a snap presidential election two months ahead of schedule last week. Although largely a ceremonial role in Greece, if Mr Samaras is

not able to secure the 180 votes needed to elect his nominee, a general election will be triggered for early 2015.

Markets reacted strongly to this prospect, as the leftist Syriza party currently leads in the polls. Syriza leaders have campaigned on a populist message of anti-austerity and a rejection of the bailout conditions imposed upon Greece by the so called "Troika" of the International Monetary Fund, European Central Bank and European Commission.

Turning away from the Troika's bail-out package would put Greece at risk of an exit from the European Union. The ten year yields on Greek government bonds spiked to 9.1% on Friday last week.

On Sunday, Japanese Minister Shinzo Abe won a fresh four-year term in government, as Mr Abe's Liberal Democratic Party (LDP) won 290 of the 475 available seats in the lower house.

With the LDP's coalition partner taking 35 seats, the coalition maintains the two-thirds majority that is needed to push through legislation. The result gives Mr Abe a mandate to continue with his bold economic reforms, but voter turnout was very low, indicating certain apathy around an election considered unnecessary by many. In the run up to the election last week, domestic equities fell by 3.2% in yen terms, while the yen strengthened as investors sought safe haven assets.

In China, the November Consumer Price Index (CPI) number printed 1.4% year-on-year, below consensus of 1.6%. The inflation index is now at its lowest level since November 2009. The Producer Price Index (PPI) disappointed as well, reading -2.7% year-on-year versus consensus of a 2.4% fall. China also announced a tightening of the regulation around the repurchase agreement (repo) market.

As a result, lower rated bonds are no longer acceptable as collateral for short term loan agreements. Against this backdrop, the recent rally in Chinese equities came to an abrupt end, with the Shanghai Composite Index falling 5.4% on Monday in yuan terms, but the broad index ended the week flat.

Asset Class/Region	Currency	Currency returns			
		Week ending 12 Dec. 2014	Month to date	YTD 2014	12 months
Developed Market Equities					
United States	USD	-3.5%	-3.1%	9.8%	14.4%
United Kingdom	GBP	-6.5%	-6.2%	-3.6%	1.0%
Continental Europe	EUR	-5.3%	-4.4%	4.0%	9.9%
Japan	JPY	-3.2%	-0.7%	9.5%	14.9%
Asia Pacific (ex Japan)	USD	-2.7%	-3.7%	1.2%	3.2%
Australia	AUD	-2.2%	-1.7%	1.7%	7.7%
Global	USD	-3.6%	-3.7%	2.8%	7.5%
Emerging Market Equities					
Emerging Europe	USD	-8.7%	-12.0%	-26.9%	-26.9%
Emerging Asia	USD	-3.0%	-3.5%	3.2%	3.8%
Emerging Latin America	USD	-8.6%	-13.2%	-16.2%	-14.7%
BRICs	USD	-5.8%	-7.4%	-5.0%	-4.1%
MENA countries	USD	-6.3%	-4.8%	2.6%	4.2%
South Africa	USD	-6.5%	-10.3%	-1.9%	5.1%
India	USD	-4.7%	-4.7%	30.4%	32.5%
Global emerging markets	USD	-4.8%	-6.6%	-4.2%	-3.1%
Bonds					
US Treasuries	USD	1.1%	0.5%	6.3%	5.8%
US Treasuries (inflation protected)	USD	0.7%	-0.4%	5.1%	4.8%
US Corporate (investment grade)	USD	0.9%	0.1%	7.5%	7.7%
US High Yield	USD	-2.1%	-3.1%	0.8%	1.2%
UK Gilts	GBP	2.0%	1.3%	14.1%	13.2%
UK Corporate (investment grade)	GBP	1.3%	0.8%	11.9%	11.3%
Euro Government Bonds	EUR	0.3%	0.3%	12.3%	12.0%
Euro Corporate (investment grade)	EUR	0.3%	0.2%	8.0%	8.0%
Euro High Yield	EUR	0.7%	-0.4%	-4.7%	-4.0%
Japanese Government	JPY	0.2%	0.3%	3.8%	3.5%
Australian Government	AUD	0.7%	0.9%	10.1%	10.8%
Global Government Bonds	USD	1.7%	0.4%	1.5%	0.8%
Global Bonds	USD	1.3%	0.1%	1.7%	1.3%
Global Convertible Bonds	USD	-0.9%	-1.4%	-0.9%	0.9%
Emerging Market Bonds	USD	-3.3%	-4.3%	4.1%	4.2%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 12 Dec. 2014	Month to date	YTD 2014	12 months
Property					
US Property Securities	USD	0.2%	0.3%	27.0%	29.7%
Australian Property Securities	AUD	1.1%	3.4%	21.0%	23.7%
Asia Property Securities	USD	-1.6%	-2.6%	-1.2%	1.9%
Global Property Securities	USD	-0.9%	-1.6%	12.2%	15.3%
Currencies					
Euro	USD	1.5%	0.1%	-9.3%	-9.4%
UK Pound Sterling	USD	0.9%	0.5%	-5.1%	-3.9%
Japanese Yen	USD	2.4%	0.0%	-11.6%	-13.4%
Australian Dollar	USD	-0.8%	-3.0%	-7.5%	-7.7%
South African Rand	USD	-2.2%	-4.6%	-9.5%	-10.5%
Swiss Franc	USD	1.5%	0.2%	-7.3%	-7.7%
Chinese Yuan	USD	-0.6%	-0.7%	-2.1%	-1.9%
Commodities & Alternatives					
Commodities	USD	-3.1%	-3.5%	-17.8%	-17.7%
Agricultural Commodities	USD	0.8%	1.0%	-5.5%	-7.1%
Oil	USD	-10.5%	-11.8%	-44.2%	-43.1%
Gold	USD	2.5%	4.7%	1.4%	-0.2%
Hedge funds	USD	-1.2%	-1.7%	-1.6%	-0.4%

* 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.