FP FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending 16 March 2014

- Global equities slip into negative territory for 2014
- Chinese import iron ore prices fall 8.3%
- Crimea votes to leave Ukraine
- The yen and euro rally amidst weakening investor sentiment
- Global property securities and commodities down over the week

Global equities declined by 2.3% last week, with weakness emanating principally from Europe. As we approach the end of the first quarter, global equities are now behind year to date (-0.8%), having slipped back following February's rally. Bonds on the other hand added 0.8% last week, with government bond yields falling in the US, Europe and the UK.

Much of the current uncertainty continues to revolve around Crimea. Yesterday's referendum saw 97% of voters endorse a union with Russia. The referendum choice was heavily tilted in Russia's favour, however, with voters asked if they wanted to either 1) join the Russian Federation; 2) become an independent region within Ukraine, with no option to retain the current status quo. Russia is expected to push ahead with annexing Crimea, although there remains an outside chance that President Putin will use the vote to extract concessions from the West without going ahead with formally incorporating Crimea into Russia's territory. The Russian ruble continued to weaken against the US dollar last week, down by 0.4% despite Russia's emergency interest rate hike on 3 March. European Union foreign ministers meet today in Brussels to consider their next move. So far US President Barack Obama has signed an executive order authorising financial sanctions against Russia.

In Asia, Chinese equities fell sharply on Monday, down by 2.9%, after import iron ore prices slumped by 8.3%, their third worst one-day performance on record, and Shanghai copper futures dropped 3.8%. Deutsche Bank note that the Shanghai composite is now back at levels last seen in 2009; since that time China's economy has grown by 68% in nominal terms. While Chinese bulls may argue that the world's media is spending a disproportionate amount of time focusing on China's problems - with less attention paid to issues such as Argentina's devaluation of the peso for example - there are concerns over China's waning growth and its opaque financial system. Industrial production, published later in the week, registered 8.6% year-on-year versus 9.5% expected, while retail sales (11.8% versus 13.5%) and fixed asset investment (17.9% versus 19.4%) similarly underperformed analysts' expectations.

There may still be seasonal factors at play in China's data, serving to increase the importance of next month's releases. China's authorities have so far been happy to discuss the slowdown in growth and recent events in the onshore credit market, offering some comfort that they are at least aware of the issues. Beijing continues to manage a fine balancing act as it attempts to introduce greater market discipline into China's financial system while at the same time avoiding any systemic shocks.

The Japanese yen rose on each day last week, amidst weakening investor sentiment. The currency continues to be perceived as a 'safe haven' at times of market stress. Elsewhere the euro is now at its highest level since 2011, after appreciating by 0.3% against the dollar, with anecdotal evidence that it is now weighing on export growth in the single currency area. The yuan depreciated by 0.4% versus the US dollar, to continue its recent downward trend. Over the weekend China's central bank elected to widen the yuan's trading band around its daily fixing versus the US dollar to plus or minus 2%, from the narrower range of 1% previously.

Elsewhere global property securities declined by 1.6% last week, as Asian property securities fell by 4.1%, and commodities slipped 0.8%. Gold was the best performing asset over the week, after the precious metal added 3.2%. Looking forwards, the main focus this week will be the Federal Open Market Committee's (FOMC) meeting on Wednesday. The FOMC - the main decision making body within the US central bank - is expected to continue tapering the rate of asset purchases in line with its previous guidance, despite the recent weakness in economic data.

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

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 14 March 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-1.9%	-0.9%	-0.1%	19.0%*
United Kingdom	MSCI UK NR	GBP	-2.5%	-3.8%	-2.6%	5.1%
Continental Europe	MSCI Europe ex UK NR	EUR	-3.0%	-4.2%	-1.1%	14.4%
Japan	Topix TR	JPY	-5.8%	-3.9%	-10.5%*	13.7%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-2.8%	-1.7%	-2.5%	-1.1%
Australia	S&P/ASX 200 TR	AUD	-2.4%	-1.0%	0.7%	12.0%*
Global	MSCI World NR	USD	-2.3%	-1.9%	-0.8%	16.6%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-4.7%	-9.6%	-16.2%	-17.7%
Emerging Asia	MSCI EM Asia NR	USD	-2.9%	-2.1%	-3.8%	-0.5%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.0%	-3.7%	-11.2%	-23.7%
BRICs	MSCI BRIC NR	USD	-4.4%	-5.7%	-11.0%	-11.5%
MENA countries	Dow Jones MENA TR	USD	0.4%	0.7%	9.4%	31.5%
South Africa	MSCI EM South Africa NR USD	USD	-1.2%	1.8%	-2.4%	-11.6%
India	Nifty Fifty TR	USD	-0.4%	4.5%	4.3%	3.0%*
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-3.0%	-2.9%	-6.2%	-7.2%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.7%	0.0%	2.0%	-1.2%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.8%	0.3%	2.9%	-6.1%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.7%	-0.1%	2.7%	1.3%*
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.2%	-0.4%	2.4%	6.9%*
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.9%	0.6%	3.0%	-2.0%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.8%	0.6%	3.2%	2.3%*
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	0.5%	3.4%*	5.3%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	0.3%	2.3%	4.1%*
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	1.0%	3.6%	20.6%*
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.1%	-0.2%	0.8%	0.5%
Australian Government	JP Morgan Australia GBI TR	AUD	0.6%	0.1%	1.5%	1.6%
Global Government Bonds	JP Morgan Global GBI	USD	1.0%	0.5%	3.4%	1.6%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.8%	0.4%	3.0%*	3.0%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	-1.3%	-0.9%	2.8%	13.9%
Emerging Market Bonds	JP Morgan EMBI+	USD	-0.5%	-0.8%	1.2%	-4.0%*

* Estimate

Source: Bloomberg

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Property						
US Property Securities	MSCI US REIT NR	USD	0.1%	-0.4%	8.8%	2.2%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-1.9%	-1.4%	2.3%	-0.6%*
Asia Property Securities	S&P Asia Property 40 NR	USD	-4.1%	-2.2%	-9.1%	-8.4%
Global Property Securities	S&P Global Property USD TR	USD	-1.6%	-1.0%	1.8%	-0.9%
Currencies						
Euro		USD	0.3%	0.8%	1.3%	8.5%
UK Pound Sterling		USD	-0.4%	-0.6%	0.6%	9.5%
Japanese Yen		USD	1.9%	0.4%	3.9%	-7.0%
Australian Dollar		USD	-0.4%	1.2%	1.3%	-13.3%
South African Rand		USD	0.6%	0.7%	-1.6%	-13.5%
Swiss Franc		USD	0.6%	0.9%	2.4%	8.9%
Chinese Yuan		USD	-0.4%	-0.1%	-1.5%	1.0%
Commodities & Alternatives						
Commodities	RICI TR	USD	-0.8%	0.6%	4.7%	-0.2%*
Agricultural Commodities	RICI Agriculture TR	USD	0.3%	4.6%	11.2%	0.4%*
Oil	ICE Crude Oil CR	USD	-0.2%	-1.2%	-3.5%	-1.7%*
Gold	Gold Spot	USD	3.2%	4.3%	14.7%	-13.5%
Hedge funds	HFRX Global Hedge Fund	USD	-0.7%*	-0.5%*	0.8%*	4.4%*

* 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