FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending **22 February 2015**

- Greece agrees bailout deal
- European data prints surprise on upside
- US continues to see strong jobs data
- Global government bonds fall in value
- Brent crude pares recent gains

European markets added 1.6% in euro terms last week, as concerns around Greece leaving the euro in a so called ‘Grexit’ waned. US markets added 0.7% over the week with the S&P 500 index closing at 2,110, a new all-time high. The past week saw Japan’s Topix index return 3.5% to take its month-todate return to 6.0% in yen terms. Developed markets as a whole added 1.0% over the week, while their emerging market counterparts did less well, falling 0.2%.

In Europe, an eleventh hour deal was agreed between the newly elected Syriza party and Greece’s European creditors to avert a short term financing crisis for the Mediterranean country. Later on today, Greece will submit a list of reforms that it will undertake over the coming months in exchange for a four-month extension of its current bailout programme. Assuming the reform proposal is accepted by other European leaders, discussions around structural and fiscal targets will then take centre stage. Syriza, having conceded significant ground to the Germans during these negotiations, will come under increasing pressure from the Greek electorate and party insiders to deliver on its election promises going forward. On the other hand, European politicians know that any form of debt writeoff would be deeply unpopular with their domestic voters. At the time of writing, European equities have hit a seven-year high in early morning trading, as sentiment has been given a clear boost following Friday’s agreement.

Markit’s Purchasing Manager Index (PMI) numbers for the euro area were also released last week, with the composite number reading 53.5 versus a forecast 53.0 (up from 52.6 in January). The print is now at its highest level since July 2014. Services PMI data surprised on the upside across the continent (53.9 versus expectations of 53.0) while manufacturing disappointed, printing 51.1 versus expectations of 51.5 (but up from 51.0 in January). The European Commission Consumer Confidence Index for the euro area also printed above expectations (-6.7 versus forecasts of -7.5) to reach its highest level since 2007. In Germany, the ZEW Expectation of Economic Growth indicator rose by 4.6 points to 53.0, to hit its highest level for 12 months.

US employment data continues to be strong ahead of Federal Reserve Chair Janet Yellen’s semi-annual testimony to Congress this week. Initial jobless claims printed 283,000 versus expectations of 290,000. While minutes from the previous Federal Open Market Committee (FOMC) were judged to be relatively dovish, recent employment results have started to increase expectations of an interest rate raise by the Federal Reserve in June. US Treasuries fell by 0.6% and are now down by 2.5% over the month, as the 10-year yield on Treasuries broke through 2.1% last week.

A similar trend in government bonds was seen in the UK, with gilts falling by 0.8% and in Australia where they returned -0.3% in Australian dollar terms. Global government bonds have fallen 1.2% year-to-date. At the other end of the credit spectrum, European high yield bonds added 0.4%, as Deutsche Bank reports record inflows into the asset class ($2.6 billion yearto-date) compared to $4.3 billion of outflows during the second half of 2014. Issuance of high yield bonds is also at record highs, according to the German bank. Gold continued to fall last week, returning -2.2% to take its month-to-date returns to -6.4%. The price of oil also fell, with Brent crude returning -2.1%. This commodity is still in positive territory for 2015, however, having added 5.0% since the start of the year. The broad RICI index of commodities fell by 2.1%.

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

Asset Class/Region	Currency	Currency returns			
		Week ending 20 Feb. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	0.7%	5.9%	2.7%	16.4%
United Kingdom	GBP	0.8%	2.8%	5.7%	4.9%
Continental Europe	EUR	1.6%	4.1%	12.1%	17.1%
Japan	JPY	3.5%	6.0%	6.6%	28.1%
Asia Pacific (ex Japan)	USD	0.3%	2.3%	3.9%	9.3%
Australia	AUD	0.4%	5.6%	9.1%	13.6%
Global	USD	1.0%	5.5%	3.6%	8.9%
Emerging Market Equities					
Emerging Europe	USD	-1.2%	11.1%	7.2%	-20.0%
Emerging Asia	USD	0.0%	1.5%	3.9%	13.2%
Emerging Latin America	USD	-0.7%	3.2%	-3.2%	-7.5%
BRICs	USD	0.1%	3.6%	4.8%	8.8%
MENA countries	USD	0.2%	3.8%	6.0%	1.5%
South Africa	USD	-0.4%	1.5%	6.1%	18.7%
India	USD	0.1%	0.1%	8.4%	46.4%
Global emerging markets	USD	-0.2%	2.5%	3.1%	6.1%
Bonds					
US Treasuries	USD	-0.6%	-2.5%	0.3%	5.0%
US Treasuries (inflation protected)	USD	-0.4%	-2.9%	0.3%	3.2%
US Corporate (investment grade)	USD	-0.3%	-1.9%	1.0%	6.5%
US High Yield	USD	0.4%	1.6%	2.3%	2.8%
UK Gilts	GBP	-0.8%	-4.3%	0.9%	13.3%
UK Corporate (investment grade)	GBP	-0.6%	-2.7%	1.9%	12.3%
Euro Government Bonds	EUR	-0.2%	-0.1%	2.1%	13.1%
Euro Corporate (investment grade)	EUR	0.1%	0.3%	1.3%	8.0%
Euro High Yield	EUR	0.4%	1.2%	2.2%	6.1%
Japanese Government	JPY	0.2%	-1.1%	-1.1%	2.6%
Australian Government	AUD	-0.3%	-0.4%	1.7%	12.3%
Global Government Bonds	USD	-0.4%	-1.5%	-1.2%	-2.5%
Global Bonds	USD	-0.3%	-0.9%	-1.3%	-2.2%
Global Convertible Bonds	USD	0.3%	2.4%	1.5%	-2.2%
Emerging Market Bonds	USD	-0.4%	0.1%	0.6%	7.1%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 20 Feb. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	-0.5%	-2.2%	4.3%	24.9%
Australian Property Securities	AUD	-2.8%	1.7%	9.6%	26.6%
Asia Property Securities	USD	1.2%	2.7%	4.7%	11.3%
Global Property Securities	USD	-0.1%	-0.7%	4.8%	16.6%
Currencies					
Euro	USD	-0.1%	0.8%	-5.9%	-17.0%
UK Pound Sterling	USD	0.1%	2.2%	-1.2%	-7.5%
Japanese Yen	USD	0.0%	-1.2%	1.2%	-14.3%
Australian Dollar	USD	1.0%	1.0%	-4.0%	-12.9%
South African Rand	USD	0.4%	0.2%	-0.5%	-5.3%
Swiss Franc	USD	-0.6%	-2.1%	6.0%	-5.2%
Chinese Yuan	USD	-0.2%	0.0%	-0.8%	-2.8%
Commodities & Alternatives					
Commodities	USD	-2.1%	3.3%	-2.3%	-27.0%
Agricultural Commodities	USD	-1.1%	2.1%	-4.7%	-15.3%
Oil	USD	-2.1%	13.6%	5.0%	-45.4%
Gold	USD	-2.2%	-6.4%	1.4%	-9.1%
Hedge funds	USD	0.5%	1.3%	1.1%	-0.1%

* 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

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