

Market Weekly Review

Week ending **25 January 2015**

- ECB announces large QE programme
- Equities rally; euro falls
- Syriza win landslide election in Greece
- Canadian Central Bank cuts rate
- China growth slows

Global equities added 2.0% last week as the European Central Bank (ECB) announced that it will begin full-scale Quantitative Easing in March. The Bank will buy EUR 60 billion in private and public debt each month until September 2016, and perhaps beyond. The highly anticipated move was larger in scale than had been forecast and resulted in the euro falling to an eleven year low against the dollar. Despite the Greek national elections curbing investor enthusiasm, equities on the continent reacted positively to the ECB's action, and added 4.9% in euro terms last week. Gold rallied, adding 1.1% over the week, breaking through the USD 1,300 mark intraday for the first time since August last year.

Overall last week was positive for Developed Market equities. In the US, stocks returned 1.6% as investors reacted positively to the ECB announcement, and UK stocks returned 4.2% in sterling terms. Japan added 2.9% in yen terms. Emerging markets also had a strong week, returning 3.5%. South African equities stood out with returns of 6.8%. In fixed income, US Treasuries were flat as investor sentiment improved, while UK Gilts added 1.1% in sterling terms, as the 10-year yield moved down to 1.48%. Two members of the Bank of England's Monetary Policy Committee (MPC), who had previously advocated a rate rise in the UK, are now back in agreement with other members to keep rates unchanged, according to the latest MPC meeting minutes. Wages in the UK increased by 1.8% year-on-year, while unemployment numbers improved slightly in November 2014, printing 5.8% (down from 6.0% in October). Inflation, however, remains subdued; Deutsche Bank now expects the first UK rate hike to happen in May 2016.

Across the Atlantic, the Bank of Canada cut its main policy rate by 0.25% to 0.75% last week. A statement released by the Bank explained that the unexpected action was "in response to the recent sharp drop in oil prices, which will be negative for growth and underlying inflation in Canada". Oil exports account for a significant part of the Canadian economy, which is now expected to grow 2.1% this year according to the central bank, down from an earlier forecast of 2.4%. Brent Crude is down 14.9% year-to-date.

Over the weekend, national elections in Greece dominated the headlines, with the Leftist Syriza party securing a resounding victory in Sunday's national election. Led by Alexis Tsipras, it campaigned on an anti-austerity platform and will look to restructure or cancel some of Greece's national debt which currently stands at 175% of GDP. A confrontation with its main creditors in Europe and the International Monetary Fund (IMF) now looks likely. Syriza took 36.3% of the vote to gain 149 seats in the Greek parliament, two short of a majority, and will form a governing coalition with the populist, anti-austerity Independent Greeks party. At time of writing, spreads on Greek government bonds have widened and the Greek equity market opened down by circa 5%, with banks in particular falling in value.

In China, official growth numbers surprised on the upside last week. The Chinese economy grew by 7.4% last year, versus a market expectation of 7.3%. It is, however, the slowest expansion in the world's most populous country since 1990, when international sanctions weighed on its economy. China's important real estate sector suffered a significant slowdown, with property sales falling by 7.6% last year, while unsold floor space increased by 26.1%. Investment in the industry declined from 19.8% in 2013 to and mere 10.3% in 2014. The International Monetary Fund (IMF) revised down its growth forecast for the Chinese economy from 7.1% to 6.8% for 2015, citing in particular the slowing property sector.

Asset Class/Region	Currency	Currency returns			
		Week ending 23 Jan. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	1.6%	-0.3%	-0.3%	16.7%
United Kingdom	GBP	4.2%	4.1%	4.1%	8.4%
Continental Europe	EUR	4.9%	8.4%	8.4%	17.2%
Japan	JPY	2.9%	-0.3%*	-0.3%*	17.3%
Asia Pacific (ex Japan)	USD	2.6%	2.9%	2.9%	11.4%
Australia	AUD	3.8%	1.7%	1.7%	10.7%
Global	USD	2.0%	-0.1%	-0.1%	8.9%
Emerging Market Equities					
Emerging Europe	USD	5.0%	4.6%	4.6%	-19.4%
Emerging Asia	USD	3.5%	4.6%	4.6%	15.2%
Emerging Latin America	USD	2.2%	-0.1%	-0.1%	-3.2%
BRICs	USD	3.1%	5.6%	5.6%	11.1%
MENA countries	USD	-0.6%	0.2%	0.2%	-0.5%
South Africa	USD	6.8%	5.4%	5.4%	18.6%
India	USD	4.0%	9.8%	9.8%	49.4%
Global emerging markets	USD	3.5%	3.6%	3.6%	8.4%
Bonds					
US Treasuries	USD	0.0%	2.1%	2.1%	6.6%
US Treasuries (inflation protected)	USD	0.3%	2.1%	2.1%	4.4%
US Corporate (investment grade)	USD	0.4%	2.2%	2.2%	7.8%
US High Yield	USD	0.4%	0.3%	0.3%	2.1%
UK Gilts	GBP	1.1%	4.3%	4.3%	16.5%
UK Corporate (investment grade)	GBP	1.4%	3.8%	3.8%	14.0%
Euro Government Bonds	EUR	0.9%	2.2%	2.2%	13.1%
Euro Corporate (investment grade)	EUR	0.4%	0.8%	0.8%	7.8%
Euro High Yield	EUR	0.9%	1.1%	1.1%	6.1%
Japanese Government	JPY	-0.9%	0.0%	0.0%	3.9%
Australian Government	AUD	-0.3%	1.0%	1.0%	11.0%
Global Government Bonds	USD	-0.6%	-0.2%	-0.2%	-1.2%
Global Bonds	USD	-0.5%	-0.9%	-0.9%	-1.1%
Global Convertible Bonds	USD	0.9%	-0.6%	-0.6%	-1.4%
Emerging Market Bonds	USD	0.9%	0.6%	0.6%	8.6%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 23 Jan. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	0.7%	8.5%	8.5%	34.1%
Australian Property Securities	AUD	4.7%	7.1%	7.1%	28.5%
Asia Property Securities	USD	1.8%	3.7%	3.7%	10.4%
Global Property Securities	USD	1.2%	5.7%	5.7%	21.3%
Currencies					
Euro	USD	-3.1%	-7.4%	-7.4%	-16.9%
UK Pound Sterling	USD	-1.1%	-3.8%	-3.8%	-8.9%
Japanese Yen	USD	-0.1%	1.6%	1.6%	-13.4%
Australian Dollar	USD	-3.7%	-3.2%	-3.2%	-9.6%
South African Rand	USD	0.9%	1.1%	1.1%	-2.8%
Swiss Franc	USD	-2.7%	12.8%	12.8%	2.8%
Chinese Yuan	USD	-0.4%	-0.4%	-0.4%	-2.8%
Commodities & Alternatives					
Commodities	USD	-2.3%	-6.2%	-6.2%	-26.1%
Agricultural Commodities	USD	-1.8%	-4.9%	-4.9%	-10.8%
Oil	USD	-2.8%	-14.9%	-14.9%	-54.1%
Gold	USD	1.1%	9.2%	9.2%	4.0%
Hedge funds	USD	0.30%*	-0.20%*	-0.20%*	-0.60%*

* Estimate

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