FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending **28 September 2014**

- US jobless claims improve
- European manufacturing data disappoints
- Chinese lending restrictions eased
- Protests in Hong Kong intensify
- US and allies begin campaign against IS

Global equities fell by 1.8% last week, as nervousness around an interest rate rise in the US becomes more pronounced and the end of quantitative easing (QE) in the world.s largest economy draws nearer. The uncertainty around rate rises was further influenced by the latest US initial jobless claims, which rose by less than expected for the week ending on 20 September. On a seasonally-adjusted basis, the amount of claimants rose to 293,000 versus an expected 296,000; the four-week moving average fell by 1,000 to 298,500, according to the Financial Times. The S&P 500 fell by 1.3% last week and US high yield bonds were marked down by 1.4%. Across the Atlantic, the Bank of England Governor, Mark Carney, said that interest rate rises in the UK are also "getting closer", but emphasised that the exact timeframe of rises will be data dependent.

In the UK, equities fell by 2.8% in sterling terms, their worst weekly performance in over a year. This was in part caused by a sharp fall in the price of Britain.s largest retailer, Tesco. The supermarket announced last week that it had overstated its half-year profit forecasts by GBP 250 million, causing its share price to tumble by 5.6% over the week. Other UK supermarkets also saw their share price fall, as the sector comes under increasing pressure from the German discounters Aldi and Lidl.

Stocks in Europe fell by 1.6% in euro terms, as economic growth on the continent continues to be elusive. The European Purchasing Manufacturing Index (PMI) disappointed on the downside, printing 50.5 (marginally below consensus of 50.6) and down from the 50.7 seen in August. European bourses were also affected by the news that US law makers have introduced legislation that discourages American companies from merging with foreign firms to avoid paying tax domestically. European businesses hitherto seen as potential acquisition targets for a US firm saw their share price drop on the news. The euro continues to fall versus the US dollar and is now down by 7.7% year-to-date, amid growing calls for full scale QE across the common currency bloc. In the meantime, a depreciating euro may help European exporters and reduce pressure on the European Central Bank to expand its current 'private' QE programme to include government debt.

In China, state media reported that banks will start granting wider access to cheap mortgage rates as the state looks to boost an ailing housing sector. The wider slowdown in China has been a drag on global markets markets of late, with commodities down 6.6% this year, and the Australian dollar, sensitive to moves in the Chinese economy, falling 6.2% against the US dollar month-to-date. Some relief came in the form of Chinese PMI data last week, with the HSBC/Markit China PMI print rising from 50.2 in August to 50.5 in September. A number below 50.0 would have indicated a contraction in the manufacturing sector.

In Hong Kong, protests in the Central Business District erupted over the weekend, as pro-democracy campaigners gathered in large numbers. Hong Kong has seen regular demonstrations in recent weeks, after Beijing ruled out the prospect of fully democratic elections in 2017 by deciding that any candidates for the leadership position would have to be pre-approved by Chinese authorities. On Sunday, however, the situation escalated with tear gas being used to disperse crowds. At time of writing, the Hang Seng index had fallen by circa two percentage points since start of trading on Monday, and several banks with operations in the affected area have suspended their operations for the day.

Elsewhere, geopolitical risk in the Middle East continues to weigh on global markets. US President, Barack Obama, announced that the US has begun a campaign of air strikes against the Islamic State (IS) movement in Syria and Iraq, in what will likely be a protracted effort in the region. In the UK, Prime Minister David Cameron recalled Parliament last week to confirm that it too will join the campaign, as a broad coalition of countries including several Arab states was formed. Gold and US Treasuries both rose on the announcement, and ended the week +0.2% and +0.4%, respectively. UK Gilts, also seen as a 'safe-haven asset', returned 0.6% in sterling terms.

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

FP FINANCIAL PARTNERS

momentum

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 26 Sept. 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-1.3%	-0.9%	8.4%	19.6%
United Kingdom	MSCI UK NR	GBP	-2.8%	-2.5%	1.4%	6.4%
Continental Europe	MSCI Europe ex UK NR	EUR	-1.6%	0.7%	6.3%	12.9%
Japan	Topix TR	JPY	0.7%	5.0%	4.2%	13.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-2.6%	-5.9%	5.1%	7.5%
Australia	S&P/ASX 200 TR	AUD	-2.2%	-5.0%	2.8%	6.3%
Global	MSCI World NR	USD	-1.8%	-2.2%	4.5%	12.8%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.9%	-4.6%	-11.0%	-12.4%
Emerging Asia	MSCI EM Asia NR	USD	-2.3%	-4.3%	6.8%	10.7%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.6%	-10.3%	4.9%	2.4%
BRICs	MSCI BRIC NR	USD	-2.7%	-6.2%	4.5%	6.3%
MENA countries	Dow Jones MENA TR	USD	-2.0%	-0.3%	25.1%	34.4%
South Africa	MSCI EM South Africa NR USD	USD	-5.4%	-8.3%	3.2%	5.6%
India	Nifty Fifty TR	USD	-2.8%	-1.2%	28.5%	43.3%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-2.8%	-5.7%	4.3%	6.2%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.4%	-0.7%	3.6%	2.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.1%	-2.7%	4.2%	1.9%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.1%	-1.4%	5.6%	6.8%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-1.4%	-2.2%	3.3%	7.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.6%	-1.0%	7.2%	5.6%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.4%	-0.6%	7.5%	7.4%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.4%	-0.1%	10.0%	11.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	0.1%	6.7%	7.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-1.8%	-4.2%	-3.3%	2.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.4%	0.1%	2.2%	2.4%
Australian Government	JP Morgan Australia GBI TR	AUD	1.1%	-0.6%	6.0%	5.6%
Global Government Bonds	JP Morgan Global GBI	USD	-0.1%	-2.9%	1.8%	0.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.2%	-2.5%	1.8%	1.5%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	-1.5%	-3.1%	0.1%	3.0%
Emerging Market Bonds	JP Morgan EMBI+	USD	0.3%	-1.7%	8.2%	8.9%

* Estimate

Source: Bloomberg

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 26 Sept. 2014	Month to date	YTD 2014	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-1.0%	-5.5%	13.8%	12.6%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-0.8%	-5.5%	9.6%	5.9%
Asia Property Securities	S&P Asia Property 40 NR	USD	-0.8%	-4.2%	0.1%	-1.8%
Global Property Securities	S&P Global Property USD TR	USD	-1.2%	-5.4%	7.7%	6.8%
Currencies						
Euro		USD	-1.1%	-3.4%	-7.7%	-6.2%
UK Pound Sterling		USD	-0.2%	-2.1%	-1.9%	0.4%
Japanese Yen		USD	0.0%	-5.2%	-4.2%	-10.8%
Australian Dollar		USD	-1.8%	-6.2%	-1.7%	-5.9%
South African Rand		USD	-1.3%	-5.0%	-6.6%	-10.7%
Swiss Franc		USD	-1.1%	-3.5%	-6.1%	-4.9%
Chinese Yuan		USD	0.2%	0.4%	-1.2%	-0.1%
Commodities & Alternatives						
Commodities	RICI TR	USD	-0.6%	-5.9%	-6.6%	-7.8%
Agricultural Commodities	RICI Agriculture TR	USD	-1.3%	-7.6%	-12.4%	-15.3%
Oil	ICE Crude Oil CR	USD	-1.6%	-5.6%	-13.3%	-11.2%
Gold	Gold Spot	USD	0.2%	-5.4%	1.1%	-8.3%
Hedge funds	HFRX Global Hedge Fund	USD	-0.7%	-0.7%	1.3%	3.6%

* 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