FP FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending 31 August 2014

- ECB President dovish at Jackson Hole
- European economic data continues to disappoint
- Euro area QE now widely expected
- Crisis in Ukraine continues to weigh on markets
- Chinese house prices continue to fall

Global equities added 0.8% last week, led by Continental Europe which saw markets rise by 1.7% in euro terms as prospects of further monetary easing in the currency bloc increased. US stocks followed suit, adding 0.8% to take their 12 month returns to 24.5%, comfortably ahead of the United Kingdom which has added 10.1% in sterling terms and European equities which have risen by 17.9% in euro terms over the same period. Asia bucked the trend of rising equity markets last week, with Japan's Topix index falling by 0.6% in yen terms, Asia Pacific equities losing 0.2%, and Emerging Asia stocks down by 0.2% over the week.

Markets have been focused on remarks made by European Central Bank (ECB) President, Mario Draghi, at a gathering of central bankers in the American mountain resort of Jackson Hole two weeks ago. Mr Draghi's lunchtime speech was surprisingly dovish, making clear that some form of quantitative easing (QE) in the euro area is now a distinct possibility. Market commentators believe that this will likely come in the form of 'private' QE, whereby the central bank purchases asset backed securities, rather than buying government bonds which has been the preferred method for QE in the US and UK. Deutsche Bank expects Mr Draghi to announce this new policy as early as the ECB Governing Council meeting on Thursday.

Mr Draghi is facing mounting pressure to act as economic data continues to disappoint. Last week saw the European Commission's euro area economic confidence survey surprise on the downside, with the headline number reading 100.6 versus an expected figure of 101.5. Italy, now back in recession, saw its business confidence survey print 95.7 versus an expected 99.2. The Markit euro area composite Purchasing Manager's Index (PMI) also fell to 52.8 versus forecasts of 53.4, driven largely by declines in the Irish, Spanish and Italian PMIs.

Europe's economy also continues to be weighed down by the crisis in Ukraine. Nato released images last week of Russian armed forces entering Ukraine, resulting in the United Nations Security Council and Nato holding emergency meetings. The European Union (EU) has ratcheted-up the rhetoric around increased sanctions, which, unfortunately, may also place additional pressure on Europe's economic recovery. In an interview with Russian state television, Russia's President, Vladimir Putin, indicated that discussions of "statehood" for parts of eastern Ukraine should now also be on the table, in remarks that will likely further antagonise Kiev and the West.

As Europe continues to deal with this geopolitical risk, as well as the prospect of increased monetary easing in the face of sluggish growth, European government bonds continue to rally. German 10-year government bonds yields fell below 1% for the first time in their history, and European government bonds collectively added 0.7% last week. Germany also auctioned off five billion euros of 2-year government bonds with a zero coupon rate, highlighting the demand for 'safe-haven assets'. US Treasuries similarly continue to rise, adding 0.4% last week.

In the US, the S&P 500 index rose above the 2,000 mark for the first time, with economic data coming out of the world's largest economy continuing to be broadly positive. Second quarter GDP growth was revised up to 4.2% on an annualised basis, and housing data was also encouraging. The number of building permits issued in the US rose by 8.1% month-on-month in July, versus forecasts of a modest 2.8% rise. US inflation also continues to be restrained with headline Consumer Price Index (CPI) falling 0.1% to 2.0% year-on-year, dampening fears of US rate hikes being brought forward by the Federal Reserve.

In China, the HSBC manufacturing PMI figure for August read 50.2 after a minor revision, versus expectations of 51.5, and down from 51.7 in July. The official PMI data also fell from 51.7 in July to 51.1 in August. The Financial Times reports that although these figures still sit above 50, and thus indicate economic expansion, the decline will worry Chinese authorities, and hope of further stimulus by Beijing is now rising. Housing data has disappointed over the past two weeks, with month-on-month house prices declining for a third consecutive month. Out of the 70 cities surveyed, 64 reported a drop in the price of homes.

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

FP FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending 31 August 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 29 August 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.8%	3.9%	9.4%	24.5%
United Kingdom	MSCI UK NR	GBP	0.7%	2.0%	3.9%	10.1%
Continental Europe	MSCI Europe ex UK NR	EUR	1.7%	2.0%	5.5%	17.9%
Japan	Topix TR	JPY	-0.6%	-0.9%	-0.7%	17.8%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-0.2%	0.8%	11.7%	21.0%
Australia	S&P/ASX 200 TR	AUD	0.0%	0.6%	8.2%	14.4%
Global	MSCI World NR	USD	0.8%	2.2%	6.8%	21.1%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.6%	-1.0%	-6.7%	0.7%
Emerging Asia	MSCI EM Asia NR	USD	-0.2%	1.1%	11.7%	21.8%
Emerging Latin America	MSCI EM Latin America NR	USD	4.4%	7.9%	16.9%	24.0%
BRICs	MSCI BRIC NR	USD	0.7%	3.2%	11.5%	22.8%
MENA countries	Dow Jones MENA TR	USD	1.0%	4.7%	25.5%	38.5%
South Africa	MSCI EM South Africa NR USD	USD	0.5%	1.9%	12.6%	23.9%
India	Nifty Fifty TR	USD	0.2%	3.5%	30.1%	61.8%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.5%	2.3%	10.6%	20.0%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.4%	1.2%	4.4%	4.2%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.3%	0.6%	7.1%	6.3%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.5%	1.4%	7.1%	9.1%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.2%	1.6%	5.7%	10.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.4%	3.5%	8.3%	7.6%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	1.2%	2.8%	8.2%	9.1%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.7%	1.9%	10.0%	12.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.4%	1.2%	6.6%	8.3%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.2%	-1.0%	0.9%	10.8%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.4%	2.2%	2.9%
Australian Government	JP Morgan Australia GBI TR	AUD	0.9%	1.2%	6.6%	6.8%
Global Government Bonds	JP Morgan Global GBI	USD	0.5%	0.6%	4.8%	5.4%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.4%	0.5%	4.4%	6.2%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	0.0%	0.0%	3.3%	10.4%
Emerging Market Bonds	JP Morgan EMBI+	USD	0.5%	0.4%	10.0%	13.9%

* Estimate

Source: Bloomberg

Market Weekly Review

Week ending 31 August 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 31 August 2014	Month to date	YTD 2014	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	0.5%	2.9%	20.4%	22.9%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-1.2%	1.7%	15.9%	13.2%
Asia Property Securities	S&P Asia Property 40 NR	USD	-1.4%	-2.2%	4.4%	9.8%
Global Property Securities	S&P Global Property USD TR	USD	0.0%	1.2%	13.8%	19.3%
Currencies						
Euro		USD	-0.8%	-1.9%	-4.4%	-0.7%
UK Pound Sterling		USD	0.2%	-1.7%	0.2%	7.1%
Japanese Yen		USD	0.0%	-1.0%	1.1%	-5.9%
Australian Dollar		USD	0.3%	0.5%	4.8%	4.9%
South African Rand		USD	0.3%	0.4%	-1.7%	-3.7%
Swiss Franc		USD	-0.5%	-1.0%	-2.8%	1.3%
Chinese Yuan		USD	0.1%	0.4%	-1.5%	-0.5%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.8%	-1.0%	-0.8%	-4.4%
Agricultural Commodities	RICI Agriculture TR	USD	-0.2%	-1.1%	-5.2%	-9.0%
Oil	ICE Crude Oil CR	USD	0.8%	-4.3%	-8.2%	-11.6%
Gold	Gold Spot	USD	0.6%	0.4%	6.8%	-7.7%
Hedge funds	HFRX Global Hedge Fund	USD	0.2%	0.9%	1.8%	5.1%

* 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

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.