Market Weekly Review

Week ending **1 February 2015**

- Global equities fall
- US GDP disappoints
- Record number of US oil rigs taken off line
- China's manufacturing activity contracts
- Russia cuts interest rate

Global equity markets were down 1.8% last week, with the S&P 500 falling by 2.8% while the UK stock market fell by 1.3% in sterling terms. European equities fell by 0.6% in euro terms, but have finished the month +7.7% in euro terms, as markets were buoyed by the European Central Bank's Quantitative Easing announcement. Inflation continues to be elusive in the euro area, as core inflation (which strips out the effects of volatile energy and food prices) fell to +0.6% year-on-year in January down from +0.7% the month before. At a headline level the effect of weak oil prices led to a deeper drop into deflation for the common currency bloc, at -0.6% year-on-year in January (versus forecasts of -0.5%).

In the US, the latest GDP figure disappointed slightly, printing +2.6% annualised for the fourth quarter of 2014 (versus expectations of +3.0%). Exports suffered, in part due to the strong dollar, and business investment slowed but domestic consumption got a boost from the falling oil price. The underlying GDP component from "personal consumption" rose 4.3% on an annualised basis.

Having fallen over 50% over the past 12 months, the price of Brent Crude rallied on Friday to help the commodity adding 8.6% over the week. The jump in price came after the latest rig count report by Baker Hughes, which reported that in the US, 94 oil rigs came off line last week alone, which was the largest one-week drop since 1987 when Baker Hughes started their records.

US Treasuries benefitted from wary investors last week, adding 0.8% over the week. The 30-year Treasury yield hit 2.2% while the 10-year yield fell to 1.6%. UK gilts also continued their strong run, adding 1.1% in sterling terms, which takes the returns for the asset class over a 12 month period to a striking 18.1% in sterling terms. Gold, however, declined by 0.8% last week, but the "safe-haven" asset still ended the month +8.3%.

In Asia, China's Purchasing Managers' Index (PMI) fell below 50 for the first time since September 2012, consistent with a contraction in factory activity. The indicator fell 0.3 points to 49.8 in January and comes after downward revisions to China's GDP forecasts. Deutsche Bank now expects the authorities to further loosen monetary policy this year, to boost the ailing Chinese economy. HSBC's shadow PMI data print also remains under the 50 level, but rose slightly in January. The "flash" or preliminary print read 49.7% in January up from 49.6% in December. Data out of Japan was more encouraging, with the jobless rate down 0.10 percentage points to 3.4% in December, while industrial production rose to +0.3% year-on-year in December, sharply up from -3.7% in November. Japanese equities added 0.8% in yen terms last week.

The Central Bank of Russia surprised markets last week by cutting its benchmark interest rate by two percentage points to 15%, after hiking it by 6.5 percentage points in December to protect the rouble. The Bank cited slowing growth as the main reason behind the drop, as it shifts focus away from its inflation target. The Russian economy is coming under intense pressure due to the decline in oil price and the subsequent drop in the rouble's value. As tensions in Ukraine continue to flare, fresh violence was reported over the past few weeks, Western sanctions also continue to bite. At time of writing, the rouble is at 68.8 versus the dollar from a low of 32.9 in 2014.

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

Asset Class/Region	Currency	Currency returns			
		Week ending 30 Jan. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	-2.8%	-3.0%	-3.0%	12.8%
United Kingdom	GBP	-1.3%	2.8%	2.8%	6.6%
Continental Europe	EUR	-0.6%	7.7%	7.7%	16.1%
Japan	JPY	0.8%	0.5%	0.5%	17.9%
Asia Pacific (ex Japan)	USD	-1.3%	1.5%	1.5%	9.9%
Australia	AUD	1.6%	3.3%	3.3%	12.5%
Global	USD	-1.8%	-1.8%	-1.8%	6.4%
Emerging Market Equities					
Emerging Europe	USD	-7.8%	-3.5%	-3.5%	-26.4%
Emerging Asia	USD	-2.1%	2.4%	2.4%	12.9%
Emerging Latin America	USD	-6.1%	-6.2%	-6.2%	-8.9%
BRICs	USD	-4.2%	1.1%	1.1%	6.6%
MENA countries	USD	1.8%	2.0%	2.0%	1.4%
South Africa	USD	0.3%	4.6%	4.6%	22.7%
India	USD	-1.3%	8.3%	8.3%	47.6%
Global emerging markets	USD	-2.9%	0.6%	0.6%	5.3%
Bonds					
US Treasuries	USD	0.8%	2.9%	2.9%	7.6%
US Treasuries (inflation protected)	USD	1.2%	3.3%	3.3%	5.7%
US Corporate (investment grade)	USD	0.8%	3.0%	3.0%	8.9%
US High Yield	USD	0.3%	0.7%	0.7%	2.4%
UK Gilts	GBP	1.1%	5.5%	5.5%	18.1%
UK Corporate (investment grade)	GBP	0.9%	4.7%	4.7%	15.3%
Euro Government Bonds	EUR	0.1%	2.3%	2.3%	13.7%
Euro Corporate (investment grade)	EUR	0.2%	0.9%	0.9%	8.1%
Euro High Yield	EUR	-0.1%	1.0%	1.0%	6.0%
Japanese Government	JPY	0.0%	0.0%	0.0%	3.9%
Australian Government	AUD	1.1%	2.1%	2.1%	12.2%
Global Government Bonds	USD	0.6%	0.3%	0.3%	-0.5%
Global Bonds	USD	0.5%	-0.4%	-0.4%	-0.6%
Global Convertible Bonds	USD	-0.3%	-0.9%	-0.9%	-2.0%
Emerging Market Bonds	USD	-0.1%	0.6%	0.6%	8.2%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 30 Jan. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	-1.6%	6.7%	6.7%	32.7%
Australian Property Securities	AUD	0.5%	7.7%	7.7%	29.1%
Asia Property Securities	USD	-1.7%	1.9%	1.9%	8.5%
Global Property Securities	USD	-0.2%	5.5%	5.5%	21.1%
Currencies					
Euro	USD	0.7%	-6.7%	-6.7%	-16.7%
UK Pound Sterling	USD	0.5%	-3.3%	-3.3%	-8.7%
Japanese Yen	USD	1.2%	2.4%	2.4%	-12.4%
Australian Dollar	USD	-1.9%	-5.0%	-5.0%	-11.7%
South African Rand	USD	-1.8%	-0.7%	-0.7%	-3.8%
Swiss Franc	USD	-4.1%	8.2%	8.2%	-1.7%
Chinese Yuan	USD	-0.4%	-0.8%	-0.8%	-3.2%
Commodities & Alternatives					
Commodities	USD	0.8%	-5.4%	-5.4%	-25.7%
Agricultural Commodities	USD	-1.8%	-6.7%	-6.7%	-12.0%
Oil	USD	8.6%	-7.6%	-7.6%	-50.9%
Gold	USD	-0.8%	8.3%	8.3%	3.2%
Hedge funds	USD	-0.2%	-0.2%	-0.2%	-0.6%

* Estimate

Source: Bloomberg

For more information, please contact your adviser or alternatively contact:

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Important notes