

# Market Weekly Review

Week ending **12 April 2015**

- Equities hit fresh highs
- US payroll numbers disappoint
- Sterling weakness on election fears
- Euro area sentiment continues to improve
- Further stimulus expected in China

Global equities rose by 1.7% last week as stock markets in Europe and Japan hit 15-year highs. European stocks added 3.2% in euro terms while the Japanese market rose by 1.6% in yen terms. UK equities also enjoyed a strong week, rising by 3.8% in sterling terms. As earnings season gets underway in the US, the S&P 500 is closing in on its all-time high of 2,117, which it reached last month. The index returned 1.7% last week.

Monthly US payroll numbers surprised on the downside two weeks ago, growing by less than 200,000 for the first time in 12 months. Markets reacted to the +126,000 print by predicting that the Federal Reserve will delay its first rate hike, initially expected to take place in June. Downward revisions to the January and February numbers of 69,000 compounded this view further. Subsequent comments by Federal Reserve Governor Jerome Powell were interpreted as being relatively hawkish, however, as he continued to speak about June as a possible date for the first rate rise. The publication of the latest Federal Open Market Committee (FOMC) minutes showed diverging opinions amongst its members and generally struck a neutral tone regarding rate rises, although importantly the meeting was held before the release of the jobs report. Nevertheless, the US dollar rallied strongly last week against a basket of major currencies having fallen after the jobs report came out. The greenback rose by 2.9% to approach a 12-year high last week, as US Treasuries fell by 0.6%.

The greenback's strength was also aided by sterling's weakness. UK elections are now less than a month away and polls continue to suggest that there will be no outright winner. The potential for a minority government or an unwieldy coalition

is starting to put pressure on sterling, which depreciated by 1.9% last week to hit a near five-year low against the US dollar.

In Europe, sentiment is improving as the European Central Bank buys up government bonds. Full-scale Quantitative Easing is driving government yields into negative territory, with the 10-year German government bond now yielding just 0.16%. The euro also continues to depreciate versus the dollar. As investors search for yield, money is flowing into equities, and European businesses are expecting their exports to become increasingly competitive. The Sentix euro area investor confidence index rose to its highest level since 2007 in April, posting its sixth consecutive monthly gain. German industrial production also surprised on the upside, printing +0.2% month-on-month versus expectations of +0.1%.

At the time of writing, Chinese stocks are rallying in a case of 'bad news is good news' for its equity market. Export numbers disappointed significantly last week, printing -14.6% year-on-year, versus expectations of 8.2% growth. Import numbers were also low, reading -12.3% versus forecasts of -11.3%. Inflation numbers, although above forecasts, remain well below official targets, as the Consumer Price Index (CPI) reads 1.4% year-on-year for March (versus expectations of 1.3%) and the Producer Price Index (PPI) printed -4.6% year-on-year (versus expectations of -4.8%). Following these numbers, expectations for further stimulus from China's authorities have heightened, which is helping to boost share prices. Emerging market equities rose by 4.1% last week, with Brazil, Russia, India and China (the so-called BRIC countries) adding 7.7% on a market-cap weighted basis.

Oil markets have remained volatile in recent weeks. Brent crude fell by circa six per cent on Wednesday last week, as the latest crude oil inventory report by Energy Information Administration (EIA) showed US stockpiles increasing by the biggest amount in 15 years, indicating a diminishing amount of storage to absorb the oversupply in the market. Prices recovered, however, and ended the week up 5.3%. Brent crude has now returned +0.9% year-to-date.

| Asset Class/Region                  | Currency | Currency returns         |               |          |           |
|-------------------------------------|----------|--------------------------|---------------|----------|-----------|
|                                     |          | Week ending 10 Apr. 2015 | Month to date | YTD 2015 | 12 months |
| <b>Developed Market Equities</b>    |          |                          |               |          |           |
| United States                       | USD      | 1.7%                     | 1.7%          | 2.5%     | 16.3%     |
| United Kingdom                      | GBP      | 3.8%                     | 4.8%          | 9.0%     | 10.3%     |
| Continental Europe                  | EUR      | 3.2%                     | 3.7%          | 23.3%    | 27.3%     |
| Japan                               | JPY      | 1.6%                     | 3.0%          | 13.9%    | 40.9%     |
| Asia Pacific (ex Japan)             | USD      | 4.2%                     | 5.1%          | 9.8%     | 8.1%      |
| Australia                           | AUD      | 1.2%                     | 1.3%          | 11.8%    | 13.8%     |
| Global                              | USD      | 1.7%                     | 2.3%          | 4.6%     | 9.5%      |
| <b>Emerging Market Equities</b>     |          |                          |               |          |           |
| Emerging Europe                     | USD      | 3.9%                     | 8.5%          | 10.5%    | -17.7%    |
| Emerging Asia                       | USD      | 4.6%                     | 6.1%          | 11.6%    | 13.8%     |
| Emerging Latin America              | USD      | 2.6%                     | 6.7%          | -3.5%    | -18.1%    |
| BRICs                               | USD      | 7.7%                     | 11.1%         | 15.0%    | 11.8%     |
| MENA countries                      | USD      | 1.7%                     | 1.5%          | 2.3%     | -8.9%     |
| South Africa                        | USD      | 2.7%                     | 4.8%          | 8.2%     | 6.0%      |
| India                               | USD      | 3.5%                     | 3.5%          | 7.9%     | 26.7%     |
| Global emerging markets             | USD      | 4.1%                     | 6.2%          | 8.6%     | 3.7%      |
| <b>Bonds</b>                        |          |                          |               |          |           |
| US Treasuries                       | USD      | -0.6%                    | -0.1%         | 1.7%     | 5.5%      |
| US Treasuries (inflation protected) | USD      | -0.9%                    | 0.4%          | 1.9%     | 3.2%      |
| US Corporate (investment grade)     | USD      | -0.4%                    | 0.2%          | 2.5%     | 6.0%      |
| US High Yield                       | USD      | 0.8%                     | 0.8%          | 3.4%     | 2.5%      |
| UK Gilts                            | GBP      | -0.1%                    | -0.2%         | 2.7%     | 13.3%     |
| UK Corporate (investment grade)     | GBP      | 0.0%                     | -0.1%         | 3.2%     | 11.9%     |
| Euro Government Bonds               | EUR      | 0.1%                     | 0.0%          | 4.3%     | 13.3%     |
| Euro Corporate (investment grade)   | EUR      | 0.3%                     | 0.3%          | 1.7%     | 7.2%      |
| Euro High Yield                     | EUR      | 0.5%                     | 0.6%          | 3.7%     | 5.8%      |
| Japanese Government                 | JPY      | 0.0%                     | 0.2%          | -0.4%    | 3.4%      |
| Australian Government               | AUD      | -0.4%                    | -0.2%         | 3.1%     | 13.0%     |
| Global Government Bonds             | USD      | -1.0%                    | -0.4%         | -2.2%    | -5.2%     |
| Global Bonds                        | USD      | -1.0%                    | -0.3%         | -2.5%    | -5.1%     |
| Global Convertible Bonds            | USD      | 0.7%                     | 1.8%          | 2.3%     | -2.5%     |
| Emerging Market Bonds               | USD      | 0.9%                     | 2.0%          | 3.9%     | 4.7%      |

\* Estimate

Source: Bloomberg

| Asset Class/Region                    | Currency | Currency returns            |                  |          |           |
|---------------------------------------|----------|-----------------------------|------------------|----------|-----------|
|                                       |          | Week ending<br>10 Apr. 2015 | Month<br>to date | YTD 2015 | 12 months |
| <b>Property</b>                       |          |                             |                  |          |           |
| US Property Securities                | USD      | -2.7%                       | -2.1%            | 2.2%     | 19.7%     |
| Australian Property Securities        | AUD      | 1.6%                        | 2.8%             | 11.4%    | 27.0%     |
| Asia Property Securities              | USD      | 3.9%                        | 5.9%             | 11.8%    | 16.0%     |
| Global Property Securities            | USD      | 0.3%                        | 1.4%             | 6.0%     | 14.7%     |
| <b>Currencies</b>                     |          |                             |                  |          |           |
| Euro                                  | USD      | -3.4%                       | -1.2%            | -12.4%   | -23.6%    |
| UK Pound Sterling                     | USD      | -1.9%                       | -1.3%            | -6.1%    | -12.8%    |
| Japanese Yen                          | USD      | -1.2%                       | 0.0%             | 0.0%     | -15.3%    |
| Australian Dollar                     | USD      | 0.7%                        | 1.0%             | -6.0%    | -18.4%    |
| South African Rand                    | USD      | -1.8%                       | 1.1%             | -3.6%    | -12.8%    |
| Swiss Franc                           | USD      | -3.0%                       | -0.7%            | 1.5%     | -10.5%    |
| Chinese Yuan                          | USD      | -1.0%                       | -0.1%            | -0.1%    | 0.0%      |
| <b>Commodities &amp; Alternatives</b> |          |                             |                  |          |           |
| Commodities                           | USD      | 1.0%                        | 2.4%             | -4.9%    | -30.2%    |
| Agricultural Commodities              | USD      | -1.6%                       | 0.4%             | -7.6%    | -22.7%    |
| Oil                                   | USD      | 5.3%                        | 5.0%             | 0.9%     | -46.1%    |
| Gold                                  | USD      | 0.4%                        | 2.0%             | 1.9%     | -8.4%     |
| Hedge funds                           | USD      | 1.0%                        | 0.9%             | 3.0%     | 1.9%      |

\* Estimate

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