FP FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending **15 March 2015**

- US equities flat year-to-date
- European government bonds rally
- US inflation subdued; dollar continues to rise
- Chinese Premier Li pledges to boost economy
- Oil price tumbles

Global equities fell by 1.2% last week, as US equities declined by 0.8% and UK equities fell by 2.4% in sterling terms. Asia Pacific stocks fell by 2.4% and Australian equities declined by 1.2% in Australian dollar terms. The two exceptions to this downward trend were Japan and Europe, where Quantitative Easing (QE) and a weak currency are helping to push up equity markets. Global emerging markets continued to suffer, falling by 3.2%.

In fixed income markets, US Treasuries added 0.8% while UK gilts rallied following recent losses (+2.2% in sterling terms). Emerging market bonds declined by 0.9%. European government bonds added 1.4% in euro terms, as QE got underway and bond yields across the common currency bloc fell. The 10-year German government bond yield reached a record low of 0.19% last week and ended the week at 0.25%. Remarkably, the German 30-year bond yield is now 0.69%. Peripheral countries also saw their yields fall with Italy's 10-year bond now yielding 1.15%.

The US equity market saw its third consecutive weekly decline taking its month-to-date return to -2.4%; the US benchmark index has generated a zero return year-to-date. Economic data prints also disappointed last week. The University of Michigan Consumer Sentiment index fell by 4.2 points from its February reading to hit 91.2. The Producer Purchasing Index (PPI) also fell below expectations at -0.6% year-on-year versus 0.0% expected. The ex-energy and food 'core' index printed +1.0% (versus forecasts of +1.6%). The Federal Open Market Committee (FOMC) is to meet on Wednesday and investors will be looking for any changes in interest rate policy. Lower inflation numbers may buy the Federal Reserve some time and allow it to postpone a decision to hike rates. The strengthening dollar may also play a part. Softer inflation prints, and a strong dollar hampering exports, may buy some time for the Fed allowing it to postpone its first hike past the summer months. The US dollar index (which measures dollar strength against other major currencies) is now at its highest level since 2003. Against the euro, the greenback is now circa $1.05, and many expect parity in the coming months.

In China, the annual National People's Congress came to an end. Premier Li Keqiang closed the meeting of China's legislators by pledging to further boost the economy if necessary. China has been easing policy as it struggles to reach growth targets, and Premier Li's remarks were broadly welcomed by markets. At the time of writing the Shanghai Composite is close to hitting August 2009 highs. The recent cut to the Reserve Requirement Ratio for banks has provided a fillip for the economy, with the measure resulting in a greater than expected boost to liquidity (aggregate available credit is now RMB 1.35 trillion versus forecasts of RMB 1.0 trillion).

The price of Brent crude oil fell by 8.5% last week as the International Energy Agency (IEA) released a report discussing a build-up in US oil inventories. As those looking to buy and store crude oil are finding it harder to find storage capacity, oversupply in the market may again increase. Recently, West Texas Intermediate (WTI) – the US oil benchmark – has fallen significantly below the price of Brent crude, illustrating how this has played out more in the US than Europe. Other commodities also fell, with 'soft' agricultural commodities posting a -1.6% return, while gold continued its month-to-date decline (falling by 0.7%).

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

Asset Class/Region	Currency	Currency returns			
		Week ending 13 Mar. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	-0.8%	-2.4%	0.0%	12.8%
United Kingdom	GBP	-2.4%	-2.6%	3.3%	6.2%
Continental Europe	EUR	1.5%	2.2%	17.7%	25.7%
Japan	JPY	1.3%	2.4%	10.9%	32.3%
Asia Pacific (ex Japan)	USD	-2.4%	-3.1%	1.5%	6.0%
Australia	AUD	-1.2%	-1.5%	8.7%	12.2%
Global	USD	-1.2%	-2.9%	0.9%	6.1%
Emerging Market Equities					
Emerging Europe	USD	-6.8%	-9.7%	-4.5%	-20.4%
Emerging Asia	USD	-2.3%	-2.7%	2.0%	10.5%
Emerging Latin America	USD	-5.0%	-11.8%	-13.8%	-15.5%
BRICs	USD	-3.5%	-6.5%	-1.3%	6.9%
MENA countries	USD	0.3%	0.9%	6.9%	0.9%
South Africa	USD	-5.2%	-8.2%	-3.4%	2.3%
India	USD	-4.4%	-4.4%	4.7%	31.0%
Global emerging markets	USD	-3.2%	-5.1%	-1.5%	2.1%
Bonds					
US Treasuries	USD	0.8%	-0.4%	0.7%	4.7%
US Treasuries (inflation protected)	USD	-0.3%	-2.2%	-0.3%	1.3%
US Corporate (investment grade)	USD	0.6%	-0.8%	1.2%	5.9%
US High Yield	USD	-0.6%	-1.0%	2.0%	2.0%
UK Gilts	GBP	2.2%	0.2%	1.0%	12.2%
UK Corporate (investment grade)	GBP	1.6%	0.3%	2.2%	11.5%
Euro Government Bonds	EUR	1.4%	1.3%	4.4%	14.3%
Euro Corporate (investment grade)	EUR	0.1%	-0.1%	1.4%	7.3%
Euro High Yield	EUR	-0.2%	0.1%	3.2%	6.1%
Japanese Government	JPY	-0.4%	-0.5%	-1.1%	2.9%
Australian Government	AUD	0.3%	-0.3%	1.9%	12.4%
Global Government Bonds	USD	-0.2%	-2.4%	-3.3%	-5.7%
Global Bonds	USD	-0.5%	-2.5%	-3.7%	-5.6%
Global Convertible Bonds	USD	-1.0%	-2.3%	-0.8%	-4.8%
Emerging Market Bonds	USD	-0.9%	-1.8%	-0.5%	4.4%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 13 Mar. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	2.4%	-1.3%	1.5%	20.5%
Australian Property Securities	AUD	-1.7%	-0.5%	10.3%	28.4%
Asia Property Securities	USD	-0.5%	-2.0%	2.2%	10.6%
Global Property Securities	USD	0.1%	-2.9%	1.5%	12.8%
Currencies					
Euro	USD	-3.2%	-6.2%	-13.2%	-24.3%
UK Pound Sterling	USD	-1.9%	-4.5%	-5.3%	-11.3%
Japanese Yen	USD	0.0%	-1.2%	-1.2%	-16.3%
Australian Dollar	USD	-1.1%	-2.2%	-6.6%	-15.4%
South African Rand	USD	-3.5%	-6.5%	-7.3%	-13.4%
Swiss Franc	USD	-1.8%	-5.0%	-1.0%	-12.9%
Chinese Yuan	USD	0.1%	0.1%	-0.9%	-2.0%
Commodities & Alternatives					
Commodities	USD	-3.9%	-6.4%	-8.1%	-31.4%
Agricultural Commodities	USD	-1.6%	-4.7%	-8.9%	-23.6%
Oil	USD	-8.5%	-12.6%	-4.6%	-49.1%
Gold	USD	-0.7%	-4.5%	-2.2%	-15.4%
Hedge funds	USD	0.0%	0.2%	1.8%	0.4%

* Estimate

Source: Bloomberg

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