

Market Weekly Review

Week ending **19 April 2015**

- US economic data disappoints
- China eases monetary policy
- 'Grexit' fears heighten
- German bunds hit record lows
- Brent crude oil rallies

Global equities were weighed down by sluggish US economic data prints and heightened fears of a 'Grexit' last week. Developed market equities returned -0.6%. In the UK equities fell by 1.2% in sterling terms, and the European market dropped 2.8% in euro terms. Emerging markets fared marginally better (adding 0.8%), but news that China's authorities were clamping down on umbrella trusts that allow investors to take on more leverage when investing in equities, dampened returns on Friday. An increase in the amount of Chinese stocks available for short-sellers was also announced. Worries about a Chinese equity bubble have grown in recent weeks as the Shanghai CSI 300 Index has added 30.1% in yuan terms year-to-date. On the other hand, the Chinese economy is still slowing, and over the weekend the People's Bank of China cut the reserve requirement ratio for banks by 1.0%. The decision came after news that the Chinese economy grew by 7.0% year-on-year in the first quarter of 2015, its slowest rate since 2009.

In Europe the German 10-year government bond yield fell to a fresh all time low on Friday, dropping below 0.05% intra-day. Many now expect the benchmark bund to go into negative territory, as worries surrounding Greece have resurfaced, and the European Central Bank (ECB) buys up large swathes of government bonds as part of its Quantitative Easing (QE) programme. As negotiations between the Greek government and its creditors reach an important juncture, news broke that the IMF had rebuffed Greek officials seeking to postpone a €1 billion debt

repayment. It intensified fears that Greece is fast running out of money, while negotiations around a further bailout package are mired by disagreement on reforms demanded by its creditors. Short-term Greek bonds due in 2017 spiked to highs not seen since the country's initial debt restructuring, and at the time of writing are yielding above 27%. The government bonds of Spain, Portugal and Italy also rose, but by a relatively minor amount. The 10-year Greek government bond yield went from 11.3% to over 13% on Thursday. In comparison, 10-year yields in Portugal, Spain and Italy are now at 1.9%, 1.4% and 1.4% respectively, indicating reduced anxiety about contagion in the region.

Across the Atlantic, US equities fell by 1.0% last week and Treasuries added 0.6% as US retail sales numbers disappointed. The headline number rose by 0.9% (versus expectations of a 1.1% rise), while the core print which excludes sales of the most volatile items such as food and automobiles, rose by 0.3% (versus forecasts of a 0.5% rise). Moreover, data on housing starts disappointed markedly on the downside, printing a mere +2.0% month-on-month versus forecasts of +15.9%, while the month-on-month change in industrial production fell to its lowest level since August 2012, printing -0.6% versus forecasts of -0.3%. As data continues to disappoint, a June interest rate hike in the US looks increasingly unlikely with markets now looking towards September for the first rise.

Crude oil had a strong week as Brent crude rallied by 9.6% to help boost energy sector stocks in otherwise wavering markets. The rise in price came on the back of the latest International Energy Agency (IEA) report that showed the increase in US oil supply slowing to its lowest point this year, as the amount of operating oil rigs in the US continues to fall, according to Baker Hughes. At the time of writing, the price of a barrel of Brent crude is circa \$63.

Asset Class/Region	Currency	Currency returns			
		Week ending 17 Apr. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	-1.0%	0.7%	1.5%	13.2%
United Kingdom	GBP	-1.2%	3.5%	7.7%	9.2%
Continental Europe	EUR	-2.8%	0.8%	19.9%	24.0%
Japan	JPY	-0.1%	3.0%	13.8%	38.7%
Asia Pacific (ex Japan)	USD	0.9%	6.1%	10.8%	10.2%
Australia	AUD	-1.5%	-0.2%	10.1%	12.6%
Global	USD	-0.6%	1.7%	4.1%	8.0%
Emerging Market Equities					
Emerging Europe	USD	-1.1%	7.3%	9.3%	-16.3%
Emerging Asia	USD	1.3%	7.5%	13.2%	16.8%
Emerging Latin America	USD	0.2%	6.9%	-3.3%	-18.0%
BRICs	USD	1.1%	12.3%	16.3%	15.4%
MENA countries	USD	3.1%	4.7%	5.4%	-6.7%
South Africa	USD	-1.1%	3.7%	7.0%	6.9%
India	USD	-2.4%	1.0%	5.3%	24.0%
Global emerging markets	USD	0.8%	7.1%	9.5%	5.8%
Bonds					
US Treasuries	USD	0.6%	0.5%	2.3%	6.5%
US Treasuries (inflation protected)	USD	1.4%	1.8%	3.3%	4.5%
US Corporate (investment grade)	USD	0.6%	0.8%	3.1%	7.0%
US High Yield	USD	0.2%	1.1%	3.6%	2.8%
UK Gilts	GBP	0.1%	-0.1%	2.8%	13.7%
UK Corporate (investment grade)	GBP	0.0%	-0.1%	3.2%	12.0%
Euro Government Bonds	EUR	-0.1%	-0.1%	4.2%	12.9%
Euro Corporate (investment grade)	EUR	0.1%	0.3%	1.7%	7.2%
Euro High Yield	EUR	-0.4%	0.2%	3.3%	5.3%
Japanese Government	JPY	0.5%	0.6%	0.1%	3.8%
Australian Government	AUD	0.1%	-0.1%	3.1%	12.4%
Global Government Bonds	USD	1.1%	0.7%	-1.1%	-3.8%
Global Bonds	USD	1.0%	0.6%	-1.6%	-3.8%
Global Convertible Bonds	USD	0.5%	2.3%	2.7%	-2.1%
Emerging Market Bonds	USD	-0.6%	1.4%	3.3%	4.4%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 17 Apr. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	-1.0%	-3.1%	1.3%	16.8%
Australian Property Securities	AUD	-2.5%	0.2%	8.7%	23.9%
Asia Property Securities	USD	-0.1%	5.8%	11.6%	15.8%
Global Property Securities	USD	-0.3%	1.1%	5.7%	13.8%
Currencies					
Euro	USD	1.9%	0.7%	-10.7%	-21.8%
UK Pound Sterling	USD	2.3%	1.0%	-3.9%	-10.9%
Japanese Yen	USD	1.2%	1.2%	1.2%	-14.3%
Australian Dollar	USD	1.3%	2.3%	-4.8%	-16.6%
South African Rand	USD	-0.6%	0.5%	-4.2%	-13.2%
Swiss Franc	USD	2.9%	2.1%	4.4%	-7.2%
Chinese Yuan	USD	0.2%	0.1%	0.1%	0.3%
Commodities & Alternatives					
Commodities	USD	2.4%	4.9%	-2.6%	-29.1%
Agricultural Commodities	USD	-1.3%	-0.9%	-8.8%	-24.5%
Oil	USD	9.6%	15.1%	10.7%	-42.1%
Gold	USD	-0.3%	1.7%	1.6%	-7.0%
Hedge funds	USD	0.3%	1.2%	3.3%	2.3%

* Estimate

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