

Market Weekly Review

Week ending **26 April 2015**

- Global equities rally
- S&P 500 and NASDAQ reach record highs
- US 10 year yields rise
- Greece transfers reserves
- Chinese SOE defaults

Global equities rallied last week, up by 1.8%, led by Japan which added 1.9% in yen terms. The pound appreciated by 1.5% against the US dollar following the release of a fairly hawkish set of minutes from the Bank of England, with the result that UK equities returned 2.7% in US dollar terms and are now up by 7.0% month to date. On a trade weighted basis, the US dollar has depreciated by around 4% from its mid-March highs, according to data from Deutsche Bank. Emerging markets also added 1.8% last week to take their month to date gains to 9.0%. Emerging markets have outperformed developed markets by 5.5% year to date, after underperforming by almost 40% over the past two years.

The S&P 500 and the NASDAQ both closed at records highs on Friday, despite the US Economic Surprise index hovering around a three year low. Data was mixed again last week, with April's preliminary manufacturing PMI dropping to 54.2 (down from 55.7 previously) and a notable miss for new home sales (-11.4% month-on-month versus -4.5% expected). In terms of company performance, at the midway point of earnings season the pattern appears to be for strong earnings (with 77% of firms beating analysts' expectations for earnings) but weaker underlying sales (less than 50% of positive surprises).

In fixed income markets, US Treasuries declined by 0.4%, with 10 year yields rising back towards 2% (1.91% as at Friday's close, down from 1.98% on Wednesday). Inflation linked government bonds underperformed over the week (down by 0.5%), as investors reduced their expectations for future inflation in the US. UK gilts also lost ground along with euro area government bonds,

while Japanese government bonds were flat. On the other hand, lower rated bonds continued to rally, with US high yield adding 0.2% and European high yield paper adding 0.9% in euro terms. Emerging market bonds outperformed over the week, with gains of 1.1%.

Global property securities added 0.8% in US dollar terms last week, and continue to lag the broader equity market month to date. Elsewhere, commodities added 0.3%, with Brent Crude continuing its slow rise through \$65 per barrel, while gold fell below \$1,180 for the first time in five weeks.

The focus remains on Greece, following news that state bodies (with the exception of pension funds) were forced to transfer reserves to the central bank at the start of last week, as liquidity continues to tighten. Greek Deputy Finance Minister Dimitris Mardas suggested the move should raise in the region of €2.5 billion and allow Greece to meet its obligations in May, as discussions with the country's creditors continue. Greece needs to make an interest payment of €201 million to the IMF on 6 May, followed by a principal repayment of €766 million on 12 May.

Last week saw two bond defaults in China, the first involving property developer Kaisa on Monday, followed by Chinese power-transformer manufacturer Baoding Tianwei. The latter marked the first time a Chinese State Owned Enterprise has defaulted in the onshore bond market. The news was interpreted as a further sign that China's government is interested to introduce greater market discipline on lenders.

Looking forward to the week ahead, first quarter US GDP is released on Wednesday, followed by a statement from the Federal Open Market Committee (FOMC) following the end of its latest meeting. We will have a clearer indication of the health of the US economy and whether the strong dollar is having an impact on activity, with another 160 S&P 500 companies set to announce Q1 earnings over the next five days.

Asset Class/Region	Currency	Currency returns			
		Week ending 24 Apr. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	1.8%	2.5%	3.3%	14.3%
United Kingdom	GBP	1.2%	4.8%	9.0%	9.0%
Continental Europe	EUR	1.1%	1.9%	21.2%	24.0%
Japan	JPY	1.9%	4.9%	16.0%	41.6%
Asia Pacific (ex Japan)	USD	1.1%	7.2%	12.0%	11.4%
Australia	AUD	0.9%	0.7%	11.1%	12.1%
Global	USD	1.8%	3.5%	5.9%	9.1%
Emerging Market Equities					
Emerging Europe	USD	3.7%	11.3%	13.4%	-11.5%
Emerging Asia	USD	1.0%	8.6%	14.3%	18.3%
Emerging Latin America	USD	4.6%	11.8%	1.1%	-14.0%
BRICs	USD	1.2%	13.7%	17.7%	17.7%
MENA countries	USD	1.9%	6.7%	7.4%	-6.5%
South Africa	USD	1.5%	5.3%	8.7%	9.4%
India	USD	-5.2%	-4.3%	-0.2%	17.9%
Global emerging markets	USD	1.8%	9.0%	11.4%	8.1%
Bonds					
US Treasuries	USD	-0.4%	0.1%	1.8%	5.8%
US Treasuries (inflation protected)	USD	-0.5%	1.3%	2.8%	3.6%
US Corporate (investment grade)	USD	-0.4%	0.4%	2.7%	6.2%
US High Yield	USD	0.2%	1.3%	3.9%	2.9%
UK Gilts	GBP	-0.6%	-0.7%	2.2%	13.4%
UK Corporate (investment grade)	GBP	-0.5%	-0.6%	2.7%	11.5%
Euro Government Bonds	EUR	-0.2%	-0.3%	4.0%	12.6%
Euro Corporate (investment grade)	EUR	-0.2%	0.1%	1.5%	6.9%
Euro High Yield	EUR	0.1%	0.3%	3.3%	5.2%
Japanese Government	JPY	0.0%	0.7%	0.1%	3.9%
Australian Government	AUD	-1.0%	-1.1%	2.1%	11.2%
Global Government Bonds	USD	0.1%	0.7%	-1.1%	-3.8%
Global Bonds	USD	0.1%	0.8%	-1.5%	-3.7%
Global Convertible Bonds	USD	0.9%	3.2%	3.7%	-1.6%
Emerging Market Bonds	USD	1.1%	2.5%	4.4%	5.8%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 24 Apr. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	1.0%	-2.1%	2.3%	17.2%
Australian Property Securities	AUD	1.0%	1.3%	9.8%	23.3%
Asia Property Securities	USD	0.3%	6.1%	12.0%	16.7%
Global Property Securities	USD	0.8%	1.9%	6.5%	14.2%
Currencies					
Euro	USD	0.6%	1.3%	-10.1%	-21.4%
UK Pound Sterling	USD	1.5%	2.5%	-2.5%	-9.6%
Japanese Yen	USD	0.0%	1.2%	1.2%	-14.3%
Australian Dollar	USD	0.6%	2.9%	-4.3%	-15.5%
South African Rand	USD	-0.5%	0.0%	-4.6%	-12.5%
Swiss Franc	USD	-0.2%	1.9%	4.2%	-7.6%
Chinese Yuan	USD	0.1%	0.1%	0.2%	0.9%
Commodities & Alternatives					
Commodities	USD	0.3%	5.2%	-2.4%	-28.9%
Agricultural Commodities	USD	0.3%	-0.6%	-8.5%	-24.3%
Oil	USD	2.9%	18.5%	13.9%	-40.8%
Gold	USD	-2.1%	-0.4%	-0.5%	-8.8%
Hedge funds	USD	-0.3%	0.8%	2.9%	1.6%

* Estimate

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