FP FINANCIAL PARTNERS

momentum

Market Weekly Review

Week ending **29 March 2015**

- Global equities fall
- Fed Chair remains dovish
- Disinflation in Japan
- UK election campaign starts
- Saudi Arabia attacks Yemeni rebels

Global equity markets fell by 1.6%, with the S&P 500 index falling by 2.2% as investors become increasingly worried about US corporate earnings on the back of a strengthening dollar. Economic data prints also disappointed, with US durable goods orders falling 1.4% month-on-month in February, while consensus forecasts had predicted a 0.2% increase. Uncertainties in the Middle East also weighed on sentiment. The European market followed the US and declined by 1.3% in euro terms. UK equities fell by 2.3% in sterling terms, and emerging markets also suffered, falling by 1.1% over the week. Japan's Topix index fell by 1.0% in yen terms.

At the end of the week Chair of the Federal Reserve (Fed), Janet Yellen, struck a cautious tone while speaking at a Federal Reserve Bank of San Francisco conference, highlighting that a decision to hike interest rates continues to be highly data dependent and any eventual rises will happen gradually. Markets took Ms Yellen's comments to be relatively dovish, and the US equities closed the day in positive territory to pare back some of their earlier losses. This week sees the release of a range of economic data prints in the US, including inflation and manufacturing numbers, and the March US payroll numbers. Employment figures are highly anticipated by markets, as it is believed that the Fed will watch these closely when considering the timing of its first rate increase.

In Japan, the Markit/JMMA Purchasing Manager Index (PMI) fell to 50.4 in March versus expectations of 52.0 and down from 51.6 in February. The numbers illustrate that domestic producers are still struggling, with Moody's commenting that domestic demand is still weak, while exporters have benefitted from a weaker yen. The Japanese currency has depreciated 14.3% against the US dollar over the past 12 months, but is it is worth noting that is has been trading in a stubbornly narrow range year-to-date: between 116 and 121 yen per US dollar. Japanese industrial production fell by 3.4% month-on-month in February, versus forecasts of a 1.9% decline. Household consumption and retail sales also remain weak, and together with the fall in energy prices, consumer price inflation is now at zero year-on-year (excluding food and last year's sales tax increase). The unemployment rate, however, fell from 3.6% to 3.5% which should help boost inflation going forward.

In the UK, retail sales numbers surprised on the upside, printing 5.7% versus expectations of 4.7% year-on-year. The ex-auto number also read above expectations, 5.1% versus forecasts of 4.2%. With one eye on the Bank of England and potential rate rises, gilts temporarily sold off, but ended the week +0.2% in sterling terms. Today also marks the official start of the UK election campaign, with the Queen due to dissolve parliament. The Labour and Conservative parties remain neck-and-neck in the polls, with many now expecting the result to hinge on the relative success of the country's smaller parties. Sterling fell by 0.5% against the greenback.

Late in the week, Saudi Arabia launched attacks against Iranian backed rebels in Yemen. The price of Brent crude and West Texas Intermediate (WTI) jumped on the news, with traders particularly concerned about the proximity of the conflict to the Bab el-Mandeb straight, which sees 7% percent of the world's maritime oil trade pass through it, according to the Financial Times. Tuesday 31 March also sees the deadline for negotiations between Iran and world leaders in Lausanne, Switzerland. Representatives from the US, Germany, France, UK, Russia and China are aiming to come to an agreement on Iran's nuclear programme, with a suspension of Iranian sanctions on the table in return for increased transparency and a reduction in enriching facilities. Brent crude ended the week +2.0%.

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

Asset Class/Region	Currency	Currency returns			
		Week ending 27 Mar. 2015	Month to date	YTD 2015	12 months
Developed Market Equities					
United States	USD	-2.2%	-2.0%	0.4%	13.1%
United Kingdom	GBP	-2.3%	-0.8%	5.3%	7.6%
Continental Europe	EUR	-1.3%	2.6%	18.1%	23.0%
Japan	JPY	-1.0%	2.7%	11.2%	34.4%
Asia Pacific (ex Japan)	USD	-0.5%	-0.9%	3.7%	7.2%
Australia	AUD	-0.9%	0.4%	10.9%	15.6%
Global	USD	-1.6%	-1.3%	2.5%	7.6%
Emerging Market Equities					
Emerging Europe	USD	-1.3%	-4.8%	0.6%	-21.6%
Emerging Asia	USD	-0.9%	-1.4%	3.4%	10.7%
Emerging Latin America	USD	-2.4%	-9.2%	-11.3%	-21.1%
BRICs	USD	-1.8%	-4.8%	0.5%	3.0%
MENA countries	USD	-2.1%	-5.2%	0.4%	-7.6%
South Africa	USD	-0.2%	-3.1%	2.0%	4.6%
India	USD	-3.2%	-6.9%	1.9%	22.3%
Global emerging markets	USD	-1.1%	-3.1%	0.5%	0.7%
Bonds					
US Treasuries	USD	0.0%	0.6%	1.7%	6.0%
US Treasuries (inflation protected)	USD	-0.1%	-0.4%	1.6%	3.4%
US Corporate (investment grade)	USD	0.0%	0.2%	2.2%	6.4%
US High Yield	USD	0.3%	-0.7%	2.4%	2.0%
UK Gilts	GBP	0.2%	2.4%	3.3%	14.7%
UK Corporate (investment grade)	GBP	-0.1%	1.5%	3.5%	13.1%
Euro Government Bonds	EUR	-0.4%	0.9%	4.0%	13.2%
Euro Corporate (investment grade)	EUR	-0.1%	-0.3%	1.3%	7.1%
Euro High Yield	EUR	0.2%	-0.2%	2.9%	5.7%
Japanese Government	JPY	-0.4%	0.1%	-0.6%	3.3%
Australian Government	AUD	-0.1%	0.5%	2.8%	12.9%
Global Government Bonds	USD	0.2%	-0.4%	-1.3%	-3.5%
Global Bonds	USD	0.3%	-0.6%	-1.8%	-3.5%
Global Convertible Bonds	USD	-0.6%	-0.8%	0.8%	-3.3%
Emerging Market Bonds	USD	0.8%	0.6%	1.9%	4.7%

* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 27 Mar. 2015	Month to date	YTD 2015	12 months
Property					
US Property Securities	USD	-3.1%	1.0%	3.9%	23.8%
Australian Property Securities	AUD	-1.9%	-0.3%	10.4%	31.7%
Asia Property Securities	USD	2.8%	1.9%	6.3%	15.6%
Global Property Securities	USD	-0.8%	0.2%	4.6%	16.6%
Currencies					
Euro	USD	0.6%	-2.8%	-10.0%	-20.8%
UK Pound Sterling	USD	-0.5%	-3.6%	-4.5%	-10.4%
Japanese Yen	USD	0.8%	0.4%	1.1%	-14.3%
Australian Dollar	USD	-0.3%	-0.7%	-5.1%	-16.3%
South African Rand	USD	-0.4%	-3.3%	-4.1%	-12.3%
Swiss Franc	USD	1.4%	-0.8%	3.4%	-7.8%
Chinese Yuan	USD	-0.2%	0.8%	-0.2%	-0.1%
Commodities & Alternatives					
Commodities	USD	0.6%	-4.1%	-5.9%	-30.2%
Agricultural Commodities	USD	-0.5%	-2.8%	-7.0%	-22.9%
Oil	USD	2.0%	-9.9%	-1.6%	-47.7%
Gold	USD	1.4%	-1.2%	1.2%	-7.2%
Hedge funds	USD	-0.5%	0.1%	1.7%	0.4%

* Estimate

Source: Bloomberg

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