

ECB Signals a Change in Tactics

Weekly Snapshot



Oil
Gold



Sovereign Bonds



World Equities (in euro terms)

Week in Review

- There was a volatile end to the week as markets struggled to digest the outcome of the ECB meeting. The Euro sank and stocks rallied initially on the back of a series of policy announcements. A reversal in asset movements was then triggered by comments from Mr. Draghi saying he did 'not anticipate' further cuts, citing concerns over the impact of sustained negative rates. However risk assets rallied again on Friday; to **finish in positive territory for the week in local terms.**
- The policy tools announced included an interest rate cut, an expansion of monthly asset purchases, and **a move into buying corporate bonds.** These measures signal a shift in emphasis from rate cuts to quantitative and credit-easing measures, and may be interpreted as a potential move away from exchange rate depreciation as a major policy tool.
- **Oil maintained its recent upward trajectory** with another positive week; hopes continue to mount that price stability may have returned to the crude market. Market confidence was also helped by waning worries over Renminbi devaluations.

| | Index | 1 Week Return 04.03.16 to 11.03.16 | | Year to Date Return 31.12.15 to 11.03.16 | |
|---------------|---------------------------|---------------------------------------|--------|---|--------|
| | | Local Currency % | Euro % | Local Currency % | Euro % |
| Global (euro) | FTSE World (total return) | -0.9% | -0.9% | -3.9% | -3.9% |
| US | S&P 500 | 1.1% | -0.3% | -1.1% | -3.6% |
| Europe | FT/S&P Europe Ex. U.K. | 0.7% | 0.7% | -6.0% | -6.0% |
| Ireland | ISEQ | -0.3% | -0.3% | -6.6% | -6.6% |
| UK | FTSE 100 | -0.1% | -1.2% | -1.6% | -6.3% |
| Japan | Topix | -1.2% | -2.6% | -12.1% | -8.9% |
| Hong Kong | Hang Seng | 0.1% | -1.1% | -7.8% | -10.3% |
| Bonds | Merrill Lynch Euro over 5 | 0.3% | 0.3% | 3.9% | 3.9% |

The **global index** (in euro terms) fell 0.9% last week. Euro strength reduced returns for euro investors. The US S&P 500 Index also saw a return of 1.1%, however euro investors saw a return of -0.3%.

Eurozone equities were the strongest of the major markets with a weekly return of 0.7%, as a result of a

strong finish to the period on Friday. **Ireland** returns were mostly flat, with a performance of -0.3% for the week.

Eurozone **bond** prices in general were up 0.3%, however German 10 year prices fell to yield 0.27%. US Treasuries also saw price falls and the yield on the benchmark 10 year bond

finished the week at 1.98%, just short of the important 2% mark.

Oil rallied strongly for the third week running, producing a return of 7.2% (in dollar terms). Year to date returns have now turned to positive territory, in both dollar and euro terms.

The Week Ahead

| Wednesday 16 March | Thursday 17 March | Thursday 17-Friday 18 March |
|---|--|--|
| The Federal Open Market Committee (FOMC) meets, where the consensus is to leave the federal funds rate unchanged at 0.25-0.50%. The UK Budget will also take place. | In the UK the Monetary Policy Committee (MPC) meets. The consensus view is for the Bank Rate (0.5%) and Asset Purchase Facility (£375m) to remain unchanged. | European leaders meet in Brussels at the EU Summit where migration and recent unrest in neighbouring Turkey look set to dominate the agenda. |

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