



22nd December 2014

The week gone by

Global **equities** (in euro terms) rebounded sharply last week, after heavy falls the previous week, and the index now stands only 1% off its all-time-high. Euro currency weakness has been a major feature in 2014 (see table below) hiding some poorer local currency returns. Equities continue to be supported by the expectation of reasonably strong corporate earnings' growth and low interest rates. In addition, equities remain better value relative to other asset classes despite the rise in price earnings multiples.

The global index (in euro terms) rose by 4.1% last week giving a total return year-to-date of 18.1%. With the exception of Hong Kong, all of the major equity **markets** were up in local currency terms last week ranging from 0.7% in Japan to 3.9% in the UK. The bellwether US market was up 3.4%. Markets reacted positively to the stabilisation of oil prices, following a spectacular collapse, as well as dovish comments from the US FOMC with a significant change in the wording of its policy statement regarding the timing of rate rises.

Eurozone **bond** prices overall were up by 0.4% last week and are up an impressive 19.7% year-to-date led by Spain (+25.4%). The German 10-year bond yield fell from 0.62% to a fresh all-time low of 0.59%. Prices have been supported in recent months by ongoing deflationary concerns and speculation that the ECB may introduce some form of QE. Equivalent US yields rose from 2.08% to 2.16%. **Commodity** prices in general were down by 1.4% (in dollar terms) last week, and down heavily (-23.2%) since 20th June. Oil prices, which had fallen by 25% in the previous three weeks, were down only marginally last week.

	Index	1 Week Return 12.12.14 to 19.12.14		Year to Date Return 31.12.13 to 19.12.14	
		Local Currency %	Euro %	Local Currency %	Euro %
Global (euro)	FTSE World	4.1	4.1	18.1	18.1
US	S&P 500	3.4	5.4	12.0	26.3
Europe	FT/S&P Europe Ex. U.K.	2.4	2.4	1.3	1.3
Ireland	ISEQ	1.9	1.9	13.9	13.9
UK	FTSE 100	3.9	5.3	-3.0	3.2
Japan	Topix	0.7	2.0	8.2	7.5
Hong Kong	Hang Seng	-0.6	1.3	-0.8	11.9
Australia	S&P/ASX 200	2.3	2.8	-0.2	2.4
Bonds	Merrill Lynch Euro over 5 year	0.4	0.4	19.7	19.7

The week ahead

- It is expected to be a relatively quiet week, regarding economic data, due to Christmas. In the US, the markets will be watching the following releases: November existing and new home sales, revised Q3 GDP, November durable goods orders and November personal income and spending.
- HAPPY CHRISTMAS to all our readers.