



18th January 2016

The week gone by

Global **equities** (in euro terms) have had the worst two week start to a calendar year in living memory. Markets came under pressure again as a combination of concerns over Chinese economic growth and steeply falling oil prices fuelled a further escalation of risk aversion. This increased level of volatility should provide opportunities for investors.

The global index (in euro terms) fell by 3.0% following the previous week's decline of 6.4%. Technically, the Index fell to 10% below its critical 200-day moving average and is now close to 17% off the all-time high set on 15th April 2015. The US S&P 500 Index peaked on 21st May 2015 and is off 11.8% from its all-time-high. All of the major equity **markets** were down in local currency terms last week ranging from minus 1.8% in the UK to minus 4.6% in Hong Kong. The influential US market was off 2.2%. Defensive stocks, such as utilities and consumer staples, significantly outperformed economically sensitive stocks, such as materials and financials, over the week.

Eurozone **bond** prices in general rose by 0.4% last week, reacting to the turmoil in equity markets and concerns about global growth, and are up by 1.1% in the first two weeks of the year. The German 10-year bond yield rose from 0.51% to 0.54% last week. Equivalent US yields fell from 2.12% to 2.03%. **Commodity** prices continued their long term trend, falling heavily. Overall prices were down by 5.1% (in dollar terms) last week and are down by 9.2% year-to-date. Oil prices were off 11% to 14% hitting 12-year lows over demand fears, with China economic woes front and centre of investors' minds.

	Index	1 Week Return 08.01.16 to 15.01.16		Year to Date Return 31.12.15 to 15.01.16	
		Local Currency %	Euro %	Local Currency %	Euro %
Global (euro)	FTSE World (total return)	-3.0	-3.0	-9.3	-9.3
US	S&P 500	-2.2	-2.7	-8.0	-8.7
Europe	FT/S&P Europe Ex. U.K.	-2.9	-2.9	-9.5	-9.5
Ireland	ISEQ	-3.7	-3.7	-6.9	-6.9
UK	FTSE 100	-1.8	-4.0	-7.0	-10.6
Japan	Topix	-3.1	-2.8	-9.4	-7.4
Hong Kong	Hang Seng	-4.6	-5.5	-10.9	-12.1
Australia	S&P/ASX 200	-2.0	-4.6	-7.6	-13.9
Bonds	Merrill Lynch Euro over 5 year	0.4	0.4	1.1	1.1

The week ahead

- The US Q4 2015 earnings' results season begins in earnest with financial companies forming the bulk of the announcements. A handful of tech stocks also report at the end of the week. It is estimated that December headline CPI (Wednesday) will remain unchanged at 0.0% month-on-month.
- At the ECB Governing Council meeting (Thursday) it is expected that policy rates and the QE programme will remain unchanged.
- In the UK, it is forecast that December headline inflation (Tuesday) will rise by 1.1% year-on-year (last: 1.1%).
- In China, it is likely that Q4 2015 GDP growth (Tuesday) will print at 6.9% year-on-year (last: 6.9%).

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