ZURICH

25th January 2016

The week gone by

Global **equities** (in euro terms) managed to stabilize somewhat following two weeks of turmoil. Markets had come under severe pressure due to a combination of concerns over Chinese economic growth and steeply falling oil prices. Last week, oil prices and equities bounced from heavily oversold technical levels. A dovish speech during the week from ECB President Draghi, hinting at further monetary easing in March, helped the markets. Whether this is a 'dead cat bounce' remains to be seen. The increased level of volatility we have seen so far in January should provide opportunities for investors.

The global index (in euro terms) rose by 2.2% last week to give a total return of minus 7.3% year-to-date. Technically, the Index is now 7.7% below its critical 200-day moving average and is 15% off the all-time high set on 15th April 2015. The US S&P 500 Index peaked on 21st May 2015 and is off 10.5% from its all-time-high. There was a mixed bag of returns amongst the major equity **markets** in local currency terms last week ranging from plus 2.3% in Europe to minus 2.2% in Hong Kong. The influential US market was up 1.4%. There was no clear distinction between defensive and economically sensitive stocks over the week, although defensive areas have significantly outperformed year-to-date.

Eurozone **bond** prices in general rose by 0.2% last week and are up by 1.4% in the first three weeks of the year. The German 10-year bond yield fell from 0.54% to 0.48% last week. Equivalent US yields rose marginally from 2.03% to 2.05%. **Commodity** prices have been falling heavily for the last 18 months, led by oil. Overall prices were up by 2.2% (in dollar terms) but are down by 7.0% year-to-date. Oil prices were up 10% last week after hitting 12-year lows.

	Index	1 Week Return 15.01.16 to 22.01.16		Year to Date Return 31.12.15 to 22.01.16	
		Local Currency %	Euro %	Local Currency %	Euro %
Global (euro)	FTSE World (total return)	2.2	2.2	-7.3	-7.3
US	S&P 500	1.4	2.5	-6.7	-6.1
Europe	FT/S&P Europe Ex. U.K.	2.3	2.3	-7.4	-7.4
Ireland	ISEQ	0.5	0.5	-6.4	-6.4
UK	FTSE 100	1.7	2.8	-5.5	-7.9
Japan	Topix	-2.0	-2.4	-11.2	-9.6
Hong Kong	Hang Seng	-2.3	-1.2	-12.9	-12.0
Australia	S&P/ASX 200	0.5	3.6	-7.2	-10.2
Bonds	Merrill Lynch Euro over 5 year	0.2	0.2	1.4	1.4

The week ahead

- At the US FOMC meeting (Wednesday), it is expected that the Committee will hold the Fed Funds target at 0.25% – 0.50%. It will likely acknowledge the softer tone of recent data and downgrade the balance of risks on growth from 'balanced' to 'nearly-balanced'. The advance estimate of Q4 GDP growth (Friday) is likely to come in at 0.7% quarter-on-quarter.
- Euro area January flash HICP inflation (Friday) is projected to edge up to 0.4% year-on-year (last: 0.2%).
- In the UK, it is forecast that the preliminary estimate of Q4 GDP (Thursday) will print at 0.5% quarter-on-quarter (last: 0.4%).

Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurichlife.ie