



1st February 2016

The week gone by

Global **equities** (in euro terms) rose for the second week in a row following turmoil during the first half of the month. Markets had come under severe pressure at the beginning of January due to a combination of concerns over Chinese economic growth and steeply falling oil prices. Last week, markets were supported by a surprise move by the Bank of Japan in introducing negative interest rates for certain current account deposits, as well as generally positive Q4 earnings' results in the US. The increased level of volatility we have seen so far this year should provide opportunities for investors.

The global index (in euro terms) rose by 1.9% last week to give a total return of minus 5.5% year-to-date. Technically, the Index is now 5.5% below its critical 200-day moving average and is 13% off the all-time high set on 15th April 2015. The US S&P 500 Index peaked on 21st May 2015 and is off 8.9% from this all-time high. Almost all of the major equity **markets** were up in local currency terms last week with Japan, Hong Kong and the UK giving the best returns. There was no clear distinction between defensive and economically sensitive stocks over the week.

Eurozone **bond** prices in general rose by 1.6% last week, supported by dovish comments from the ECB and the Federal Reserve along with policy action from the Bank of Japan, and are up by 3.0% during the first four weeks of the year. The German 10-year bond yield fell from 0.48% to 0.32% last week. Equivalent US yields fell from 2.05% to 1.92%. **Commodity** prices have been falling heavily for the last 18 months. Overall prices, however, were up by 1.8% (in dollar terms) last week, led by oil, but remain down (- 5.3%) year-to-date.

	Index	1 Week Return 22.01.16 to 29.01.16		Year to Date Return 31.12.15 to 29.01.16	
		Local Currency %	Euro %	Local Currency %	Euro %
Global (euro)	FTSE World (total return)	1.9	1.9	-5.5	-5.5
US	S&P 500	1.8	1.5	-5.1	-4.9
Europe	FT/S&P Europe Ex. U.K.	1.1	1.1	-6.4	-6.4
Ireland	ISEQ	-0.2	-0.2	-6.6	-6.6
UK	FTSE 100	3.1	2.3	-2.5	-5.7
Japan	Topix	4.2	1.8	-7.4	-7.8
Hong Kong	Hang Seng	3.2	3.0	-10.2	-10.4
Australia	S&P/ASX 200	1.8	2.6	-5.5	-8.0
Bonds	Merrill Lynch Euro over 5 year	1.6	1.6	3.0	3.0

The week ahead

- In the US January employment report (Friday), it is projected that non-farm payrolls will rise by 200k (last: 292k) and that the unemployment rate will fall to 4.9% (last 5.0%). It is likely that the January ISM manufacturing index (Monday) will nudge up to 48.5 (last: 48.2).
- The final estimate of the euro area January manufacturing PMI (Monday) is expected to remain unchanged at 52.3.
- In the UK, at the February Bank of England MPC meeting (Thursday), no change is expected for the Bank Rate or the asset purchasing programme.
- Chinese January NBS manufacturing PMI (Monday) is likely to edge down to 49.5 (last: 49.7).

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