

Equities flat, as markets remain focused on US rate hike prospects

Weekly Snapshot



Oil
World Equities



Sovereign Bonds



Gold
Corporate Bonds

The **global index** (in euro terms) was relatively flat for the week, returning 0.6%, which leaves it with a -1.1% return year to date. **Irish equities** outperformed delivering 1.7% for the week, to pare some of the losses seen in 2016.

Week in Review

- The Fed Minutes, released on Wednesday, was the key economic story of the week. After gains earlier in the week equities fell, and US bonds underperformed versus developed market peers, as the market expectation of a June rate hike rose to 35%. The **probability of a rate rise by September has risen to 85%**.
- The **US dollar strengthened on a trade weighted basis** again last week, on the back of the Fed comments. Some commodities priced in US dollars came under pressure as a result, but oil proved resilient for the week, posting a positive return.
- Recent US data would also support the more 'hawkish' tone emanating from the Fed. Industrial production, **Consumer Price Index data and Housing starts** all had strong readings last week.

	Index	1 Week Return 13.05.16 to 20.05.16		Year to Date Return 31.12.15 to 20.05.16	
		Local Currency %	Euro %	Local Currency %	Euro %
Global (euro)	FTSE World (total return)	0.6%	0.6%	-1.1%	-1.1%
US	S&P 500	0.3%	1.0%	0.4%	-2.7%
Europe	FT/S&P Europe Ex. U.K.	0.3%	0.3%	-8.0%	-8.0%
Ireland	ISEQ	1.7%	1.7%	-8.3%	-8.3%
UK	FTSE 100	0.3%	2.1%	-1.4%	-5.8%
Japan	Topix	1.8%	1.1%	-13.2%	-7.8%
Hong Kong	Hang Seng	0.7%	1.4%	-9.4%	-12.4%
Bonds	Merrill Lynch Euro over 5	-0.2%	-0.2%	4.5%	4.5%

The Japanese Topix Index was once again a strong performer on a global stage returning 1.8% in local terms. Although yen weakness pared these gains back to 1.1% for euro investors.

Oil rose strongly for the week, posting a 3.3% return, in dollar terms. Gold sold off, as did copper and silver.

The dollar had a strong week against the euro and yen, but has still weakened year-to-date against both.

Sovereign yields rose on the week with German 10 year yields finishing the week at 0.16%. 10 year US rose from 1.7% to 1.84%, on the back of the aforementioned Fed comments.

The Week Ahead

Tuesday 24 May	Thursday 26- Friday 27 May	Friday 27 May
Key German data is released with Q1 GDP and economic sentiment readings due in the morning. As the largest economy in the eurozone the figures may influence both the euro and major eurozone equity indexes.	The G7 summit takes place in Japan, where topics will include central bank activity in Japan and the US. No major policy changes are expected, but the tone and language present will be closely watched.	Japanese CPI figures will print with the consensus for a -0.4% (year-on-year) reading, which would be worse than the -0.1% seen in March.

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