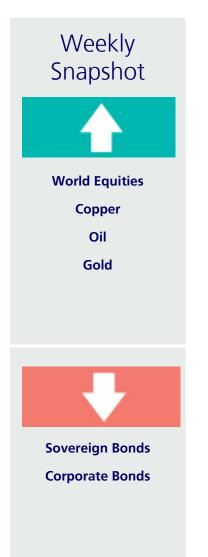


## Equities shrug off inflation concerns with sharp weekly rise



The **global index** rose by nearly 3% in euro terms for the week, but remains in negative territory for 2018.

**Hong Kong** was the best performing of the major markets, up 5.5% in local terms.

## Week in Review

- Equity markets recovered strongly last week, with the S&P 500 seeing its best 1 week local return in over five years, although dollar weakness negated these returns for Irish investors. The VIX 'fear index' also declined to below 20 after spiking close to 50 a week previously.
- A stronger than expected January CPI reading in the US failed to derail equities, as market participants come to terms with rising inflation expectations. US Treasuries lost value as expectations of rising interest rates continue to gather momentum, with the 10-year yield (which moves inversely to price) briefly touching a four year high on 14 February.
- With the Q4 earnings season coming to a close, 76% of companies have exceeded earnings-per-share estimates, helping to underpin the positive price trends across equities.

|               | 1 Week Return<br>09.02.18 to 16.02.18 |           | Year to Date Return 31.12.17 to 16.02.18 |           |
|---------------|---------------------------------------|-----------|--|-----------|
|               | Local<br>Currency<br>%                | Euro<br>% | Local Currency<br>%                      | Euro<br>% |
| Global (euro) | 2.7%                                  | 2.7%      | -1.7%                                    | -1.7%     |
| US            | 4.3%                                  | 3.0%      | 2.2%                                     | -1.3%     |
| Europe        | 3.3%                                  | 3.3%      | -1.2%                                    | -1.2%     |
| Ireland       | 3.5%                                  | 3.5%      | -2.9%                                    | -2.9%     |
| UK            | 2.9%                                  | 3.1%      | -5.1%                                    | -4.8%     |
| Japan         | 0.3%                                  | 1.4%      | -4.4%                                    | -2.0%     |
| Hong Kong     | 5.5%                                  | 4.2%      | 4.0%                                     | 0.1%      |
| Bonds         | 0.1%                                  | 0.1%      | -0.5%                                    | -0.5%     |

**Oil** moved higher last week, and closed back above \$60/barrel, helped by the weakening US Dollar. **Copper** and **gold** returned 7.1% and 2.4% respectively.

The **ten year US bond yield** finished the week at 2.87%, with the 3.0%

point being a key level to watch for in the coming weeks. The **EUR/USD** rate closed the period at 1.24 and EUR/GBP was at 0.88.

## The Week Ahead

| Wednesday 21 February                  | Wednesday 21 February              | Wednesday 21 February                   |
|--|------------------------------------|---|
| Euro area flash composite PMI data for | The FOMC minutes covering Janet    | US PMI data for February is also        |
| February goes to print where both the  | Yellen's last meeting as Fed Chair | released where the Services figure is   |
| Services and Manufacturing figures are | are released. No change in policy  | expected to rise to 54.0 from 53.3      |
| expected to fall from their multi year | is envisaged with a rate rise in   | with the consensus predicting a fall in |
| highs, whilst firmly remaining in      | March broadly expected by the      | the Manufacturing index from 55.5 to    |
| expansion territory.                   | market.                            | 55.0.                                   |

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