

Tempus Fugit. We are coming to the end of the first quarter for 2015. With large scale rebalancing events relating to the collapse of oil prices (will this feed through into Q1 earnings?), the universal rally of the US Dollar (who gets hit the hardest?), the suffering of the emerging oil-exporting countries and new political and defensive alliances being formed. The headlines this week have been dominated by news flows on two continents; the first with a US supported Arab military incursion into Yemen (more on this later) and the sad news of the Germanwings plane that has crashed in France. We cannot help but feel that the effects of policy implemented in the wake of the 9/11 attacks in New York has hindered the possible saving of the plane in question – let us be clear, this does not appear to have been a terrorist attack. New rules will be implemented by some of the European low cost airlines to mitigate the risk of this happening again. The stock price of Lufthansa, the parent company for Germanwings, tumbled on the crash by 8% and is still down 7%.

As the clocks spring forward this weekend we thought we would take a look at some of the young companies that have sprung to life in the last few years. We were sent an interesting “factoid” this week, taken from a social media feed on the Facebook app of a shiny iPhone 6. “In 2015 Uber, the largest taxi company in the world owns no vehicles, Facebook, the world’s most popular media owner creates no content, Alibaba, the world’s most valuable retailer has no inventory and Airbnb, the world’s largest accommodation provider owns no real estate.” The times they are a-changin’! Well, let’s look at the figures: Coke is a \$176Bn company, it has revenues of \$45Bn per annum and is present in every single country in the world (excluding North Korea and Cuba); Facebook is a \$233Bn company with revenues of just \$12Bn ... AirBnB on the other hand is generating estimated revenues by Piper Jaffray of roughly \$500Mn but is valued at \$40Bn. What we want to highlight is not, what is a company worth based on assets? But what are investors willing to pay for that company. Uber is a taxi service, and upon initial inspection the valuation would put it as larger than the existing taxi market... Well in San Francisco where they originally launched, they are already larger than the domestic taxi market and their revenues are currently growing at 300% per annum. Is it possible to sustain this growth...? Probably not forever, but for now the market believes so. And with that growth potential comes the seemingly excessive valuation. Does it matter? Well as the shares were oversubscribed in the last funding round, the market says no!

Another area of intense speculation remains the timing of a Fed rate hike this year. On Monday, Fed Vice Chairman Stanley Fischer said the U.S. federal funds rate will “likely increase before year-end. A hike will be appropriate when the Fed sees further improvement in the labour market and is reasonably confident that inflation is moving back to 2 percent. While there are no signs of inflationary pressures at present, it remains a tangible risk down the road.” This however was countered by Fed member Evans saying, “It would be very surprising if inflation did not begin to pick up to 2 percent, I share the optimism of so many of my colleagues that it will pick up; but I just don’t have the same confidence in the time profile of this”. Well, call us old fashioned, but we like to see market data to support the view that there is inflation before we start calling for the rate rise. CPI for the UK AND the US was 0% year on year. So until we see some kind of empirical data to support a rate rise we will stick to our view that rates aren’t going anywhere, anytime soon!

Although there seems to be no unanimous decision on Fed Funds rate, the US has backed an Arabian consortium of armed forces with intelligence to carry out air strikes into the Yemeni capital of Sana’a. Yemen’s government collapsed in the face of an offensive by rebels known as Houthi’s, prompting airstrikes led by Saudi Arabia. With the possible outbreak of declared civil war in Yemen and the Arab nations flexing their muscles, the Saudis blame Iran for the Houthi militia’s actions, with the Houthi’s claiming they are fighting for themselves not Iran. With the US wanting to form a nuclear agreement with Iran, but also backing the Arab coalition to fight the Houthi’s it would seem that a powder keg of dry gunpowder is beginning to smoulder – or perhaps we should say a barrel of oil! Although Yemen contributes less than 0.2% of global oil output, its location puts it near the centre of world energy trade. Most oil tankers from Arab producers such as Saudi Arabia, the UAE, Kuwait and Iraq having to pass Yemen’s coastlines via the narrow Gulf of Aden in order to get through the Red Sea and Suez Canal to Europe. It is a chokepoint and it is only 32Kms wide! With both Andy Hall of Astenbeck Capital closing out his short bets then initiating long positions and Boone Pickens coming to market with his predictions for oil being at \$100 a barrel by the end of 2016, perhaps the addition of problems in Yemen will provide support to hold prices here or to see a rally. In fact Andy Hall sums it up perfectly: the cure for low prices is low prices. Look beyond the rapid build in crude inventories and focus on the demand fundamentals that will be revived later this year.

So as we reflect on news and data flows that we receive from the media, we remind you that “Everything we hear is an opinion, not a fact. Everything we see is a perspective, not the truth.” Marcus Aurelius. We look forward to writing Q2!

This Week's Highlights:

- EURUSD moved higher throughout the week finally topping out at 1.1050 but as the USD has regained some strength the pair is back to being unchanged on the week at 1.0840. The CHF moved in a very similar pattern to the EUR, with the USDCHF bottoming out at 0.95 but now trading at 0.9660. GBP has struggled all week to find a direction, oscillating daily between 1.50 and 1.48 and we are right in the middle at the moment at 1.49. The USDJPY followed suit and dropped below 118.50 to bounce back to 119.50 this morning. As oil has found a footing, so too has the Ruble. USDRUB spent the whole week below 60, moving steadily lower to briefly be at 56.10. The Brazilian Real has managed to stabilise this week and has remained in a trading range of 3.10 to 3.20.
- US 10Yr Treasury yield slipped at the start of the week, the yield moved from 1.92% to hit 1.85%, however today it has given back a lot of ground and is trading at 2.0%. The German 10Yr Bund has remained in a tight trading range this week between 0.20% and 0.23%... Although it did put in a new all-time low of 0.17%. The Spanish 10Yr yield moved slightly higher this week from 1.18% to 1.28%. Italian 10Yr followed in line, moving from 1.20% to 1.33%. In the UK, the 10Yr Gilt continued its recent course sending yields lower from 1.53% to 1.45%, only to quickly change course and head higher to 1.64% this morning. Swiss 10Yr slipped a little and is now -0.02% i.e. nothing.
- Both the European and the US markets are negative for the week, except for the Spanish IBEX which is +0.30% so far. In general the US is down about 1.5%, with the NASDAQ being the worst hit at -2.58%. Europe has had mixed results with the Dutch AEX down the most with -2.7% performance. In the Emerging Markets the Bovespa is down 2.76%, although we do not have an indication as to where it will open today. Russia stocks are down as well by 3.2% on the MICEX.

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Highlighted items are interesting data points for the week

MARKET INDICES PERFORMANCE

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INDEX NAME	CCY	Last Price	PRICE CHANGE IN % (unless indicated)								P/E
			1D	5D	MTD	1M	3M	6M	YTD	1Y	
EQUITY MARKET INDICES - BY REGION											
S&P 500 INDEX	USD	2,056.15	-0.24	-1.59	-2.30	-2.30	-1.56	3.70	-0.13	11.20	17.17
DOW JONES INDUS. AVG	USD	17,678.23	-0.23	-1.56	-2.51	-2.51	-2.08	3.30	-0.81	8.69	16.06
NASDAQ COMPOSITE INDEX	USD	4,863.36	-0.27	-2.58	-2.02	-2.02	1.18	7.78	2.69	17.15	18.89
RUSSELL 2000 INDEX	USD	1,231.99	-0.14	-1.82	-0.11	-0.11	1.38	10.06	2.27	7.00	18.96
EURO STOXX 50	EUR	3,669.79	-0.39	-1.13	2.36	2.36	15.68	14.42	17.08	17.55	15.93
EURO STOXX 600	EUR	394.54	-0.81	-1.71	1.25	1.25	15.47	16.01	15.93	19.82	16.83
CAC 40 INDEX	EUR	5,006.35	-0.29	-1.12	1.59	1.59	17.10	14.46	17.73	14.87	16.52
DAX INDEX	EUR	11,843.68	-0.18	-1.15	4.38	4.38	19.95	25.40	21.37	25.92	15.32
FTSE 100 INDEX	GBP	6,895.33	-1.31	-1.91	-0.84	-0.84	4.21	3.80	4.91	4.56	16.14
SWISS MARKET INDEX	CHF	9,082.51	-1.15	-3.03	1.07	1.07	0.99	3.84	1.42	9.41	17.96
NIKKEI 225	JPY	19,471.12	-1.39	-1.40	2.59	2.59	8.23	18.83	10.51	31.89	20.07
HANG SENG INDEX	HKD	24,497.08	-0.13	0.46	-1.36	-1.36	4.87	3.41	3.73	12.14	11.72
SHANGHAI SE COMPOSITE	CNY	3,682.10	0.58	2.04	11.50	11.50	16.90	57.22	14.11	80.35	14.50
S&P BSE SENSEX INDEX	INR	27,457.58	-2.33	-2.78	-6.42	-5.97	0.66	3.19	-0.09	23.68	18.07
RUSSIAN RTS INDEX \$	USD	868.62	-1.52	0.69	-3.18	-3.18	4.77	-24.92	9.78	-26.40	5.63
BRAZIL IBOVESPA INDEX	BRL	50,579.85	-2.47	-0.73	-1.94	-1.94	0.87	-11.59	1.14	1.88	11.40
MSCI WORLD	USD	1,744.90	-0.65	-1.67	-1.58	-1.58	0.90	2.17	2.06	5.55	17.09
MSCI WORLD HEDGED	USD	737.13	-0.53	-1.15	-0.72	-0.82	3.34	7.42	4.51	14.83	-
MSCI WORLD LOCAL	-	1,328.40	-0.54	-1.21	-0.90	-1.00	2.93	6.71	4.13	12.80	-
MSCI AC WORLD	USD	425.10	-0.72	-1.58	-1.70	-1.70	0.91	1.27	1.91	4.80	16.40
MSCI EM	USD	962.46	-1.39	-0.73	-2.81	-2.81	1.04	-6.00	0.64	-1.32	12.06
MSCI AC ASIA x JAPAN	USD	582.27	-0.84	-0.22	-1.01	-1.01	4.08	1.32	3.29	8.49	12.58
MSCI EM LATIN AMERICA	USD	2,435.10	-2.37	1.45	-8.25	-8.25	-10.25	-25.83	-10.73	-22.45	13.46
MSCI EM Eur, ME & Africa	USD	271.71	-1.81	-0.51	-4.33	-4.33	-1.12	-11.36	0.35	-12.92	10.98
EQUITY MARKET INDICES - BY SECTOR											
MSCI ENERGY	USD	228.72	-0.33	0.24	-2.97	-2.97	-5.02	-18.80	-3.82	-16.99	23.27
MSCI MATERIALS	USD	228.55	-0.85	-0.82	-4.59	-4.59	2.14	-3.55	2.47	-4.49	17.13
MSCI INDUSTRIALS	USD	203.50	-0.62	-1.66	-1.68	-1.68	0.87	2.69	2.10	2.93	17.00
MSCI CONS DISCRETIONARY	USD	196.00	-0.75	-2.06	-1.01	-1.01	4.81	10.70	5.26	12.10	18.23
MSCI CONS STAPLES	USD	203.70	-0.78	-1.14	-2.80	-2.80	0.53	5.37	1.89	7.99	20.43
MSCI HEALTH CARE	USD	214.94	-0.70	-2.80	0.78	0.78	6.55	10.16	7.53	20.13	19.04
MSCI FINANCIALS	USD	103.48	-0.78	-1.41	-0.31	-0.31	-0.13	0.83	0.70	2.89	13.71
MSCI INFO TECH	USD	143.14	-0.25	-2.63	-2.74	-2.74	-0.89	5.44	1.32	15.92	17.13
MSCI TELECOMS	USD	70.08	-0.43	-0.45	-2.80	-2.80	0.66	-0.58	2.52	-0.30	16.44
MSCI UTILITY	USD	115.86	-1.07	-1.70	-3.03	-3.03	-7.78	-1.86	-5.85	-1.24	15.53
MSCI WORLD REAL ESTATE	USD	202.24	-0.74	-1.42	-0.29	-0.29	2.88	9.40	4.01	15.59	25.91

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HEDGE FUND INDICES											
HFRX GLOBAL HEDGE FUND	USD	1,240.47	-0.32	-0.30	0.09	0.34	2.14	-0.06	1.81	0.38	
HFRX EQUAL WEIGHTED	USD	1,211.71	-0.17	-0.10	0.24	0.49	1.99	-0.27	1.73	0.03	
HFRX GLOBAL EUR	EUR	1,143.47	-0.33	-0.32	0.04	0.31	2.00	-0.35	1.68	-0.08	
FIXED INCOME INDICES - YIELD ON US GOVERNMENT BONDS (Change in bps)											
US 3 MONTH	USD	0.03	0.00	0.03	0.02	0.02	0.03	0.02	-0.01	-0.01	
US 2 YEAR	USD	0.60	-0.01	0.02	-0.02	-0.02	-0.14	0.03	-0.06	0.16	
US 10 YEAR	USD	1.98	-0.01	0.05	-0.02	-0.02	-0.27	-0.55	-0.19	-0.70	
FIXED INCOME INDICES - BY TYPE OF ISSUER											
										Yield to Worst	
GLOBAL AGG TR HEDGED	USD	483.35	-0.22	-0.11	0.37	0.38	2.00	3.94	1.64	7.16	1.48
US GOVERNMENT TR	USD	2,101.55	-0.39	-0.10	0.20	0.29	1.61	3.16	1.18	4.72	1.48
US CORPORATE TR	USD	2,630.80	-0.58	-0.26	-0.31	-0.26	2.14	3.44	1.68	6.06	2.99
US HIGH YIELD TR	USD	1,658.09	-0.09	0.32	-0.77	-0.66	2.39	1.40	2.29	1.89	6.24
EU GOVERNMENT TR	EUR	247.79	0.04	-0.24	0.82	0.75	3.96	6.46	3.64	12.63	0.48
EU CORPORATE TR	USD	248.55	0.04	-0.10	-0.29	-0.33	1.42	2.86	1.21	7.22	0.95
EU HIGH YIELD TR	EUR	276.25	0.02	0.07	-0.36	-0.22	2.87	3.43	2.78	5.66	3.96
JACI GLOBAL	USD	251.85	0.22	-0.42	-0.14	0.78	-2.33	-4.49	-0.59	1.36	-
GLOBAL EM TR (HEDGED)	USD	327.26	-0.21	0.93	0.35	0.48	2.21	0.13	2.16	5.04	4.98
S&P/LSTA U.S. LEV LOAN	USD	96.17	0.01	0.04	-0.29	-0.29	0.90	-1.08	0.86	-2.28	4.83
COMMODITY INDICES - BY TYPE OF ISSUER											
GSCI INDEX TOTAL RETURN	USD	3,092.39	2.14	5.45	-2.87	-0.63	-6.80	-31.78	-4.34	-37.26	
GSCI ENERGY TR	USD	610.53	3.84	8.02	-4.36	-1.11	-6.33	-41.96	-3.09	-45.65	
GSCI INDUSTRIAL METALS TR	USD	1,224.32	0.67	3.35	1.89	1.81	-3.40	-9.19	-3.22	-3.54	
GSCI PRECIOUS METALS TR	USD	1,497.31	0.66	3.43	-0.24	-0.06	1.27	-1.22	2.51	-8.60	
GSCI AGRICULTURE TR	USD	494.32	-1.56	0.59	-3.28	-2.44	-11.46	-0.62	-8.71	-28.51	
GENERIC 1ST 'CL' FUTURE	USD	51.43	-2.22	7.99	-0.63	-0.63	-10.40	-47.34	-8.01	-48.17	
GOLD SPOT \$/OZ	USD	1,204.84	-0.51	1.36	-1.20	-1.20	0.22	-1.62	1.16	-7.17	
CURRENCIES											
DOLLAR INDEX SPOT	USD	97.44	0.35	-0.13	2.61	2.61	8.61	14.18	8.32	22.06	
Euro Spot	EUR	1.09	-0.51	0.06	-3.29	-3.29	-10.90	-14.64	-10.50	-21.19	
Japanese Yen Spot	JPY	119.19	-0.18	0.53	0.18	0.18	1.06	-8.30	0.31	-14.43	
British Pound Spot	GBP	1.48	-0.13	-0.80	-3.94	-3.94	-4.43	-8.69	-4.80	-10.73	
Brazilian Real Spot	BRL	3.18	0.56	3.42	-10.74	-8.71	-16.14	-23.97	-16.51	-27.65	
China Renminbi Spot	CNY	6.21	-0.07	-0.18	0.86	0.86	0.14	-1.00	-0.16	-0.04	
Singapore Dollar Spot	SGD	1.37	-0.08	0.51	-0.64	-0.64	-3.50	-7.13	-3.37	-7.83	
Norwegian Krone Spot	NOK	7.91	-0.97	0.38	-4.05	-4.05	-6.61	-19.27	-6.73	-24.88	
VOLATILITY / LIQUIDITY INDICES											
CBOE SPX VOLATILITY INDX	USD	15.80	2.33	12.30	18.44	18.44	8.97	6.40	-17.71	8.07	
USD SWAP SPREAD SEMI 2YR		24.13	2.07	-6.17	-2.69	-2.69	26.70	0.78	7.37	110.69	
TED SPREAD		24.78	1.85	-4.51	-1.59	0.57	-3.43	11.12	12.59	28.53	

All data is compiled from Bloomberg

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