Since our high school days we repeatedly asked ourselves the eternal question - ‘Will she or won’t she…’ Well, on Wednesday night she finally said that she will… Venit, Vidit, Vicit. Janet-Caesar stated that she would do exactly what she said she would do… The FOMC raised rates by 0.25% and reiterated their cautious (dovish?) outlook for the future. Clearly, we are closing 2015 and looking into a new financial environment for 2016. The US Dollar rallied, the US 10 Year Treasury remains almost unchanged, and equities rallied everywhere! Wonderful… Finance 101 holds true then… When uncertainty is removed, so is risk and therefore prices rise! In confirmation of this theory, the VIX crashed from 25 to the 17 level.
But after a night’s rest, the equity markets chose to retrace the rally. Bonds held, the currencies held but the equities are clearly re-examining the true meaning of Janet’s words.
Ahead of Friday’s open, the S&P 500 is still up 1.5% for the week and pretty much unchanged from Wednesday open to Thursday close. And so ends the great debate of if/when/but/maybe. And we feel reinvigorated and ready for the next debacle about the next rate rise, maybe in March?

As we wrote last week, history teaches us that most of the damage that can be “done” by a rate hike is in fact already priced-in and executed prior to the deliverance of the actual event. This week’s headlines have been dominated by events in the high-yield market with two high profile high-yield funds shuttering their gates and halting redemptions. Third Avenue Management halted redemptions as they attempted to liquidate their $800Mn high-yield fund as the bid-ask spreads on their positions widened so far that they were not able to protect the capital of their investors. In an attempt to wait for better pricing they have therefore stopped redemptions until they can (hopefully) attain proper sale prices for their remaining book of assets. This was shortly followed by the news that the hedge fund Stone Lion would also suspend redemptions in its oldest fund as a result of “substantial redemption requests”. Stone Lion manages a total of $1.3Bn and focuses on distressed debt… we fancy that there are some distressed managers currently working out how 2016 looks for them with an asset base that might be seriously repriced. Even the famed activist investor Carl Icahn renewed his repeated criticism of the high-yield market, calling it a "keg of dynamite that sooner or later will blow up." He contended that some junk bond funds lack necessary liquidity and investors need to know more about their risks.

The Fed were not the only central bank making headlines this week, with the Bank of Japan surprising markets today- announcing plans to increase purchases of exchange-traded funds (ETFs) and lengthening the maturity of bonds it purchases to encourage investment in the economy. The BOJ said under the new program that it will purchase ETFs at an annual pace of 300Bn Yen ($2.45Bn) composed of stocks issued by firms "proactively" investing in physical and human capital. The plan will start with purchases of ETFs tracking the JPX-Nikkei Index 400, which screens for factors including corporate governance and investor-focused management. The new ETF purchase program will begin in April and is in addition to the current ETF purchase program of around 3Tn yen annually, so an additional 10% in equity purchases. To put this in context the BOJ held rates steady (at or around 0.0%!) but plan on increasing the monetary base by 80Tn Yen per annum or $650Bn per annum of planned expansion. The size of the asset purchases is only a small addition in terms of the size of the market and perhaps this should be seen as an adjustment to the current plan. The investment will only be in domestically focused companies who are trying to expand their domestic business. With marginal tweaks like this and an extension of the duration for bond purchases there is definitely a stimulatory lilt to the plan and one we expect to be continued in 2016.
In other political spheres, we noted this week the most unlikely endorsement for Mr Donald Trump, (perhaps we should have seen it coming!), as Mr Vladimir Putin has given a glowing review of one of the most controversial candidates for the U.S. presidency, telling Russian media that Donald Trump was an absolute leader in the race. Putin's remarks come after Trump's flattering words for the Russian president in November on the September episode of CBS' "60 Minutes" featuring Trump and Putin. "I believe we will have a very good relationship with Russia. I believe that I will have a very good relationship with Putin," Trump said. With Ukraine defaulting on $3Bn of debt to Russia this week and the 5Yr Russian Federation CDS having widened by 20% in the last 4 weeks, perhaps Putin is looking for some stronger allies who pay their debts!
As we come close to the end of yet another difficult year, we maintain our optimistic outlook for the economies around the globe and would encourage you all to smile, and consign this year to the past. We at Bedrock will live by the words of Einstein (again), “Learn from yesterday, live for today, hope for tomorrow. The important thing is to not stop questioning.”

We plan to analyse; and next week we will send out all that we see in our Crystal Ball for 2016.

Market Weekly Highlights:

- The Dollar moved up slightly for the week after the Fed announcement on Wednesday; with the USD Index (DXY) hitting 99.03 and now trading at 98.90. The US$ is trading at about $1.0820 against the EUR and at 0.9950 against the Swiss Franc. The Pound is now at 1.49. We maintain our belief in the fundamental strength of the US$ in the longer term. This view is driven by the outlook for interest rates to rise further or hold in the US and hold or decline elsewhere. The Japanese Yen is back where it started the week at 121.40. Gold has dropped $20 this week and is now at $1'055, arguably simply the offset of the rise of the US$. We note that Oil has fallen quite heavily and is now trading at $35.02/Bbl. for WTI and with Brent at $37.48/Bbl. The Russian Ruble moved in-line with oil, now at 70.92 per USD. The Brazilian Real is weaker as well at 3.90. We do not see a significant further rally in the Real and our outlook would be for sustained weakness.

- The US 10Yr Treasury yield moved higher reaching 2.33% this week prior to the first rate rise was announced by the FED since 2006 and is trading around 2.19% with the US 5 year yield at almost 1.69% today. The German 10Yr Bund yield spiked early this week from 0.54% to 0.68% and is trading now at 0.56%. The Spanish 10Yr yield has followed the move and is trading around 1.71%. Italian 10Yr yield followed suit and is currently at 1.58% having been at 1.72% in the beginning of the week. In the UK, the Gilts yield had drifted higher during the week to hit almost 1.96% from 1.80% only to trade back to 1.82% this morning! The Swiss 10Yr yield followed with a similar move seeing the yield rising from -0.20% to -0.12%, only to trade at -0.15% as we write.

- This week was mixed for Equity Markets ending with both positive performances in US and in Europe; futures pointing south however in US as we write. The S&P500 closed last night at +1.47% for the week. The Dow Jones is at +1.34% for the week and NASDAQ at +1.40%. The DAX is currently trading at +2.6% for the week, the CAC40 is +1.7%, SMI +1.5%, the UK FTSE trading +2.0% and the EuroStoxx50 at +1.9%. In Asia, the Nikkei has closed the week at -1.27% whilst the Shanghai composite and the Hang Seng Index were up respectively +4.20% and +1.36%.

Highlighted items are interesting data points for the week

MARKET INDICES PERFORMANCE

17/12/2015

INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
				PRICE CHANGE IN % (unless indicated)								
EQUITY MARKET INDICES - BY REGION												P/E
S&P 500 INDEX	USD	2041.89	-1.49	-0.50	-1.85	-2.00	4.28	-3.74	-0.83	-0.94	41.13	17.02
DOW JONES INDUS. AVG	USD	17495.84	-1.42	-0.45	-1.26	-1.36	6.78	-3.42	-1.84	-1.59	31.05	15.86
NASDAQ COMPOSITE INDEX	USD	5002.553	-1.35	-0.84	-2.08	-1.43	3.63	-2.54	5.63	5.35	63.77	18.92
RUSSELL 2000 INDEX	USD	1135.361	-1.18	-1.19	-5.24	-3.11	-2.41	-11.62	-5.76	-4.76	33.94	17.71
EURO STOXX 50	EUR	3306.47	1.84	2.38	-6.48	-4.45	3.87	-4.96	4.22	3.98	24.05	14.29
EURO STOXX 600	EUR	364.9	1.25	1.99	-5.85	-4.34	2.29	-5.55	5.94	7.03	29.39	15.68
CAC 40 INDEX	EUR	4677.54	1.14	2.06	-6.34	-5.37	2.37	-3.33	8.68	9.27	27.27	15.04
DAX INDEX	EUR	10738.12	2.57	3.09	-6.34	-2.74	7.50	-3.97	8.71	8.65	39.28	13.10
FTSE 100 INDEX	GBP	6102.54	0.70	2.01	-4.47	-3.29	-0.52	-9.48	-7.52	-6.09	2.30	15.24
SWISS MARKET INDEX	CHF	8656.3	0.61	1.34	-4.19	-4.17	-1.41	-2.98	-4.09	-4.41	24.65	16.76
NIKKEI 225	JPY	19353.56	1.59	-1.27	-3.85	-3.37	5.07	-5.02	8.80	10.32	91.34	18.28
HANG SENG INDEX	HKD	21872.06	0.79	1.36	-1.09	-1.95	-0.75	-18.50	-7.84	-4.72	-3.29	11.00
SHANGHAI SE COMPOSITE	CNY	3579.999	1.81	4.20	3.88	0.29	15.53	-25.21	10.64	17.05	65.50	14.50
S&P BSE SENSEX INDEX	INR	25803.78	1.21	2.29	-2.02	0.53	-2.29	-5.52	-6.84	-5.56	32.30	17.31
RUSSIAN RTS INDEX $	USD	792.07	0.90	-0.04	-8.29	-11.37	-4.86	-20.87	-1.75	1.56	-48.60	5.67
BRAZIL IBOVESPA INDEX	BRL	45261.48	0.55	-0.81	0.31	-4.58	-4.24	-16.55	-9.49	-6.67	-25.14	10.16
MSCI WORLD	USD	1655.22	-0.80	1.06	-2.31	-2.15	1.50	-7.04	-3.18	-3.00	22.80	16.36
MSCI WORLD HEDGED	USD	717.269	-0.45	0.05	-2.45	-1.19	1.93	-3.65	1.69	4.60	44.39	-
MSCI WORLD LOCAL	-	1274.444	-0.47	0.00	-2.52	-1.29	1.48	-4.44	-0.10	2.70	36.56	-
MSCI AC WORLD	USD	397.93	-0.62	1.27	-2.28	-2.22	0.99	-8.22	-4.60	-4.21	16.54	15.78
MSCI EM	USD	798.59	1.07	3.24	-1.93	-2.95	-3.77	-18.31	-16.49	-14.60	-23.67	11.79
MSCI AC ASIA x JAPAN	USD	499.38	0.84	2.18	-0.82	-0.77	-1.16	-15.43	-11.42	-8.94	-8.20	12.24
MSCI EM LATIN AMERICA	USD	1893.43	1.13	-1.10	-1.35	-6.12	-5.84	-27.04	-30.58	-29.07	-49.85	13.86
MSCI EM Eur, ME & Africa	USD	211.83	1.74	7.76	-6.58	-9.72	-12.52	-22.94	-21.77	-21.51	-39.81	10.17
EQUITY MARKET INDICES - BY SECTOR												P/E
MSCI ENERGY	USD	176.1	-2.14	-0.20	-10.85	-11.45	-5.99	-23.08	-25.95	-24.92	-27.40	18.18
MSCI MATERIALS	USD	180.84	-1.20	-1.34	-6.14	-6.05	-4.61	-21.88	-18.92	-18.01	-23.45	16.49
MSCI INDUSTRIALS	USD	190.38	-0.66	0.22	-3.38	-2.89	2.41	-7.17	-4.49	-3.92	22.05	16.64
MSCI CONS DISCRETIONARY	USD	193.78	-0.84	0.85	-2.28	-1.32	1.64	-3.58	4.07	5.76	46.32	17.55
MSCI CONS STAPLES	USD	207.59	-0.63	1.68	0.39	0.63	4.90	1.00	3.84	3.90	27.15	21.22
MSCI HEALTH CARE	USD	208.36	-0.60	1.99	0.55	-0.22	-1.30	-6.25	4.24	1.80	59.04	17.70
MSCI FINANCIALS	USD	96.73	-0.48	1.71	-2.18	-2.14	1.38	-8.85	-5.87	-5.23	18.38	12.97
MSCI INFO TECH	USD	146.84	-1.36	0.44	-2.02	-1.28	7.05	-0.60	3.94	3.49	49.96	17.57
MSCI TELECOMS	USD	67.52	-0.25	1.89	-1.08	-1.23	1.21	-5.26	-1.23	-2.00	17.45	15.28
MSCI UTILITY	USD	110.83	0.47	2.34	0.56	0.24	0.82	-4.57	-9.94	-9.80	8.35	14.83
MSCI WORLD REAL ESTATE	USD	188.82	-0.24	1.89	-0.12	0.45	2.84	-2.71	-2.90	-2.01	8.96	23.72
HEDGE FUND INDICES												
HFRX GLOBAL HEDGE FUND	USD	1173.66	0.32	-0.37	-1.36	-1.15	-2.57	-5.66	-3.67	-1.34	2.70	
HFRX EQUAL WEIGHTED	USD	1171.38	0.15	-0.46	-1.09	-1.23	-1.94	-3.77	-1.66	0.15	4.62	
HFRX GLOBAL EUR	EUR	1075.87	0.33	-0.36	-1.38	-1.19	-2.76	-6.00	-4.33	-2.04	1.21	

MARKET INDICES PERFORMANCE

17/12/2015

INDEX NAME	CCY	Last Price	1D	5D	MTD	1M	3M	6M	YTD	1Y	3Y	
				PRICE CHANGE IN % (unless indicated)								
FIXED INCOME INDICES - YIELD ON US GOVERNMENT BONDS (Change in bps)												
US 3 MONTH	USD	0.2238	0.01	0.01	0.06	0.11	0.24	0.22	0.19	0.19	-	
US 2 YEAR	USD	0.9726	-0.01	0.10	0.04	0.10	0.29	0.34	0.31	0.34	-	
US 10 YEAR	USD	2.2181	-0.01	0.09	0.01	-0.05	0.08	-0.12	0.05	0.01	-	
FIXED INCOME INDICES - BY TYPE OF ISSUER												Yield to Worst
GLOBAL AGG TR HEDGED	USD	480.63	0.27	-0.09	-0.22	0.12	0.69	1.54	1.07	1.40	8.84	1.76
US GOVERNMENT TR	USD	2098.9	0.24	-0.52	0.02	0.25	-0.30	1.17	1.05	1.29	3.67	1.76
US CORPORATE TR	USD	2574.83	0.38	-0.80	-0.58	-0.22	-0.60	0.44	-0.49	0.05	6.07	3.63
US HIGH YIELD TR	USD	1543.53	-0.04	-0.27	-2.84	-3.37	-4.98	-7.58	-4.78	-3.93	4.90	8.72
EU GOVERNMENT TR	EUR	243.165	0.37	-0.39	-0.78	-0.39	1.01	3.01	1.70	2.22	17.25	0.68
EU CORPORATE TR	USD	245.08	0.24	-0.20	-0.73	-0.31	1.07	1.14	-0.20	0.13	11.46	1.41
EU HIGH YIELD TR	EUR	273.1	0.20	-0.60	-1.36	-1.27	0.11	0.26	1.61	2.20	19.23	4.96
BARCLAYS GLOBAL CONVERT.	USD	211.79	-0.06	-0.39	-2.38	-1.90	-3.17	-6.33	-1.34	0.09	19.18	-
GLOBAL EM TR (HEDGED)	USD	324.1242	0.25	-0.50	-1.46	-1.37	-0.46	-1.08	1.18	3.34	3.26	5.61
S&P/LSTA U.S. LEV LOAN	USD	87.10295	0.10	-1.20	-2.25	-2.67	-5.86	-8.75	-8.64	-8.07	-9.28	6.87
COMMODITY INDICES - BY TYPE OF ISSUER												
GSCI INDEX TOTAL RETURN	USD	2127.486	-0.73	-4.70	-10.45	-10.37	-19.72	-33.41	-34.19	-37.51	-55.82	
GSCI ENERGY TR	USD	362.233	-0.72	-6.79	-16.72	-16.62	-28.08	-44.83	-42.50	-46.62	-65.05	
GSCI INDUSTRIAL METALS TR	USD	918.656	-1.24	-1.28	-0.62	-1.93	-13.04	-20.05	-27.38	-28.68	-42.32	
GSCI PRECIOUS METALS TR	USD	1286.132	-2.66	-2.17	-1.60	-1.98	-6.38	-11.43	-11.95	-12.83	-41.89	
GSCI AGRICULTURE TR	USD	456.5305	0.63	-1.44	0.22	0.47	0.35	-3.14	-15.69	-19.10	-40.31	
GENERIC 1ST 'CL' FUTURE	USD	34.95	0.20	-1.68	-15.92	-17.13	-26.21	-45.80	-42.51	-43.84	-62.40	
GOLD SPOT $/OZ	USD	1051.14	0.44	-1.77	-0.85	-1.40	-7.31	-12.16	-10.90	-11.93	-36.82	
CURRENCIES												
DOLLAR INDEX SPOT	USD	99.27	-0.46	1.28	-1.36	-0.85	4.16	5.07	9.46	10.73	24.51	
Euro Spot	EUR	1.0826	0.03	-1.43	2.50	1.59	-4.15	-4.67	-10.49	-11.86	-18.14	
Japanese Yen Spot	JPY	122.56	0.61	-0.66	1.06	1.49	-1.51	0.94	-1.67	-2.45	-30.87	
British Pound Spot	GBP	1.4901	0.07	-1.99	-0.96	-2.14	-4.02	-6.10	-4.28	-4.84	-8.25	
Swiss Franc Spot	CHF	0.9962	0.03	-1.34	3.32	2.40	-2.70	-7.45	-0.16	-1.61	-8.32	
Brazilian Real Spot	BRL	3.8783	0.15	-1.70	-0.28	-1.66	0.50	-21.19	-31.48	-29.99	-45.86	
China Renminbi Spot	CNY	6.4837	0.04	-0.40	-1.27	-1.48	-1.80	-4.21	-4.25	-4.09	-3.83	
Singapore Dollar Spot	SGD	1.4186	0.41	0.05	-0.13	0.60	-0.93	-5.56	-6.18	-7.00	-13.85	
Norwegian Krone Spot	NOK	8.7671	0.08	-0.84	-0.71	-1.03	-6.82	-11.01	-14.94	-15.65	-36.12	
VOLATILITY / LIQUIDITY INDICES												
CBOE SPX VOLATILITY INDX	USD	18.94	6.05	-2.07	17.42	12.40	-14.99	43.59	-1.35	12.67	21.64	
USD SWAP SPREAD SEMI 2YR		10.15	8.18	-0.45	82.70	41.68	-9.63	-58.57	-52.14	-50.09	-7.50	
TED SPREAD		35.08	23.83	28.45	41.22	40.26	0.17	22.79	59.38	55.84	21.51	

All data is compiled from Bloomberg

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