Invesco 景順

Market Commentary
Investment Bulletin

August 2014
For the month of July 2014

Index	July	YTD
Dow Jones Industrials	-1.4%	1.2%
FTSE World Europe ex-UK (£)	-3.7%	-0.7%
FTSE All-Share (UK)	-0.3%	1.3%
Hong Kong Hang Seng	7.5%	9.6%
Hang Seng China Enterprises	9.0%	7.0%
Topix	2.1%	0.2%
MSCI Asia Pac ex Japan (US$)	3.6%	11.0%
MSCI Emerging Market (US$)	2.0%	8.5%

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as at 31 July 2014.

Overview

Global equity markets in the developed world rose steadily until the last day of July when investor confidence, positive for most of the year, was punctuated by a broad based market retreat. The US economy roared ahead in the second quarter with annualized growth of 4%, confirming that weakness earlier this year may have been an aberration and that the recovery was back on track. Asian equity markets produced positive gains across the board in local currency terms due to the announcement of further strong economic data and confidence in the political situations in both Indonesia and India. The UK equity markets maintained their recent low levels of volatility while their European counterparts were impacted by mixed corporate earnings results, and the shadow of a renewed debt crisis in the region. Emerging equity markets in general continued their positive momentum, aided by optimism over China's monetary stimulus and upbeat news on its economy. Bond markets also produced broadly positive returns. The persistence of relatively weak price pressure in the major developed economies supported core government bonds.

UNITED STATES

- The S&P index fell in July, as geopolitical concerns in the Middle East and Ukraine together with Argentina's latest debt default abruptly spooked the market.
- The US labour market appears to be gaining momentum. The unemployment rate surprisingly fell to 6.1% in June from 6.3% in May.

CONTINENTAL EUROPE

- Most of continental Europe's stock indices retreated, led by Portugal's PSI All-Share Index which registered the worst performance in the region.
- Despite prevailing regional and global challenges, the macroeconomic environment in Europe is still showing a slow but steady positive momentum.

UNITED KINGDOM

- Equities in the UK edged lower in July. Meanwhile, the low level of volatility and modest monthly changes in the level of the UK equity market has been maintained.
- The latest unemployment figures showed a further fall to 6.5%.This rate was the lowest since December 2008.

JAPAN

- In Japan the Topix index recorded its third consecutive monthly gain. Companies that have so far reported earnings have beaten expectations. Economic data was, however, weaker over the month.
- Speculation that the Government Pension Investment Fund will begin buying domestic equities provided positive support to sentiment.

ASIA PACIFIC (EX JAPAN)

- In July, the MSCI Asia Pacific ex Japan index advanced. The strongest performing market was China where stock markets benefitted from further announcements of a strengthening of economic data.
- Joko Widido was declared the winner of the Indonesian presidential election. The stock market welcomed the result with the Jakarta Stock Exchange rallying over the month.
- In Korea, the newly appointed finance minister announced a package of measures to stimulate the economy.

HONG KONG

- Hong Kong and Chinese equities produced positive gains across the board in local currency terms due to the announcement of further strong economic data in Mainland China.
- The preliminary HSBC Manufacturing Purchasing Managers Index (PMI) data for China released on 24 July showed a reading of 52.0; well above expectations.

EMERGING MARKETS

- Emerging equity markets continued their positive momentum in July, aided by optimism over China's monetary stimulus and upbeat news on the economy.
- Although the deteriorating geopolitical environment between Russia and the West took its toll on equity markets in Hungary, Poland and Czech Republic, Turkish equities gained with its narrowing current account deficit and a further fall in interest rates.
- A weakening macroeconomic environment in Latin America failed to dent investor confidence with equity gains being registered in Brazil and Mexico.

FIXED INCOME

- July saw broadly positive returns in the bond markets. The persistence of relatively weak price pressure in the major developed economies, combined with rising geo-political uncertainty, supported core government bonds.
- The Bund yield fell, extending this year's strong rally, reflecting the growth divergence between the US and the eurozone.
- In the US, the 10 year Treasury yield rose. Treasuries had a total return of -0.2% (all in local currency terms), compared to 0.6% for Bunds. Gilts rebounded from June weakness with a 1.1% return in July.

Data source: Bloomberg, in local currency unless otherwise stated.

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