

Another week has slipped us by. Sifting through the data-flows and the daily market movements we try to focus on the essentials and point them out to you herein - U.S. economic growth dropped more sharply than initially thought in the fourth quarter amid a slow pace of stock accumulation by businesses and a wider trade deficit, but the underlying fundamentals remained solid. Gross domestic product expanded at an annual pace of 2.2%, revised down from the 2.6% pace estimated last month. The economy grew at a 5% pace in the third quarter. The fourth-quarter revision was generally in line with expectations. This reaffirms the relative strength of the USA vs. the other majors, except China that continues to shine with 7% GDP growth-rate and India which is dragging global growth higher (+5.8% expected for this year).

Amid a harsh winter and a mixed bag of data, most Federal Reserve districts reported an expanding economy and a prevailing sense of optimism. Jobs gained across a variety of sectors, though wage pressures were muted, according to the March summary of economic forecasts in the Fed's Beige Book. Recent reports have reflected optimism about economic conditions, though the January report reflected worry over the impact that falling gas prices would have on energy companies and hiring.

Now to the essentials - The currency movements are staggering; it's been a remarkable run for the dollar. In the scope of eight months, the dollar index has shot up more than 19% against other currencies after going nowhere for almost 10 years. So now what? The strong dollar story has not changed and many pros will tell you that the currency has further to climb. The fundamental drivers of the dollar rally are still in place: better U.S. economic growth and a looming policy shift toward higher interest rates, at the same time that other countries are still languishing, facing deflationary threats and pumping easy monetary policy, like quantitative easing, into their economies. For the currency market, a world in which the Fed is tilting towards tighter policy, that "happy" policy sends a clear sell signal for currencies whose central banks are easing. "If the governments devalue the currency in order to betray all creditors, you politely call this procedure "inflation"." - George Bernard Shaw.

That's one reason why traders are currently holding bullish long futures positions on the dollar against all major currencies, according to weekly CFTC futures data. Bottom line, despite a historic and sharp run-up already, the market says it's still a good bet to be buying the buck.

This brings us back to the debate on US interest-rates. Will the Fed raise them and drive the Dollar even higher? Well, perhaps not so fast - The Federal Reserve should wait until the first half of 2016 before raising interest rates, a top U.S. central banker said on Wednesday, or risk undermining the very recovery it has helped engineer. "Given uncomfortably low inflation and an uncertain global environment, there are few benefits and significant risks to increasing interest rates prematurely," Charles Evans, Chicago Federal Reserve Bank President, said in remarks prepared for delivery to the Lake Forest-Lake Bluff Rotary Club. "I think we should be patient in raising interest rates." Even if the Fed keeps rates at their near-zero level until next year, he said, inflation probably won't reach the Fed's 2% goal until the end of 2018. And if his forecast proves wrong and the economy begins to run too hot too fast, he said the Fed would have "ample time" to raise rates moderately to head off excessively high inflation. Evans, a voting member this year on the Fed's policy-setting panel, stands nearly alone at the central bank in calling for rates to stay near zero for another year or so. Many of his colleagues have said they are open to, if not eager for, rate hikes to begin as soon as June. With an eye set on the US Dollar, will they really drive it higher with a rate rise now? Further cutting-back the non-existent inflation, slowing exports and job creation? We side with Evans here...

The "other" big story behind the markets is oil. Despite the meltdown in the oil market, prices are more likely to rise than to fall further because of geopolitical instability, an industry consultant told CNBC on Thursday. "Iraq, Iran, [and] Libya, history tells us that those don't get solved very quickly or very easily. I don't see downward pressure from them coming back on online. I probably see more upward pressure from disruptions going on in that area," Carl Larry said, director of oil and gas business development at Frost & Sullivan. Carlyle Group's David Rubenstein said on Tuesday he is not waiting for oil to hit a bottom before investing in beaten-up energy companies. "The great fortunes are usually made when prices are low. They're not usually made when you buy at the top and think they'll get higher," "Prices are very low in energy, and a lot of people are scrambling, and that's where you make a lot of money."

Billions of dollars are pouring into oil exchange-traded funds as investors, many of them small savers more familiar with stocks than commodities, risk big losses and focus on the chance of huge rewards. Five of the biggest oil ETF's have seen their assets more than quadruple since July to \$5.4 billion as the oil market has had a roller-coaster ride, collapsing by 60% then rallying by almost a third.

We leave you into a white weekend in the states and a cold if sunny Geneva with the thought from Marc Twain, "Climate is what we expect, weather is what we get."

This Week's Highlights:

- EURUSD slipped to an eleven year low of 1.0988 yesterday as the ECB meeting weakened the EUR and the US data strengthened the US Dollar. The diverging Central Bank policy has many more months, if not years ahead of it and hence the continued bullish outlook for the US\$. USDCHF moved higher in line with the general Dollar strength, jumping from 0.9550 to hit 0.975. Cable has dropped throughout the week from 1.5450 to touch 1.5215; however, the Pound hit yet another 7 year low against the EUR at 0.7220 yesterday as the monetary policy and political landscape weigh heavily on the EUR. USDJPY has seen strength in line with the general USD rally, moving upwards from 119.60 to hit 120.40. The Ruble recovered a little more strength as oil stabilised and the cease-fire (although unsteady) seems to be holding. The Ruble has rallied against the USD seeing the pair move from 62.00 to 59.70 as we write.
- US 10Yr Treasury yield bounced higher this week as the USD strengthened, causing the yield to move from 2.00% to hit 2.14% yesterday. The German 10 Yr Bund initially moved with a similar pattern to the US Treasury with yields moving from 0.32% to 0.42% only to collapse back to 0.32% after the ECB and US jobless data. The Spanish 10Yr yield slid from 1.35% to 1.25% with the Italian 10Yr following a similar pattern, dropping from 1.41% to touch 1.26% - now trading pari passu with Spanish 10 Year debt. In the UK, the 10Yr Gilt dropped in price throughout the week sending yields higher from 1.75% to 1.90% as the BOE announced yesterday that their version of QE would remain unchanged. Swiss 10Yr has moved in a trading range of -0.03% to +0.03%, very little to say here; whilst the 5Yr yield remains negative albeit less negative than it has been, "dropping" from -0.42% to -0.28% this morning.
- The major US and European indices show steady performance for the week. In the US, the S&P500 was almost unchanged and so too was the DOW. The NASDAQ is marginally higher on the week at +0.2%. The Eurostoxx50 is up 0.4% for the week, whilst the DAX is higher this week by +0.75%. In Asia, China was down for the week at -2.66% whereas Japan was up 0.92%.

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Highlighted items are interesting data points for the week

MARKET INDICES PERFORMANCE

05/03/2015

INDEX NAME	CCY	Last Price	PRICE CHANGE IN % (unless indicated)								PIE
			1D	5D	MTD	1M	3M	6M	YTD	1Y	
EQUITY MARKET INDICES - BY REGION											
S&P 500 INDEX	USD	2,101.04	0.12	-0.46	-0.16	2.22	1.24	4.65	2.05	11.93	17.55
DOW JONES INDUS. AVG	USD	18,135.72	0.21	-0.43	0.02	1.75	0.99	5.83	1.75	10.44	16.88
NASDAQ COMPOSITE INDEX	USD	4,982.81	0.32	-0.10	0.39	5.03	4.23	8.73	5.21	14.49	19.12
RUSSELL 2000 INDEX	USD	1,234.31	0.30	-0.39	0.08	2.39	4.39	5.48	2.46	2.47	18.82
EURO STOXX 50	EUR	3,618.21	0.97	0.51	0.51	6.45	10.38	10.45	14.97	15.04	15.70
EURO STOXX 600	EUR	393.78	0.96	0.41	0.41	5.49	12.21	13.30	14.97	16.76	16.59
CAC 40 INDEX	EUR	4,963.51	0.94	0.14	0.14	5.70	12.19	10.52	16.04	12.25	16.23
DAX INDEX	EUR	11,504.01	1.00	1.05	1.05	6.22	14.22	18.20	17.50	20.73	14.94
FTSE 100 INDEX	GBP	6,961.14	0.84	0.05	0.05	1.42	3.08	1.39	5.85	2.39	16.21
SWISS MARKET INDEX	CHF	9,034.60	0.99	0.35	0.35	5.34	-1.81	2.93	0.70	6.63	17.69
NIKKEI 225	JPY	18,751.84	0.26	0.92	0.92	7.49	5.86	21.08	8.71	25.35	19.70
HANG SENG INDEX	HKD	24,193.04	-0.86	-2.66	-2.66	-2.09	0.67	-4.26	2.37	6.44	11.50
SHANGHAI SE COMPOSITE	CNY	3,248.48	-0.95	-2.09	-2.09	5.37	10.33	39.32	0.20	57.37	12.61
S&P BSE SENSEX INDEX	INR	29,448.95	0.23	0.78	0.30	2.55	3.48	8.96	7.09	36.88	19.33
RUSSIAN RTS INDEX \$	USD	912.38	2.55	3.25	3.25	12.02	1.87	-26.37	17.08	-20.51	5.99
BRAZIL IBOVESPA INDEX	BRL	50,385.20	-0.20	-2.70	-2.36	3.22	-3.13	-17.00	0.72	6.95	11.16
MSCI WORLD	USD	1,763.74	0.20	-0.51	-0.51	2.51	1.45	0.75	3.16	4.60	17.14
MSCI WORLD HEDGED	USD	742.63	0.35	-0.08	0.03	3.21	3.95	6.85	5.29	14.11	-
MSCI WORLD LOCAL	-	1,339.94	0.32	-0.14	-0.04	3.02	3.59	6.14	5.03	12.09	-
MSCI AC WORLD	USD	429.77	0.16	-0.62	-0.62	2.20	1.18	-0.60	3.03	4.15	16.43
MSCI EM	USD	974.57	-0.16	-1.59	-1.59	-0.41	-1.13	-11.15	1.91	0.44	12.05
MSCI AC ASIA x JAPAN	USD	582.91	-0.56	-0.90	-0.90	0.07	1.79	-3.62	3.40	7.37	12.53
MSCI EM LATIN AMERICA	USD	2,528.86	-0.13	-4.50	-4.72	-3.44	-11.52	-30.70	-7.29	-15.39	13.14
MSCI EM Eur, ME & Africa	USD	279.88	0.92	-1.45	-1.45	-0.94	-3.32	-16.45	3.36	-9.62	11.14
EQUITY MARKET INDICES - BY SECTOR											
MSCI ENERGY	USD	232.12	-0.37	-1.52	-1.52	-2.69	-3.67	-22.05	-2.39	-15.13	22.97
MSCI MATERIALS	USD	235.02	0.03	-1.89	-1.89	2.58	2.57	-5.29	5.37	-5.46	17.18
MSCI INDUSTRIALS	USD	205.33	0.30	-0.80	-0.80	2.60	1.73	1.01	3.02	1.39	17.00
MSCI CONS DISCRETIONARY	USD	198.08	0.11	0.05	0.05	4.61	5.98	8.59	6.37	8.36	18.17
MSCI CONS STAPLES	USD	208.68	0.48	-0.42	-0.42	2.20	3.10	5.28	4.38	10.33	20.80
MSCI HEALTH CARE	USD	213.97	0.51	0.33	0.33	4.21	3.37	10.25	7.04	16.28	19.00
MSCI FINANCIALS	USD	103.25	0.22	-0.53	-0.53	1.86	-1.32	-2.10	0.48	0.61	13.60
MSCI INFO TECH	USD	146.95	0.03	-0.15	-0.15	5.08	2.68	7.05	4.01	16.49	17.47
MSCI TELECOMS	USD	71.20	-0.13	-1.25	-1.25	0.08	0.34	-0.29	4.15	0.45	16.57
MSCI UTILITY	USD	117.66	0.63	-1.52	-1.52	-2.81	-4.49	-4.05	-4.39	2.01	15.77
MSCI WORLD REAL ESTATE	USD	201.37	-0.08	-0.72	-0.72	-1.18	3.48	2.28	3.56	12.03	25.70

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HEDGE FUND INDICES											
HFRX GLOBAL HEDGE FUND	USD	1,240.42	-0.04	0.33	0.08	1.78	1.62	-0.92	1.81	-0.27	-
HFRX EQUAL WEIGHTED	USD	1,209.34	-0.05	0.29	0.04	1.41	1.37	-1.09	1.53	-0.50	-
HFRX GLOBAL EUR	EUR	1,143.56	-0.04	0.32	0.04	1.75	1.47	-1.25	1.69	-0.72	-
FIXED INCOME INDICES - YIELD ON US GOVERNMENT BONDS (Change in bps)											
US 3 MONTH	USD	0.01	0.00	-0.01	-0.01	-0.01	-0.01	-0.02	-0.03	-0.04	-
US 2 YEAR	USD	0.64	0.00	0.03	0.03	0.00	0.00	0.14	-0.02	0.30	-
US 10 YEAR	USD	2.12	0.00	0.12	0.12	0.16	-0.19	-0.34	-0.06	-0.62	-
FIXED INCOME INDICES - BY TYPE OF ISSUER											
GLOBAL AGG TR HEDGED	USD	479.90	0.11	-0.33	-0.35	-0.52	1.76	3.10	0.91	6.49	1.54
US GOVERNMENT TR	USD	2,088.31	0.08	-0.34	-0.43	-1.24	1.25	2.35	0.54	3.98	1.54
US CORPORATE TR	USD	2,623.59	0.11	-0.53	-0.58	-0.91	2.24	2.59	1.40	6.15	3.02
US HIGH YIELD TR	USD	1,667.50	0.02	-0.10	-0.21	1.48	2.37	0.16	2.87	2.54	5.97
EU GOVERNMENT TR	EUR	245.54	0.24	-0.17	-0.10	0.54	3.77	5.33	2.70	11.98	0.54
EU CORPORATE TR	USD	249.02	0.07	-0.14	-0.10	0.52	2.09	3.02	1.40	7.62	0.88
EU HIGH YIELD TR	EUR	277.76	0.14	0.33	0.18	1.98	2.88	3.56	3.34	6.54	3.75
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	326.33	0.04	0.20	0.06	0.92	0.56	-0.81	1.87	5.01	5.01
S&P/LSTA U.S. LEV LOAN	USD	96.67	0.09	0.22	0.23	0.91	0.10	-1.50	1.39	-1.73	4.75
COMMODITY INDICES - BY TYPE OF ISSUER											
GSCI INDEX TOTAL RETURN	USD	3,134.40	-0.64	0.73	-1.55	1.08	-15.08	-32.93	-3.04	-36.76	-
GSCI ENERGY TR	USD	628.61	-0.70	1.81	-1.52	3.23	-18.07	-41.42	-0.22	-44.47	-
GSCI INDUSTRIAL METALS TR	USD	1,194.72	0.23	-0.65	-0.57	-1.98	-10.20	-16.71	-5.56	-10.56	-
GSCI PRECIOUS METALS TR	USD	1,478.26	-0.35	-1.33	-1.51	-5.38	0.28	-6.98	1.20	-12.74	-
GSCI AGRICULTURE TR	USD	494.06	-0.95	-2.49	-3.33	-4.15	-9.97	-9.05	-8.76	-27.38	-
GENERIC 1ST 'CL' FUTURE	USD	50.76	0.53	2.55	2.55	-2.17	-23.84	-45.57	-5.18	-46.80	-
GOLD SPOT \$/OZ	USD	1,198.34	-0.10	-1.32	-1.32	-2.98	0.39	-5.65	1.04	-11.38	-
CURRENCIES											
DOLLAR INDEX SPOT	USD	96.38	0.05	1.19	1.19	1.83	7.94	15.15	6.82	21.05	-
Euro Spot	EUR	1.10	-0.12	-1.60	-1.60	-2.64	-10.55	-14.56	-8.94	-20.52	-
Japanese Yen Spot	JPY	120.13	-0.03	-0.45	-0.45	-0.87	0.43	-11.77	-0.32	-14.23	-
British Pound Spot	GBP	1.52	-0.10	-1.38	-1.38	-0.12	-2.73	-5.46	-2.26	-9.05	-
Brazilian Real Spot	BRL	3.00	-0.77	-3.23	-5.39	-8.58	-13.80	-25.35	-11.50	-22.78	-
China Renminbi Spot	CNY	6.27	0.04	0.09	0.09	-0.31	-1.48	-1.96	-0.93	-2.32	-
Singapore Dollar Spot	SGD	1.37	0.08	-0.51	-0.51	-1.23	-3.67	-8.09	-3.24	-7.79	-
Norwegian Krone Spot	NOK	7.72	-0.06	-0.81	-0.81	-1.26	-7.33	-18.05	-3.57	-22.62	-

All data is compiled from Bloomberg

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