

# Market Bulletin

## Oct 2015

This month's market update comes from BNY Mellon, manager of the Omnis US Equity Fund.

### September sell-off: a gloomy month for global markets

#### Global

September saw the US Federal Reserve avoiding an interest rate rise, as it cited recent market turmoil as justification for remaining "on hold" at its Federal Open Market Committee (FOMC) meeting.

Global equity markets fell sharply in the wake of the announcement, with the FTSE All-World Index finishing the month with a 3.3% loss in local currency terms. Commodities companies took the brunt of the fall with the basic materials (-7.2%) and oil & gas sectors (-6.7%) declining the most.

Slumping imports in China, currency market swings and falling commodities prices led the World Trade Organization to cut its forecast for global trade growth in 2015 by half a percentage point to 2.8%.

#### Asia

After August's sell-off, all eyes were on China. Chinese consumer confidence rose marginally from 116.5 to 118.2 in September, the highest reading since May. Nonetheless, China's stockmarkets continued to fall, returning -1.92 for the month.

In Japan, data released in September showed a return to deflation, calling into question "Abenomics", the economic policies championed by Prime Minister Shinzo Abe. Japanese stocks fell 9.24%, wiping out all of 2015's gains.

#### North America

Mixed US economic data emphasised uncertainty over the strength of recovery in the world's largest economy. September data showed the creation of 142,000 jobs in the month but this was well below expectations of a 201,000 gain. US stockmarkets declined 2.7% overall.

Collapsing commodity prices and a glut of cheap oil also affected Canada's raw materials orientated companies, with Canadian stocks overall declining 3.8% in September.

#### Commodities: September's winners and losers

Best Performers						
102	Sugar	-7.41	33.57	105.67	8.40	
103	Sugar	-4.71	25.48	95.63	7.60	
104	Nickel	-7.40	34.59	80.15	6.37	
105	Wheat	-4.06	26.80	69.53	5.52	
106	Corn	-3.85	21.26	61.63	4.90	
107	Lean Hogs	-3.44	22.40	50.99	4.05	
109	Soybeans	-2.59	16.38	23.84	1.89	
109	Copper	-7.86	31.03	19.74	1.57	
110	Soybean Meal	-4.35	16.06	8.41	0.67	
111	Coffee	-4.61	28.22	-0.11		-0.01
Worst Performers						
123	Cotton	-5.19	13.38	-38.13		-3.03
124	Heating Oil	-6.89	27.90	-41.47		-3.29
125	Lead	-4.36	23.81	-42.18		-3.35
126	Brent Crude	-7.50	32.15	-49.67		-3.95
127	Gas Oil	-8.03	31.92	-56.89		-4.52
128	Natural Gas	-7.41	21.10	-70.61		-5.61
129	Zinc	-10.48	26.01	-85.44		-6.79
130	Live Cattle	-9.11	20.52	-96.87		-7.70
131	Orange Juice	-17.40	18.56	-218.59		-17.37

Source: All data from Bloomberg and FTSE World unless otherwise stated. All FTSE World Index data in local currency terms.

### Europe

The European Central Bank cut its forecasts for growth and inflation for 2015 and the subsequent two years in a downbeat update. It now expects 1.4% growth in 2015, down from 1.5%. Elsewhere, the World Bank lowered its forecast of Russian economic growth in 2015 to -3.8% and 2016 to 0.6%. German stocks fell 5.7% in September; French stocks declined 3.7%. Italian stocks were down 2.4%; UK stocks fell 2.9%, while Dutch stocks lost 4.7%. Greek stocks were alone in Europe in posting a positive return in September with a 0.9% gain, although this was the context of a 63% decline for the previous 12 months.

### Latin America

Ratings agency Standard & Poor's cut the credit rating of Brazilian government debt to BB+, citing lower commodity prices as a cause for concern along with the country's high level of borrowing. Brazilian stockmarkets declined 3.7% in September. Chile also declined, losing 4.8% as low copper prices affected the outlook for that country's mining industry.

### Currencies

Following Brazil's downgrade by Standard & Poor's the Brazilian Real was the worst performer among a basket of major currencies in September, losing 6.7% against the US dollar. Commodity exposure and large external funding needs have proven to be the undoing of emerging market currencies in recent months. For the third quarter of 2015 the Brazilian real returned -21.4%; the Colombian peso -15.6%; the Russian ruble -15.3%; the Malaysian ringgit -14.2%; the South African rand -12.2%; the Turkish lira -11.4%; and the Indonesian rupiah -9.0%.

### Commodities

Sugar was the best performing commodity for the month, helped by a global shortage of the sweet stuff and the expected impact of El Nino on the 2015-6 growing season. Orange juice was the worst performing commodity, losing over 17% in September and hitting a four-month low after upbeat weather forecasts for the key Florida growing season. Oil traded more or less flat, with West Texas Intermediate (a global benchmark for oil pricing) closing the month at just over US\$45 a barrel. However, this is the context of a 52% decline from a 12-month high on 3 September 2014 of US\$95.54 a barrel.

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*Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested.*

*For information only. Always seek our professional advice before acting.*

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