STOXX

INDICES DASHBOARD

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"A man's life is what his thoughts make it."

– Marcus Aurelius (121 AD-180AD)

OVERVIEW

DESPITE GEOPOLITICAL TENSIONS, MARKETS MADE MERRY IN FEBRUARY, HITTING FRESH HIGHS AS MONETARY POLICY MAKERS WERE SHARPENING THE SAW IN THE BACKYARD.

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After taking a breather in January as central banks' longest drag race took its toll, February brought new highs to the markets. Despite the Greek debt stand-off taking center stage, triggering market volatility, renewed optimism fueled a market rally at the end of the month.

The gauge of market fears—the VIX index—declined 36.39% in February, retracing from January's highs. Similarly, the VSTOXX, after rising in the first half of the month, pared down thereafter and closed February 28.22% below the end of January reading.

After three positive trading sessions at the beginning of the month, the prisoners' dilemma in the debt stand-off between the Greek government and Eurozone creditors took its toll on global market sentiment. Athens Stock Exchange dropped 3.36% on Feb. 5, with Greek bank stocks plunging 10.04%, as Greek Finance Minister Yanis Varoufakis clashed with his German counterpart on talks about a new debt swap plan. Varoufakis also proposed a bridging program until the end of May to allow additional time for debt talks.

On the same day, Greek bank stocks plunged by a record 23.18% at the opening, before recovering from the minimum throughout the trading session. Investors dumped financial stocks amid concerns about ECB's decision not to accept any longer Greek bank assets as collateral, forcing them out of the ECB's liquidity assistance.

In urging that it was time to go "cold turkey" on debt, Finance minister Varoufakis presented on Feb. 2 the idea that Greek bonds held by the European Central Bank and part of the bilateral loans (EUR53 billion) owed to Eurozone governments could be swapped for two types of new bonds. The first type, linked to Greece nominal economic growth, would replace European rescue loans, and the second, named "perpetual bonds", would replace European Central Bank-owned Greek bonds.
The proposal had a cool reception among Eurozone partners, including the two left-leaning countries from which Mr. Tsipras had hoped to receive a stronger support for Athens' debt relief cause.

Before the end of January, three of the four largest Greek banks tapped EUR2 billion in emergency funding from the Bank of Greece as they faced tightening liquidity conditions due to large withdrawals from depositors. Access to the emerging liquidity facility by Greek banks raised anxiety among Eurozone partners. In particular, Germany's Bundesbank voiced its dissent amid concerns the ELA could be used to buy Treasury notes to help sustain government funding needs. Nonetheless, Greek banks have been given approval to tap an additional EUR10 billion in emergency funding above an existing ceiling if necessary.

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In highlighting some improvement in the macro outlook for the region, the Winter Economic Forecast published in February by the European Commission outlined some risks in the growth prospects across Europe due to a weak investment context and high unemployment.

Despite an improved outlook, the Eurozone (ex Germany) remains one of the two "sick men" of the world. Economic growth still remains the greatest challenge facing the Eurozone as well as the *fata morgana* of the current decade. Private sector demand is one of the chronic weakness in the region, as well as in other key economies globally, and is a factor detracting from potential growth in output.

Nonetheless, the economies of all EU member states are expected to grow again in 2015 for the first time since 2007. For 2015 growth is forecast to rise moderately to 1.7% for the EU as a whole and to 1.3% for the Eurozone. In 2016, annual growth is expected to accelerate further, reaching 2.1% for the broader EU and 1.9% in the Eurozone, sustained by increased domestic and foreign demand, accommodative monetary policies and a broadly neutral fiscal stance.

Farther to the east, Japan's fourth-quarter GDP came in at a 2.2% annualized rate, below median market expectations of 3.7%. The weaker-than-expected GDP reading highlighted the challenges Mr. Abe faces in reviving the Japanese economy from two decades of stagnation. Despite the weak macro readings, the Nikkei reached its highest level since 2000 at the end of February.

On the other side of the Atlantic, the employment report for January came in stronger than expected as 257,000 new net jobs were added. One of the highlight of the report was the solid 0.5% increase in average hourly wages, which was the highest since November 2008.

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In the FX market, the euro stayed on a depreciation pattern against the US dollar throughout February (-0.82%). It recovered from fresh lows recorded at the end of January and after the ECB took a hardline stance on Greek government bonds as collateral. News that the ECB agreed to allow National Bank of Greece to grant its domestic banks emergency funding of up to EUR60 billion provided some support. Also, talks that the Swiss National Bank (SNB) was intervening to weaken the currency and a report in Swiss newspaper Schweiz am Sonntag that SNB was targeting a new informal band of 1.05-1.10 francs per euro contributed to sustain the single currency. Following the release of the quarterly inflation report by the Bank of England (BoE), the pound sterling rose to a seven-year high against the euro. BoE governor affirmed inflation would return to its 2% target despite expectations that the inflation rate is expected to fall below zero in coming months. Market participants have pushed back the first rise in UK rates to the summer of 2016, as factored in by the sterling overnight interbank average rates.

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In global markets, central banks extended to February the longest drag race started in January, with international currency wars dominating the global FX market. Australia, Romania and Sweden remained active during the month.

At its February's board meeting, the Reserve Bank of Australia cut its benchmark interest rate by 25 bps to a record low of 2.25%, in a surprise move. The loosening in the monetary stance aimed to revive an economy that is heavily dependent on China, Australia's largest export market, and on the price pattern of commodities.

On Feb. 12, Sweden bolted into the currency war saga and took markets by surprise as the Riksbank cut its repo rate to -0.1% from zero and announced it would buy government bonds with maturities from 1 year up to around 5 years for a total of SEK10 billion. Despite Sweden growing at a healthy pace, inflation is still well anchored below the central bank's 2% target, with potential risks of entering a deflationary spiral. In the current scenario, the Riksbank faces a policy conundrum, with the monetary stance pendulum oscillating between further easing and the start of a tightening cycle. Despite expectations that Sweden is expected to post a solid 2.7% GDP growth rate for 2015, tame long-term inflation expectations may negatively impact wage negotiations, determining in turn a knock-on effect on price dynamics. Then, a deflationary spiral may become a self-fulfilling prophecy.

At the same time, Swedish consumer confidence declined to 97.4 in February, from a slightly downwardly revised reading of 98.4 in January. Similarly, manufacturing confidence dropped to 106.8 points from a marginally upwardly revised 107.4 points in the previous month. The overall sentiment index for Sweden eased to 104.8 in February from 105.6 in January.

The People's Bank of China reduced for the first time in two and a half years the reserve requirement for commercial banks by 0.5% (from 20.0% to 19.5%). The move aimed to help bring back into the economy an estimated USD300 billion cash. The move followed an unexpected contraction in the China PMI index.

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Recording its first negative balance since 2005, the Swiss government reported a deficit of CHF124 million for 2014, after previously indicating that it expected a surplus of CHF121 million. Amongst other issues, the SNB failed to pay its shareholders - mainly Switzerland's cantons and the federal government - a dividend following a CHF9 billion loss in 2013 because of a remarkable fall in the value of its gold reserves. As the country faces great economic challenges, the Swiss government announced it would cut spending by more than CHF1.0 billion in the coming years.

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In performance attribution terms, positive performance of financials (-1.05%), industrials (+0.83%) and technology (+0.82%) sustained the most the returns of the STOXX Global 1800 Index for February.
Oil & Gas (+0.38%) slightly recovered posting positive return contribution in February, while Utilities (-0.11%) detracted from the monthly performance. At country level, US (+3.13%) held the top spot in the performance contribution league table, with Japan ranking in the second place.

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After holding the top spot in the performance contribution league table, outperforming any other developed markets for 2014 and posting a negative return for January, the STOXX USA 900 Index recorded a remarkable 5.01% return for February. Monthly performance of the STOXX USA 900 Index was sustained by Technology (+1.26%), Financials (+0.98%), Consumer Services (0.98%), and Industrials (+0.87%).

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In performance attribution terms, positive return of the STOXX Europe 600 for February was sustained the most by the Financial sector (+1.84%). The Industrial sector was the runner up (+1.13%). Utilities (+0.02%), which was bettered by Telecommunications (+0.23%), performed at the bottom for the month. At country level, UK (+1.86%) held the top spot in the performance contribution league table, with France (+1.08%) ranking as the runner-up.

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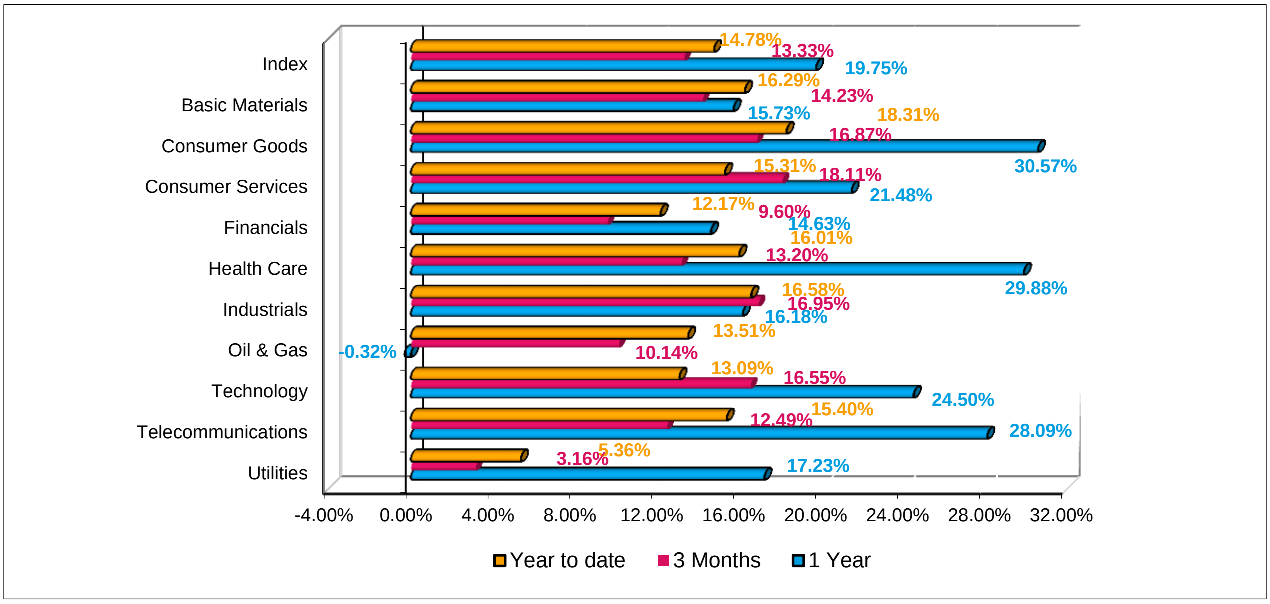
FIGURE 1 SELECTED STOXX INDICES PERFORMANCE AT FEB. 27, 2015

Index Name	1-Mth Performance	3-Mths Performance	1-Yr Performance
EURO STOXX 50 - TOTAL RETURN INDEX	7.41%	11.18%	18.44%
EURO STOXX TMI REAL ESTATE INVESTMENT & SERVICES USD - PRICE INDEX	9.26%	10.78%	7.76%
EURO STOXX TOTAL MARKET REITs USD - PRICE INDEX	2.59%	7.07%	5.57%
STOXX AFRICA 90 USD - TOTAL RETURN INDEX	0.63%	0.33%	11.29%
STOXX ASEAN-FIVE SELECT DIVIDEND 50 USD - TOTAL RETURN INDEX	1.02%	-3.46%	4.56%
STOXX ASIA 600 MINIMUM VARIANCE USD - TOTAL RETURN INDEX	2.14%	8.48%	12.23%
STOXX ASIA 600 MINIMUM VARIANCE UNCONSTRAINED USD - TOTAL RETURN INDEX	1.61%	5.65%	15.73%
STOXX ASIA/PACIFIC 600 USD - TOTAL RETURN INDEX	5.29%	5.47%	7.48%
STOXX ASIA/PACIFIC 600 EX JAPAN USD - TOTAL RETURN INDEX	4.26%	1.98%	3.64%
STOXX AUSTRALIA TOTAL MARKET USD - TOTAL RETURN INDEX	7.38%	3.15%	0.21%
STOXX BRIC 1000 USD - TOTAL RETURN INDEX	3.58%	0.51%	13.91%
STOXX CHINA A-SHARES TOTAL MARKET USD - TOTAL RETURN INDEX	4.62%	17.93%	57.59%
STOXX CHINA B-SHARES TOTAL MARKET USD - TOTAL RETURN INDEX	2.74%	7.07%	26.96%
STOXX CHINA TOTAL MARKET USD - TOTAL RETURN INDEX	2.91%	5.99%	18.67%
STOXX EASTERN EUROP TOTAL MARKET USD - PRICE INDEX	9.64%	-10.74%	-22.55%
STOXX EMERGING MARKETS 1500 USD - TOTAL RETURN INDEX	2.54%	0.00%	8.65%
STOXX EUROPE 600 - TOTAL RETURN INDEX	6.99%	13.33%	19.75%
STOXX EUROPE 600 MINIMUM VARIANCE - TOTAL RETURN INDEX	4.46%	13.79%	23.80%
STOXX EUROPE 600 MINIMUM VARIANCE UNCONSTRAINED - TOTAL RETURN INDEX	3.64%	12.67%	22.05%
STOXX EUROPE ESG LEADERS 50 - TOTAL RETURN INDEX	6.76%	14.16%	n.a.
STOXX EUROPE LARGE 200 - TOTAL RETURN INDEX	6.77%	12.55%	20.17%
STOXX EUROPE SMALL 200 - TOTAL RETURN INDEX	7.74%	16.69%	13.43%
STOXX EUROPE STRONG BALANCE SHEET - TOTAL RETURN INDEX	5.86%	15.30%	n.a.
STOXX GLOBAL 1800 USD - TOTAL RETURN INDEX	5.84%	2.48%	8.45%
STOXX GLOBAL 1800 MINIMUM VARIANCE USD - TOTAL RETURN INDEX	2.59%	3.76%	15.06%
STOXX GLOBAL 1800 MINIMUM VARIANCE UNCONSTRAINED USD - TOTAL RETURN INDEX	1.12%	2.40%	14.49%
STOXX GLOBAL BROAD INFRASTRUCTURE USD - TOTAL RETURN INDEX	2.50%	0.75%	12.39%
STOXX GLOBAL ESG LEADERS USD - TOTAL RETURN INDEX	5.71%	2.99%	n.a.
STOXX GLOBAL SELECT DIVIDEND 100 USD - TOTAL RETURN INDEX	2.91%	11.77%	31.55%
STOXX INDIA TOTAL MARKET USD - TOTAL RETURN INDEX	0.69%	5.09%	49.70%
STOXX JAPAN 600 USD - TOTAL RETURN INDEX	5.71%	7.42%	9.40%
STOXX JAPAN 600 MINIMUM VARIANCE USD - TOTAL RETURN INDEX	2.08%	13.60%	17.16%
STOXX JAPAN 600 MINIMUM VARIANCE UNCONSTRAINED USD - TOTAL RETURN INDEX	2.56%	12.81%	19.96%
STOXX LATIN AMERICA TOTAL MARKET USD - TOTAL RETURN INDEX	3.79%	-11.51%	-6.87%
STOXX NORTH AMERICA 600 MINIMUM VARIANCE USD - TOTAL RETURN INDEX	3.38%	3.77%	18.78%
STOXX SWITZERLAND TOTAL MARKET USD - TOTAL RETURN INDEX	4.71%	0.83%	1.92%
STOXX UK TOTAL MARKET USD - TOTAL RETURN INDEX	6.65%	3.23%	-2.61%
STOXX US 900 USD - TOTAL RETURN INDEX	5.76%	2.59%	14.90%
STOXX US 900 MINIMUM VARIANCE USD - TOTAL RETURN INDEX	2.86%	2.96%	16.93%
STOXX US 900 MINIMUM VARIANCE UNCONSTRAINED USD - TOTAL RETURN INDEX	1.70%	3.51%	19.64%
STOXX USA STRONG BALANCE SHEET USD - TOTAL RETURN INDEX	6.19%	3.34%	n.a.
STOXX USA TOTAL MARKET SMALL USD - TOTAL RETURN INDEX	5.98%	4.65%	9.21%
VSTOXX VOLATILITY INDEX - PRICE INDEX	-28.22%	-1.55%	5.84%
CBOE SPX VOLATILITY VIX - PRICE INDEX	-36.39%	0.08%	-4.71%
CBOE CRUDE OIL VOLATILITY INDEX - PRICE INDEX	-4.73%	53.27%	198.50%

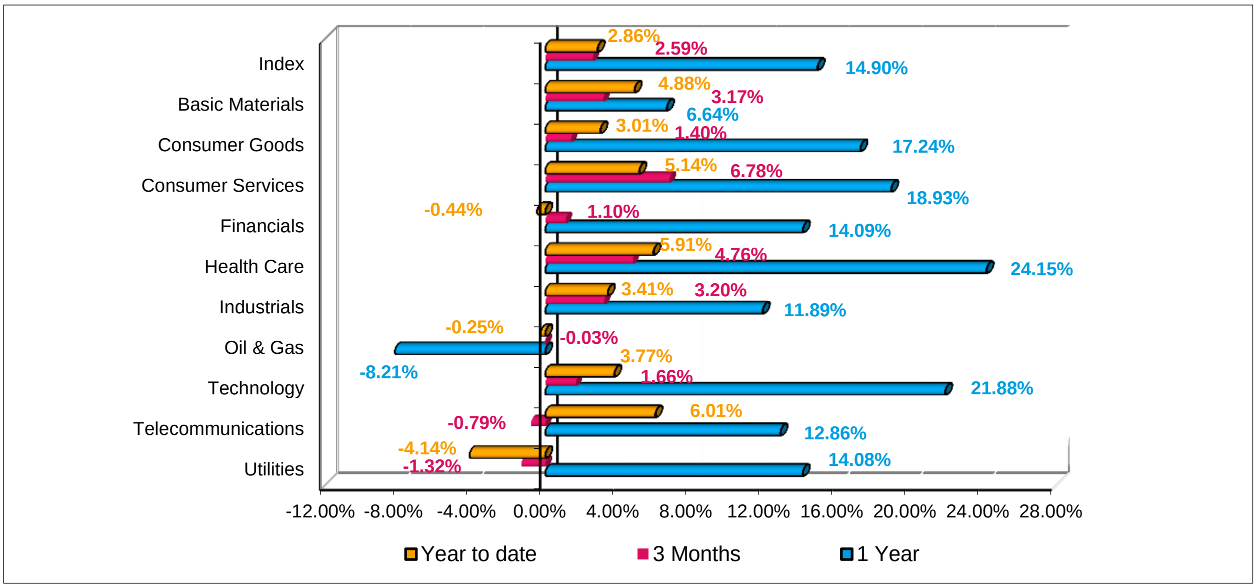
Source: STOXX (all performance figures are in USD terms whenever it is specified in the index name; in euro terms in the remaining cases; performance figures of the volatility indices are computed in their respective currency of denomination)

FIGURE 2 STOXX EUROPE 600 INDEX SECTOR TOTAL RETURN (YEAR TO DATE, 3-MONTHS AND ONE YEAR AT FEB. 27, 2015)



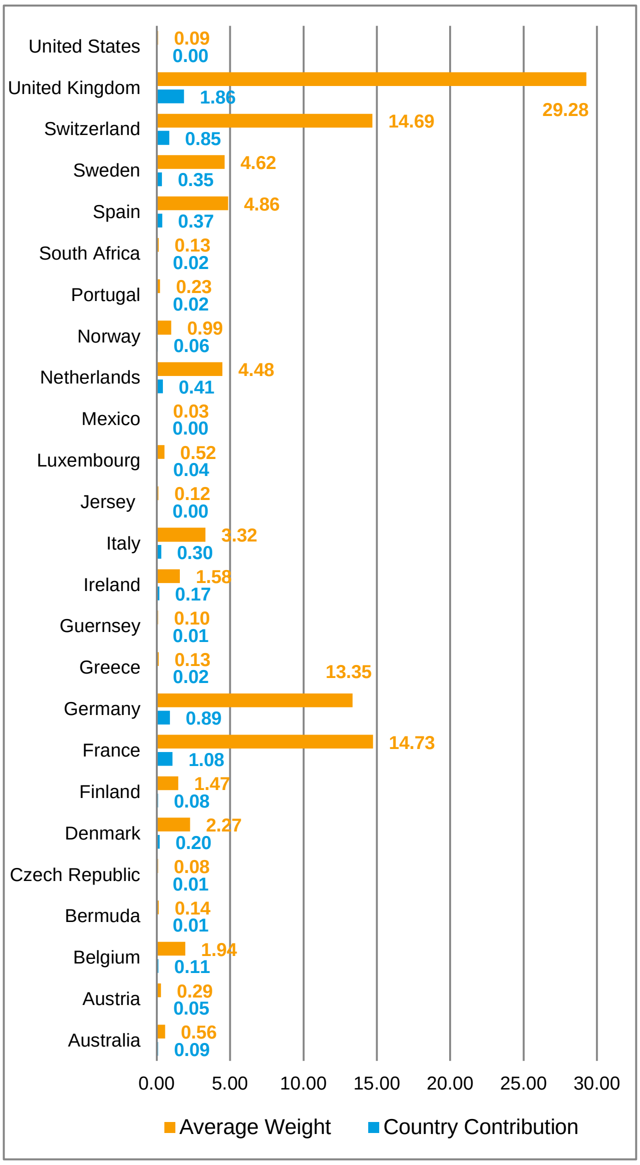
Source: STOXX

FIGURE 3 STOXX USA 900 INDEX SECTOR TOTAL RETURN (YEAR TO DATE, 3-MONTHS AND ONE YEAR AT FEB. 27, 2015)



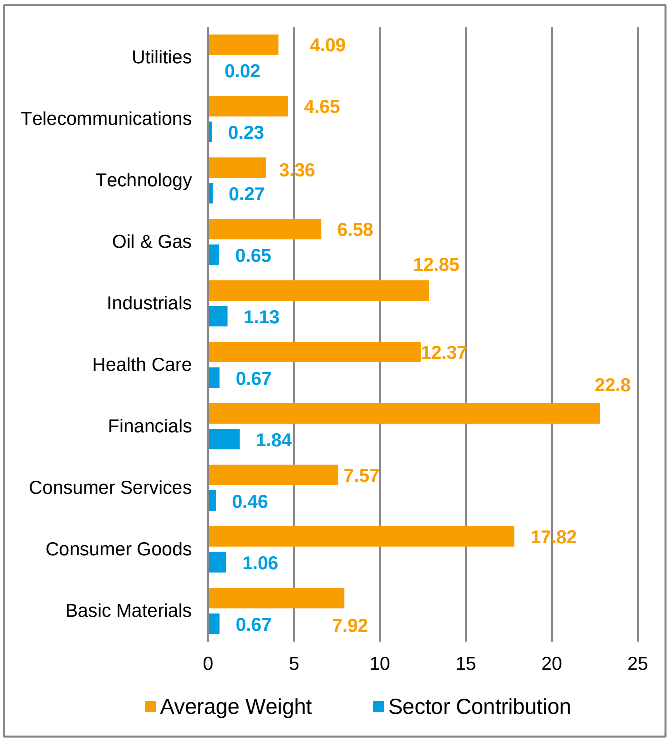
Source: STOXX

FIGURE 4 STOXX EUROPE 600 INDEX–DOMICILE COUNTRY PERFORMANCE CONTRIBUTION VS. AVERAGE WEIGHT (FEB. 2015)



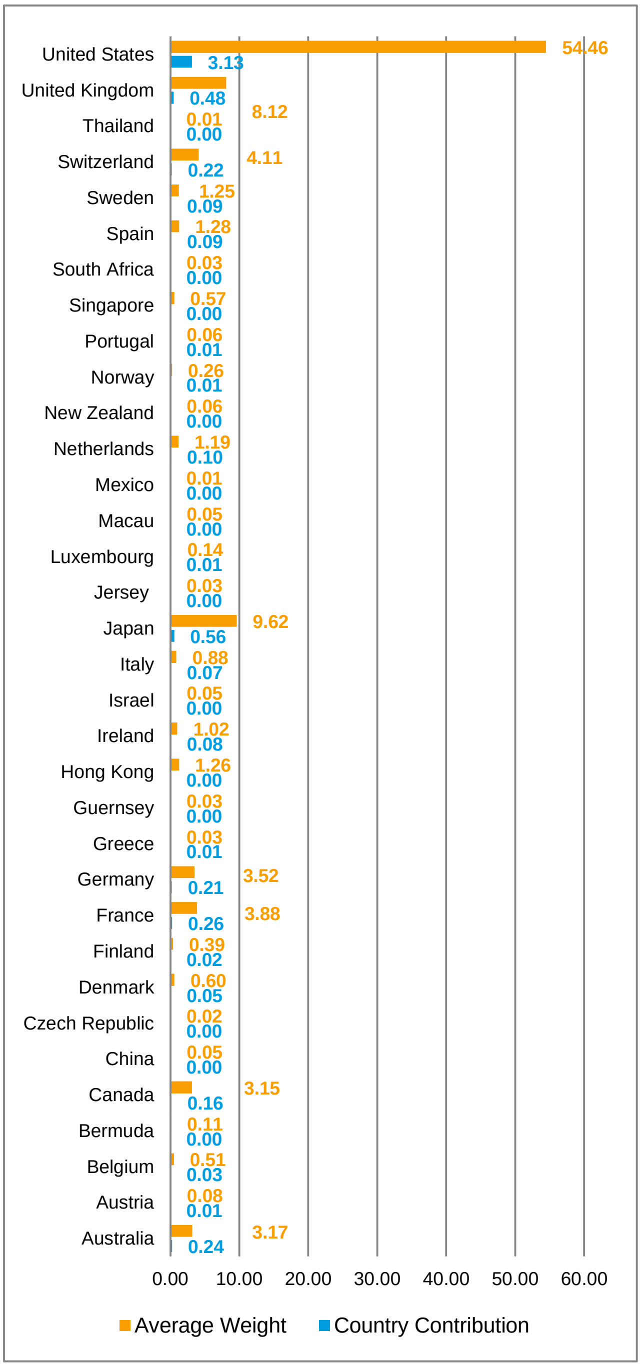
Source: STOXX

FIGURE 5 STOXX EUROPE 600 INDEX–INDUSTRY SECTOR PERFORMANCE CONTRIBUTION VS. AVERAGE WEIGHT (FEB. 2015)



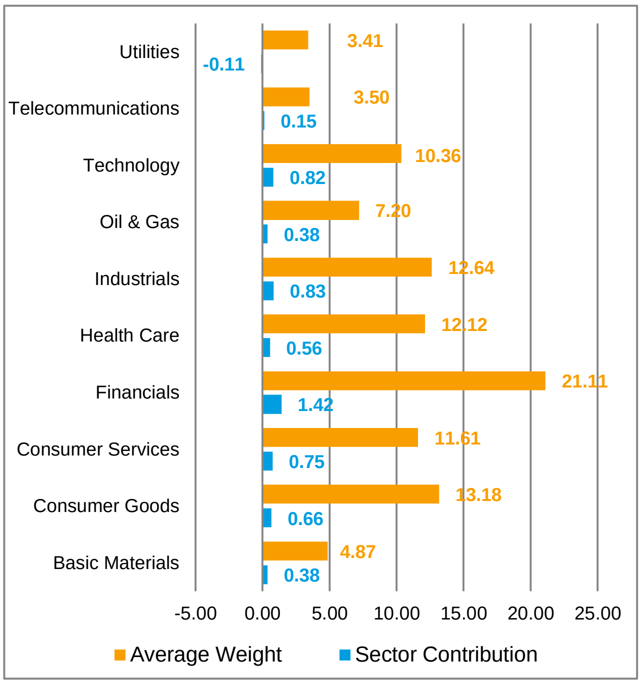
Source: STOXX

FIGURE 6 STOXX GLOBAL 1800 INDEX–DOMICILE COUNTRY PERFORMANCE CONTRIBUTION VS. AVERAGE WEIGHT (FEB. 2015)



Source: STOXX

FIGURE 7 STOXX GLOBAL 1800 INDEX–INDUSTRY SECTOR PERFORMANCE CONTRIBUTION VS. AVERAGE WEIGHT (FEB. 2015)

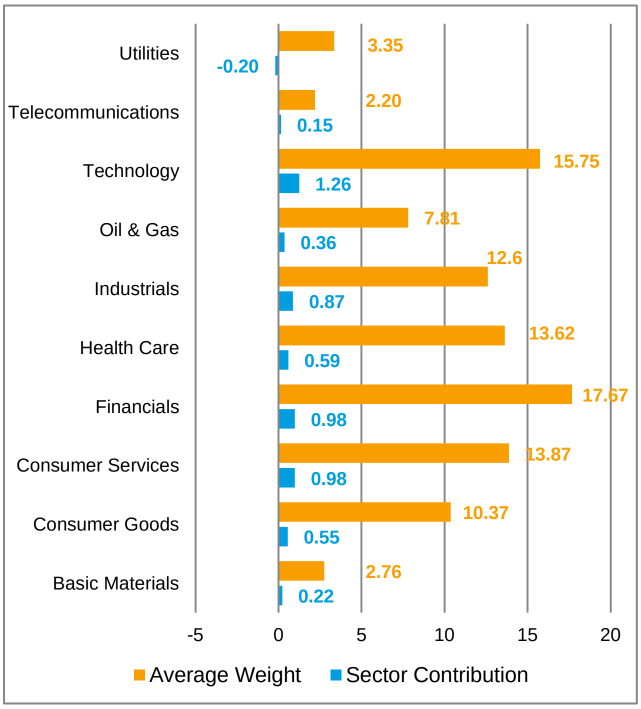


Source: STOXX

FIGURE 8 STOXX USA 900 INDEX–DOMICILE COUNTRY PERFORMANCE CONTRIBUTION VS. AVERAGE WEIGHT (FEB. 2015)

Source: STOXX

FIGURE 9 STOXX USA 900 INDEX–INDUSTRY SECTOR PERFORMANCE CONTRIBUTION VS. AVERAGE WEIGHT (FEB. 2015)



Source: STOXX

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The report was closed with information available as of the market close on Mar. 4, 2015.

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