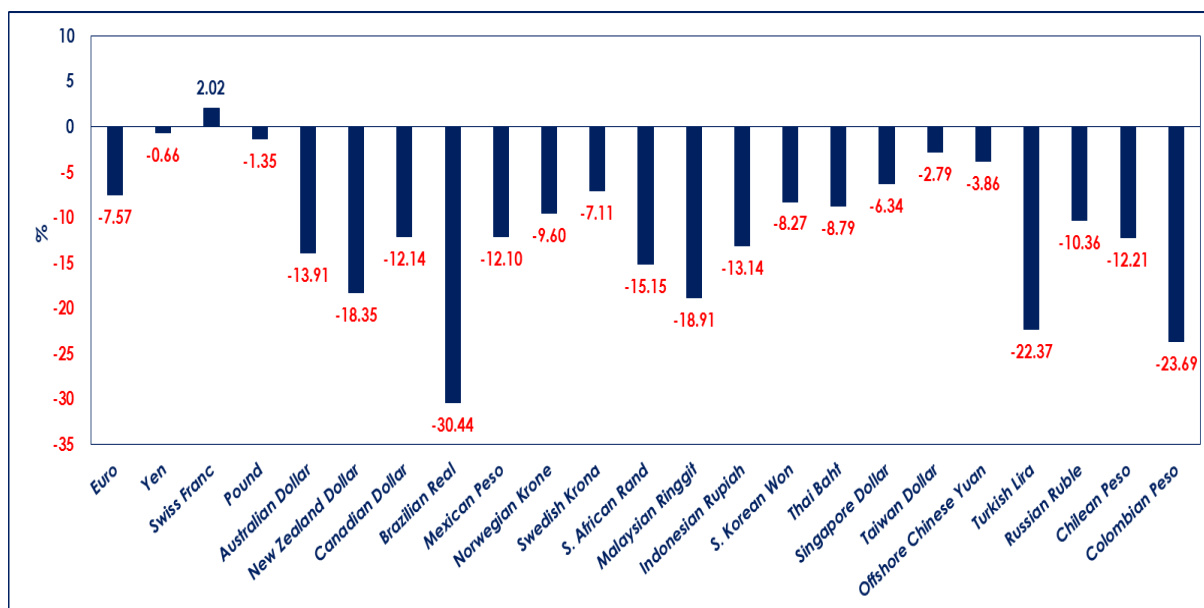




Recent Market Volatility - an FX Perspective

Below is a chart illustrating the extent and breadth of US Dollar (USD) strength year to date in 2015.

Chart 1: 2015 Spot Currency Returns versus USD



Source: Bloomberg, Three Rock Capital Management

The currencies of commodity exporting and emerging market countries have been particularly weak following the Yuan devaluation. The Euro and Yen have consolidated in recent months and indeed strengthened in August as equity markets globally came under pressure, forcing the unwinding of short Euro and Yen carry trades.

However, central banks are reacting to the August sell - off and we see a coordinated response evolving. The ECB was first to act on September 3rd. The message from the statement and press conference was unambiguous; in the current environment the ECB will act to counter stock market weakness and currency strength. This should act as a cushion for European stock markets in the weeks ahead and as a barrier to Euro strength. As equity markets stabilise we expect the Euro to again weaken.

The dynamic facing the Bank of Japan is comparable to that facing the ECB, if more acute, and we expect they will expand the QQE program perhaps as early as September 15th. We expect the Federal Reserve will sit tight on September 17th justifying their stance with reference to inflation undershooting target but with an eye turned to recent market developments. Meanwhile the Chinese authorities appear committed to controlling Yuan depreciation, the devaluation of which on August 11th was the immediate catalyst for recent volatility. They have intervened to

support the currency in both the onshore and offshore markets and to date this appears to be having the desired effect.

Chart 2: Offshore China Renminbi



Source: Bloomberg

Lastly, oil prices have steadied in the vicinity of prior lows and possibly bottomed for now. Taken together we anticipate that a co-ordinated central bank response and more stable energy prices will see recent volatility subside and allow the primary trends in EURUSD and USDYEN to reassert themselves between now and year end.



Source: Bloomberg

Conor O'Mara,
Chief Investment Officer
September 10th, 2015

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

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