

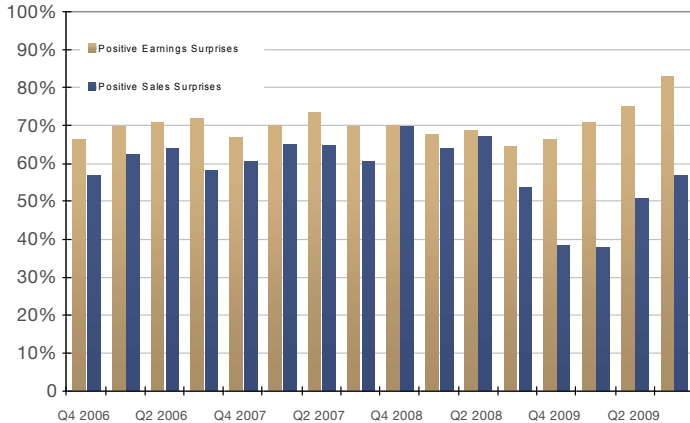


# Weekly Review

## Week ending 13<sup>th</sup> November 2009

Markets were strong almost across the board last week, continuing on from the impressive equity returns seen the week before. US and European equity markets rose by 2.3% or more in local currency terms, and the MSCI World Index of developed countries gained 2.4%. Japan was a notable laggard with a decline of 0.8%, and month to date Japan has substantially underperformed global equities, by 7.5% when viewing both in US Dollar terms. US and UK property securities were once again the standout performers for the week, with gains of 6.2% and 7.6% respectively. Meanwhile, government and corporate bonds lagged equities with returns of around 0.5%. The US Dollar weakened against all other major currencies, whilst gold broke through the \$1,100/oz mark and ended the week at an all time high of \$1,118.70.

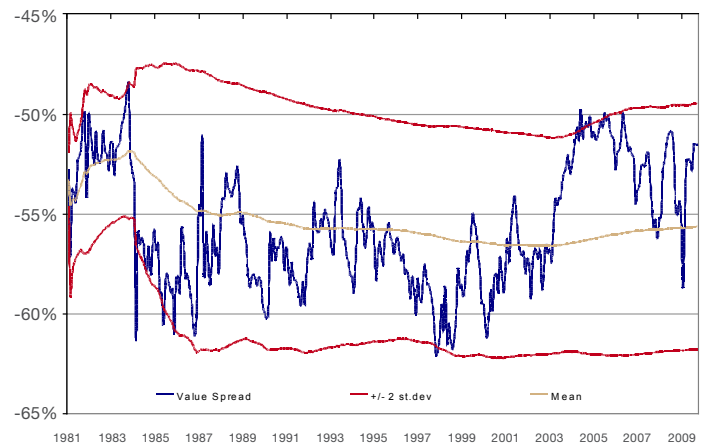
### S&P 500 Earnings Surprises



Earnings season has been rumbling on for the past few weeks and almost 90% of S&P 500 companies have now reported their Q3 earnings, so we have updated the earnings / sales surprises chart that we published in our weekly review last month. The ratio of companies beating earnings expectations so far in Q3 2009 is the highest seen in several years, and more than half of the companies that have reported so far have also exceeded sales expectations. Since Alcoa kicked off earnings season on 7th October, the S&P 500 Index has gained 3.6%. The picture is not so rosy across the Atlantic in mainland Europe where,

despite more than half of the companies that have already reported having exceeded earnings expectations, more than half have fallen short of sales estimates. This potentially suggests that better than expected earnings are still being driven by cost cutting to some extent with top line growth remaining elusive.

### GEM Equity - Value Spread



Looking elsewhere, valuations in emerging markets are worthy of a brief mention. Many investors and market commentators are of the opinion that they should trade at a premium to their developed peers, and indeed valuations have moved in this direction and by some measures they are already more expensive. The chart above looks at this in a slightly different way, by calculating a value spread and comparing this to historical averages. This value spread is a calculation of how much cheaper the cheapest quintile of stocks in the universe is compared to the most expensive quintile, and could be interpreted as a guide to when deep value strategies are relatively attractive. Whilst in hindsight late 2008 was a decent buying opportunity for value stocks in emerging markets, as shown by this spread expanding significantly, the spread is now looking quite small compared to history. This does not necessarily indicate whether emerging markets are over or under-valued, but it does suggest that it is becoming increasingly difficult to find value investments within emerging markets based on standard valuation metrics.

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. November 2009.

**To 13 November 2009**

Asset Class/Region	Index	Currency	Week	MTD	YTD
<b>Equities</b>					
United States	S&P 500 NR	USD	2.3	5.6	22.9
United Kingdom	FTSE All Share TR	GBP	3.1	5.3	27.5
Continental Europe	MSCI Europe ex UK NR	EUR	2.6	4.2	25.3
Japan	Topix TR	JPY	-0.8	-3.1	2.8
Global	MSCI World NR	USD	2.4	4.8	28.6
Global emerging markets	MSCI World Emerging markets TR	USD	2.8	5.3	73.4
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3	0.1	-2.5
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.5	0.9	10.9
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.6	0.2	18.2
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.5	0.6	53.2
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.6	-1.2	-0.4
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	0.6	-0.7	10.5
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3	-0.1	4.3
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.4	0.2	15.0
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	0.7	0.4	73.2
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.5	0.3	0.3
Global Government bonds	JP Morgan Global GBI	USD	0.6	0.8	4.7
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.6	0.7	8.2
Global Convertible bonds	UBS Global Convertible Bond	USD	1.3	2.7	38.7

**To 13 November 2009**

Asset Class/Region	Index	Currency	Week	MTD	YTD
<b>Property</b>					
US Property securities	MSCI US REIT TR	USD	6.2	6.2	17.5
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	7.6	8.0	20.1
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	2.4	2.4	42.6
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	USD	1.6	-0.2	42.2
Global Property securities	FTSE EPRA/NAREIT Developed CR	USD	3.7	3.1	29.6
<b>Currencies</b>					
Euro		USD	0.1	0.9	7.1
Sterling		USD	0.4	1.2	16.0
Yen		USD	0.2	1.0	1.1
Australian Dollar		USD	1.4	3.0	33.5
Rand		USD	1.1	5.2	24.3
<b>Commodities</b>					
Commodities	RICI TR	USD	0.8	0.9	21.3
Agricultural Commodities	RICI Agriculture TR	USD	3.2	3.0	3.0
Oil	Brent Crude Index (ICE) CR	USD	-2.1	-0.4	94.2
Gold	Gold index	USD	0.7	6.0	28.2

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