Weekly Review

Week ending 6th December 2009

The past week bears the hallmarks of an increased risk tolerance amongst global investors. Most notably, equity markets gained, whilst government bonds sold off slightly. Sentiment improved later in the week as markets relaxed about Dubai World's debt repayment issues and on US employment data. The Non-Farm Payrolls fell by a mere 11,000 compared to the expected fall of 125,000. This brought the November unemployment number to 10% which was 20 basis points ahead of the consensus expectations of 10.2%. Equity markets rallied on the back of this data, helping the bourses to end the week in positive territory.

Global equities (as measured by the MSCI World Index) ended the week up 2.1% in US Dollar terms, and the MSCI Emerging Markets posted a return which was more than double their developed counterparts, posting a gain of 4.5% for the week. The year to date return for the emerging markets is 77.2% which is significantly ahead of the 29.9% from developed markets. Bond indices sold off slightly in US Dollar Terms as yields on global government bonds spiked upwards. The US 10 Year Treasury yield moved from 3.20% at the end of November to 3.49% by the end of the week. Global government bonds returned -0.3% in US Dollar terms and credit sold off further, causing the Citigroup WorldBIG index to post a return of -1.2% for the week.

The listed property market was strong last week, bouncing back from the disappointment of Dubai World quickly. The US performed particularly well, taking encouragement from the aforementioned macroeconomic data, returning 9.1% in a week. Asian property was also strong, returning 6.0% in US Dollar terms. Europe was muted, with the UK returning 1.1% and the rest of the region gaining 2.1%.

Commodities were also quiet, with agricultural futures flat, and a year to date return of 6.3%. This pales into insignificance compared to the gains of 98.6% that oil has experienced in 2009. The broader commodities index has benefitted from impetuses such as this and the small weekly gain of 1.0% brings the year to date return to 25.1%.

The performances in the currency markets were mixed, with the US dollar gaining marginally against the euro. The Japanese yen weakened, falling by -3.6% in a week, resulting in a meagre gain of 0.8% year to date against the US Dollar. Other major currencies have appreciated against the greenback over this period, with the euro up 7.1%, sterling 15.0% ahead and the Australian dollar, reflective of a commodity economy with a hawkish interest rate stance, having gained 31.3% over the same period.

The world's attention now turns to Copenhagen, where the climate summit will likely set then agenda for green initiatives for many years to come. Approximately 100 global leaders from 192 countries have descended on the Danish capital in an attempt to hammer out a consensus that will likely supplant the 1997 Kyoto agreement. The main areas of discussion for the summit includes: targets to curb greenhouse gas emissions, financial support for mitigation of and adaptation to climate change and a carbon trading scheme aimed at ending the destruction of the world's forests by 2030. For the next couple of weeks, Copenhagen will likely be the source of much heat and hopefully some light and the postulation and procrastination of various factions of the global community might provide some opportunities for long-term investors. In the shorter term the conference may prove to be a distraction for the markets, that might bring with it some blips as traders react to the latest news flow. Much of the likely outcomes have already been leaked or released to the market, and barring any unforeseen announcements we expect the summit to not dictate the markets' behaviour. In fact, behind the closed doors in Copenhagen, observers will likely learn more about horse trading over the next couple of weeks than about the expedience of constructive and cooperative global political initiatives.

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

Returns to 6 December 2009

Asset Class/Region	Index	Currency	Week	MTD	YTD
Equities					
United States	S&P 500 NR	**USD**	0.8	0.4	23.7
United Kingdom	FTSE All Share TR	**GBP**	1.3	2.4	27.7
Continental Europe	MSCI Europe ex UK NR	**EUR**	2.8	4.1	26.5
Japan	Topix TR	**JPY**	9.7	5.9	5.5
Global	MSCI World NR	**USD**	2.1	1.7	29.9
Global emerging markets	MSCI World Emerging markets TR	**USD**	4.5	3.2	77.2
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-0.6	-0.7	-1.8
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-1.4	-1.5	11.2
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	-1.0	-1.0	18.4
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.4	0.5	54.6
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-0.5	-0.8	0.9
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	-0.3	-0.5	12.0
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.0	-0.3	4.8
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	-0.2	-0.2	15.5
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	0.4	0.6	73.3
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.2	0.2	1.0
Global Government bonds	JP Morgan Global GBI	**USD**	-0.3	-0.7	6.5
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-1.2	-1.4	8.5
Global Convertible bonds	UBS Global Convertible Bond	**USD**	0.7	0.7	40.2

Source: RMB Asset Management / Bloomberg. November 2009.

Returns to 6 December 2009

Asset Class/Region	Index	Currency	Week	MTD	YTD
Property					
US Property securities	MSCI US REIT TR	**USD**	9.1	4.9	23.9
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	1.1	3.5	12.8
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	2.1	4.0	40.6
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	6.0	1.7	43.7
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	4.2	1.4	29.5
Currencies					
Euro		**USD**	-0.6	-0.8	7.1
Sterling		**USD**	0.3	0.8	15.0
Yen		**USD**	-3.6	-4.2	0.8
Australian Dollar		**USD**	0.8	0.0	31.3
Rand		**USD**	-0.3	0.0	24.3
Commodities					
Commodities	RICI TR	**USD**	1.0	-0.3	25.1
Agricultural Commodities	RICI Agriculture TR	**USD**	0.0	-1.4	6.3
Oil	Brent Crude Index (ICE) CR	**USD**	1.3	3.4	98.6
Gold	Gold index	**USD**	2.5	2.8	40.4

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