

Weekly Review

Week ending 9th April 2010

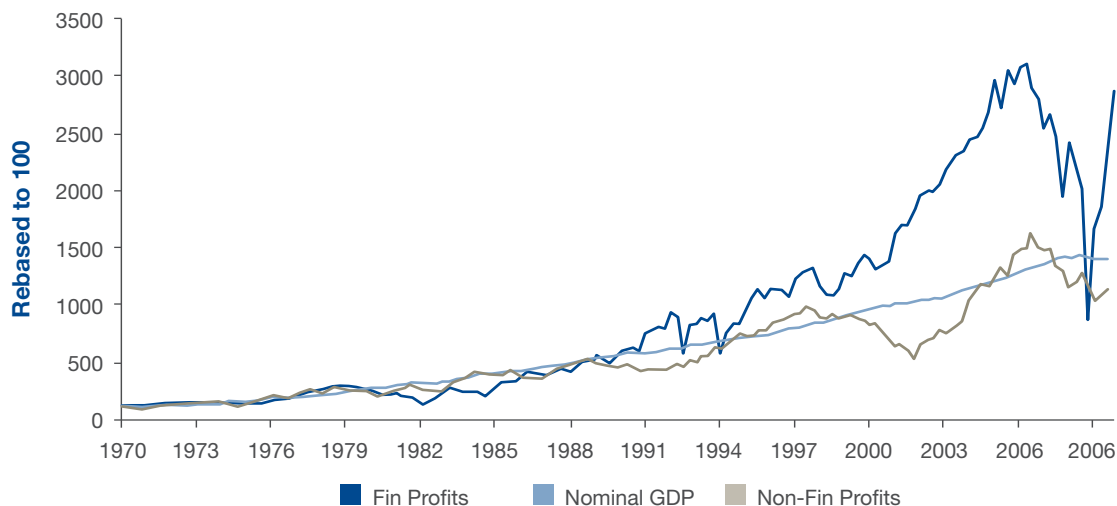
This coming week sees the start of the quarterly US corporate reporting season. For the S&P 500 analysts are expecting 37% year on year growth which is extremely impressive. There seems to be little evidence at this stage that companies won't continue their recent trend of beating these estimates. With nominal GDP growth starting to recover there should be some decent improvements in the revenue numbers too. Based on the severe cost cutting in the corporate sector over the last eighteen months most of the growth in top line numbers should filter through to the bottom line as well. Analysts are expecting 10% revenue growth for the second quarter, a number which we will track closely as compared to earnings it is more likely to have a significant impact on markets if it differed considerably from the consensus forecasts.

Analysing the profit numbers more closely it is interesting to note that as a sector Financials are touching their 2006/2007 highs again. The chart below shows US Financial and Non-Financial profits against Nominal GDP. Rather than radically addressing and overhauling a financial system that arguably contributed to the problems of the last couple of years, the regulators have created the conditions for the industry to not only survive the crisis but also thrive because of it. The dramatic imbalances are therefore re-appearing but it is clearly allowing profitability across the whole economy to recover. Only time will tell how the authorities will decide to address these imbalances.

In markets equity indices continued to push ahead with most developed and broad emerging market bourses ending the week in the green. Amongst the major developed markets Japan has now pushed ahead with the Topix the best performing index in US Dollar (and local currency) terms for the year to date.

Government bond markets, especially in Europe, were keeping a close eye on developments in Greece and other southern European states and ended the week broadly softer as yields crept up. Investment grade corporate bonds outperformed their government counterparts on a relative basis, whilst high yield bonds in the US and Europe continued to tick up. Global convertible and emerging market bonds also continued to deliver solid returns – both asset classes are now up over 4% for the year.

Real assets were well supported in the past week with property securities and commodities gaining ground. US property securities have done particularly well over the last three months as better economic news out of the States provided support to real estate valuations. As could be expected, until more details of the Greece bail-out plan come to the fore, the euro continued to be weak against other major currencies.



Source: Deutsche Bank, Bloomberg

Returns to 9 April 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	USD	1.4	2.2	7.5
United Kingdom	FTSE All Share TR	GBP	0.7	1.8	8.3
Continental Europe	MSCI Europe ex UK NR	EUR	0.4	1.7	5.3
Japan	Topix TR	JPY	0.0	1.1	10.0
Australia	S&P/ASX 300 TR	AUD	0.8	1.5	2.8
Global	MSCI World NR	USD	0.9	1.9	5.2
Global emerging markets	MSCI World Emerging markets TR	USD	1.5	3.4	5.9
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.1	-0.2	0.9
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.9	0.2	0.7
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.6	0.0	2.3
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.6	0.7	5.2
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.0	-0.8	0.3
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	-0.6	-0.4	3.5
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.5	-0.3	1.8
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.1	0.0	3.3
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	0.3	0.4	9.4
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0	0.2	0.1
Australian Government	JP Morgan Australia GBI TR	AUD	-0.2	-0.1	0.6
Global Government bonds	JP Morgan Global GBI	USD	-0.2	-0.2	-1.3
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.1	-0.2	-1.0
Global Convertible bonds	UBS Global Convertible Bond	USD	0.8	1.3	4.1
Emerging Market Bonds	JP Morgan EMBI +	USD	0.3	0.5	4.1

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. April 2010.

Returns to 9 April 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	USD	4.1	4.5	14.7
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	1.2	1.7	0.8
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.4	0.9	7.4
Australian property securities	FTSE EPRA/NAREIT Australia TR	AUD	0.6	0.0	-1.4
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	USD	1.1	1.9	2.8
Global Property securities	FTSE EPRA/NAREIT Developed CR	USD	2.1	2.7	5.8
Currencies					
Euro		USD	-0.7	-0.6	-6.3
Sterling		USD	0.5	1.2	-4.9
Yen		USD	0.6	0.0	-0.4
Australian Dollar		USD	1.1	1.5	3.6
Rand		USD	0.1	1.0	1.2
Commodities					
Commodities	RICI TR	USD	0.8	2.1	-0.2
Agricultural Commodities	RICI Agriculture TR	USD	0.3	1.0	-8.9
Oil	Brent Crude Index (ICE) CR	USD	3.3	4.3	8.9
Gold	Gold index	USD	2.6	3.3	2.4

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