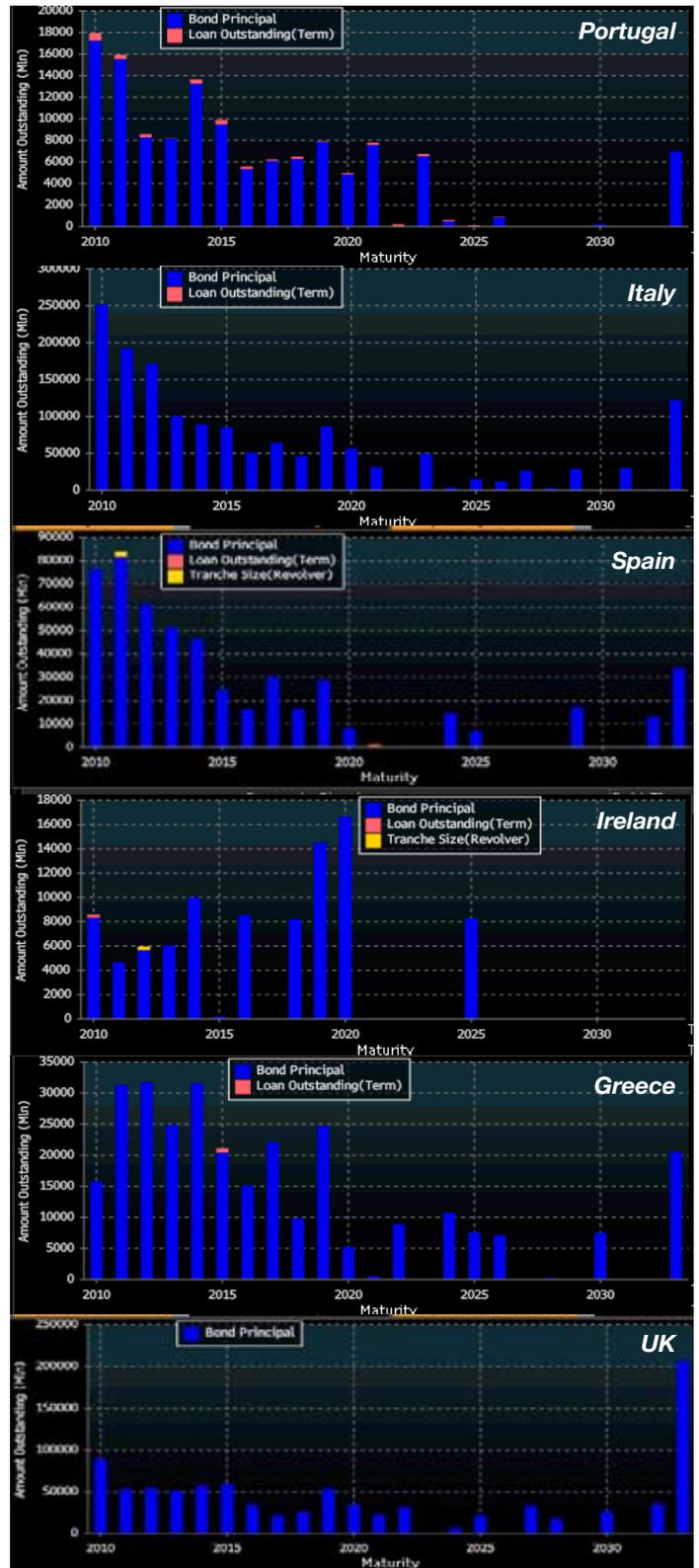


# Weekly Review

Week ending 30<sup>th</sup> April 2010

The past week was a mixed affair, with occasional buoyancy rapidly negated by uneasiness regarding the ongoing Greek debt saga. Last week saw Greece, Spain and Portugal downgraded by Standard and Poor's, something which would not have come as a surprise to many, but was still greeted with disdain by the market. The problems experienced by these southern European countries at times appear somewhat disproportionate given the degree that indebtedness afflicts many major economies. The characteristics that make the PIIGS (Portugal, Italy, Ireland, Greece and Spain) distinct from other highly indebted nations such as the UK is, in part, due to the distribution of outstanding issues. This distribution directly relates to how great the need is for the country to be well received in the debt markets. The graphs on the right show the debt distributions and whilst the bald numbers are staggering, the difference between the shape of the UK and the PIIGS' graphs is stark. This explains why these markets sold off last week, whilst the UK rallied as concerns grew on sovereign credit quality had materially different impacts on the debt of different issuers.

From a simple assessment of the performance of the markets for the week, there are the hallmarks of a classic risk-aversion scenario as investors trade from the riskier growth potential of stocks for the safety of sovereign issues. The week ended with equity holdings having fallen and government bonds, on the whole, having risen. Global developed equity markets performed similarly in local currency terms, with the US, Europe and UK all within  $\pm 10$  basis points (bps) either side of -2.6%. Japan was the exception, gaining 0.9% in yen terms. Overall global equity markets returned -2.1% in US Dollar terms. The global government fixed income markets gained 0.4% in US Dollars, with US and UK bonds rallying. European government bonds finished the week flat, but this conceals some dramatic intra-region performance differentials as well as some significant volatility within the PIIGS' debt markets. For example the Greek 10 year bond started the week yielding less than 9%, during Wednesday it peaked at 11.3% and by Friday it closed at again sub 9%. Corporate bonds performed broadly in line with government debt and in fact outperformed their sovereign counterparts in some markets. Global emerging markets equities were also negative, but their return of -0.3% in US Dollars represented an outperformance compared to developed markets.



Source: RMB Asset Management / Bloomberg / JP Morgan / Lipper Hindsight. May 2010.

## Returns to 30 April 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
<b>Equities</b>					
United States	S&P 500 NR	USD	-2.5	1.5	6.9
United Kingdom	FTSE All Share TR	GBP	-2.7	-1.4	4.9
Continental Europe	MSCI Europe ex UK NR	EUR	-2.6	-1.8	1.7
Japan	Topix TR	JPY	0.9	0.8	9.7
Australia	S&P/ASX 300 TR	AUD	-1.5	-1.3	-0.1
Global	MSCI World NR	USD	-2.1	0.0	3.3
Global emerging markets	MSCI World Emerging markets TR	USD	-0.3	1.2	3.6
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.9	1.1	2.3
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	1.4	2.4	3.0
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.9	1.8	4.2
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3	2.4	7.0
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.4	0.7	1.8
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	0.8	0.9	4.9
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.0	-0.6	1.5
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.0	0.6	3.9
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	-0.4	1.5	10.6
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2	0.9	0.7
Australian Government	JP Morgan Australia GBI TR	AUD	0.3	0.5	1.2
Global Government bonds	JP Morgan Global GBI	USD	0.4	0.1	-1.0
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.3	-0.1	-0.9
Global Convertible bonds	UBS Global Convertible Bond	USD	-1.3	0.3	3.0
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.6	0.7	4.3

Source: RMB Asset Management / Bloomberg / Lipper Hindsight, May 2010.

## Returns to 30 April 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
<b>Property</b>					
US Property securities	MSCI US REIT TR	USD	-1.0	7.0	17.4
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-2.1	-1.7	-2.6
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-3.2	-5.3	0.8
Australian property securities	FTSE EPRA/NAREIT Australia TR	AUD	0.8	4.0	2.5
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	USD	1.9	1.3	2.1
Global Property securities	FTSE EPRA/NAREIT Developed CR	USD	-0.4	2.2	5.2
<b>Currencies</b>					
Euro		USD	-0.5	-1.7	-7.3
Sterling		USD	-0.3	0.9	-5.2
Yen		USD	0.3	-0.6	-1.0
Australian Dollar		USD	1.0	1.4	3.5
Rand		USD	1.0	-0.2	0.1
<b>Commodities</b>					
Commodities	RICI TR	USD	-0.5	2.8	0.5
Agricultural Commodities	RICI Agriculture TR	USD	-0.5	3.2	-6.9
Oil	Brent Crude Index (ICE) CR	USD	2.2	7.4	12.1
Gold	Gold index	USD	3.5	5.7	4.8

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