



Weekly Review

Week ending 7th May 2010

In the world of the performing arts a tragedy (of which one well-known form is the Greek version) is a form of art based on human suffering that offers its audience pleasure. Ancient Greek tragedies were performed in late March / early April at an annual state religious festival in honour of Dionysus, the Greek god of (amongst others) wine. One of the divine missions of Dionysus was to bring an end to care and worry. Not much seems to have changed since the days of the ancient Greeks, except perhaps that the audience in this instance is not having a very pleasurable experience...

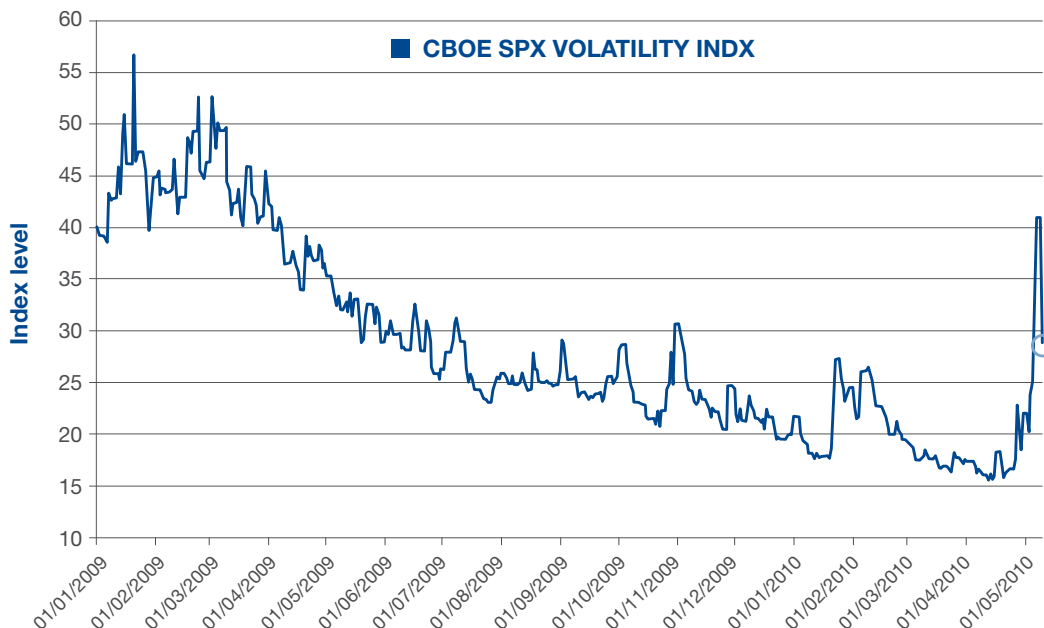
Over the weekend the European Central Bank (ECB) and European Union managed to put together a near trillion euro rescue package in attempting to prevent the Greek (and other) governments from defaulting on their debt, and ultimately trying to keep their financial system from collapsing. The proposals include:

- A EUR 750 bn European Financial Stabilisation mechanism
- Government bond purchases by the ECB
- A fixed rate tender procedure with full allotment in the regular 3 month longer-term refinancing operations (LTRO), and a 6-month LTRO with full allotment on 12 May at a fixed rate
- A reactivation of the temporary USD liquidity swap facility with the US Federal Reserve

The scale of the package has certainly surprised on the upside, as reflected by the market recovery at the start of the new week. The one key risk that remain is that of execution, and only time will tell how successful this package will be in addressing the tragedy which is the perilous state of many European governments' finances. It has at least managed to curb the volatility in equity markets as illustrated by the S&P 500 VIX index alongside.

Risk assets suffered heavily on the back of the turmoil in Europe, and government bonds (with the exception of the usual suspects, or PIIGS) provided a decent safe haven. Global developed and emerging market equities were down between 8% and 9% in USD terms, whilst US treasuries and UK gilts added close to 1% each. In currency markets the US Dollar kept its ground as sovereign risk matters in Euroland and a hung parliament in the United Kingdom weighed on the euro (-4.9%) and the Pound Sterling (-4.1%) versus the greenback.

Gold gained nearly 2%, taking its gains to just short of 7% for the year. When considering equities (versus safer assets) is it time to sell in May and go away? We don't think so...



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

Returns to 7 May 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	USD	-6.4	-6.4	0.1
United Kingdom	FTSE All Share TR	GBP	-7.5	-7.5	-3.0
Continental Europe	MSCI Europe ex UK NR	EUR	-9.1	-9.1	-7.6
Japan	Topix TR	JPY	-5.6	-5.6	3.6
Australia	S&P/ASX 300 TR	AUD	-6.7	-6.7	-6.8
Global	MSCI World NR	USD	-8.1	-8.1	-5.1
Global emerging markets	MSCI World Emerging markets TR	USD	-9.0	-9.0	-5.7
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	1.1	1.1	3.4
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.2	0.2	3.2
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.3	-0.3	3.9
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-2.5	-2.5	4.3
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.8	0.8	2.7
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	-0.8	-0.8	4.0
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-1.0	-1.0	0.6
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.5	-0.5	3.4
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	-3.9	-3.9	6.3
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0	0.0	0.8
Australian Government	JP Morgan Australia GBI TR	AUD	1.2	1.2	2.4
Global Government bonds	JP Morgan Global GBI	USD	-0.5	-0.5	-1.5
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-1.3	-1.3	-2.1
Global Convertible bonds	UBS Global Convertible Bond	USD	-5.0	-5.0	1.5
Emerging Market Bonds	JP Morgan EMBI +	USD	-2.7	-2.7	4.3

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Returns to 7 May 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	USD	-6.2	-6.2	10.2
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-9.8	-9.8	-12.1
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-9.7	-9.7	-9.0
Australian property securities	FTSE EPRA/NAREIT Australia TR	AUD	-4.2	-4.2	-1.7
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-6.0	-6.0	-4.0
Global Property securities	FTSE EPRA/NAREIT Developed CR	USD	-7.6	-7.6	-2.7
Currencies					
Euro		USD	-4.9	-4.9	-11.8
Sterling		USD	-4.1	-4.1	-9.1
Yen		USD	3.3	3.3	2.3
Australian Dollar		USD	-5.1	-5.1	-1.8
Rand		USD	-4.6	-4.6	-4.5
Commodities					
Commodities	RICI TR	USD	-6.4	-6.4	-6.0
Agricultural Commodities	RICI Agriculture TR	USD	-2.4	-2.4	-9.1
Oil	Brent Crude Index (ICE) CR	USD	-6.5	-6.5	4.8
Gold	Gold index	USD	1.9	1.9	6.9

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