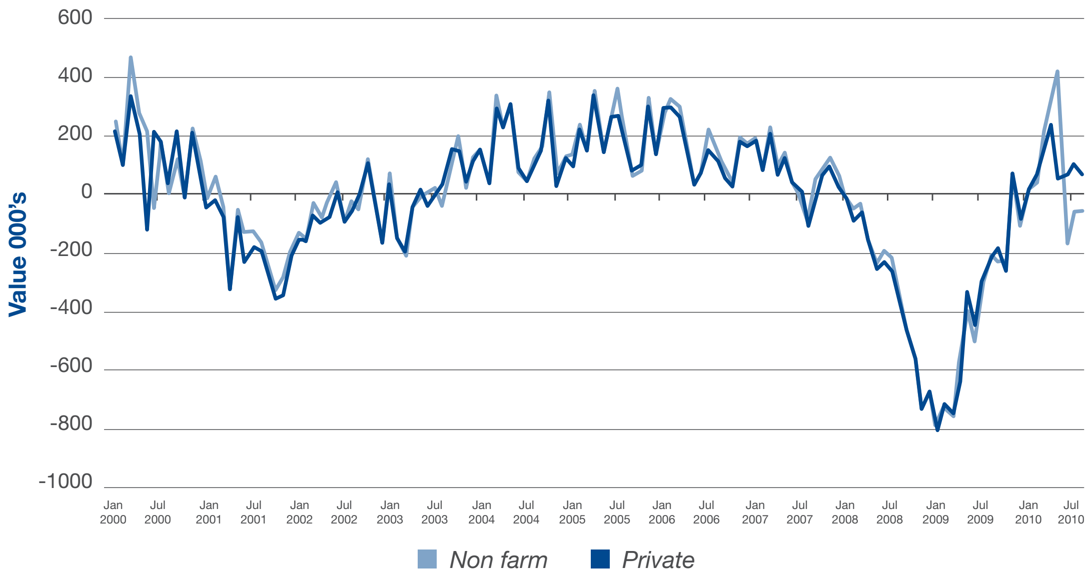
Weekly Review

Week ending 3rd September 2010

Last week's economic news was greeted positively by market participants and led to increases from risk assets and a sell-off for government bonds. In the US the S&P 500 posted gains on all but one day and this four day consecutive run is the longest winning streak since July. In fact this was the first weekly gain for the index for a month and provided some welcome respite from the recent gloom.

The data from the US had the greatest impact on sentiment, with reports on manufacturing and home sales tempering speculation that the global economy is at risk of slumping into recession. Friday's private payroll data beat estimates and July's data was also revised upwards. Despite the private sector adding jobs in September, overall the non-farm payrolls were negative. The news was greeted well, however, as the market's consensus expectations had been worse than the actual prints. Although overreliance on a handful of data points is perilous, the responses to recent data have been significant as the markets are at present using the economic reports to frame their expectations. Without the impetus of new data the market is somewhat directionless. The risks with this is that over reliance on a single or collection of data points misses the bigger picture and these initial prints can often be quite wayward anyway, with significant revisions coming later to previous months' data. Indeed the data which underpinned the recent rally were not suggestive of significant growth, but they do show that the inertia in the global economy need not be favouring a double dip. Before the publication of these results many commentators were becoming increasingly bearish and the week's gains will be in part a function of the rather sullen markets which this scepticism caused coming into the last week. For now we retain our view that growth remains a reasonable prospect, but the pace of growth will be slower than had been the norm prior to the events of 2007 and 2008.

Turning to the markets, the MSCI World gained 3.9% in US dollar terms for the week, just outperforming the global emerging markets, which returned 3.5%. Of the majors the UK was strongest in local currency terms, gaining 4.3%. Year to date, global equities are in negative territory, having retuned -1.7% in US dollar terms whereas the emerging markets have outperformed over this time period, having added 3.2%. Year to date, the strongest returns have come from the debt markets, with both sovereign and corporate paper in positive territory. Last week saw a moderate sell off for many government bonds, for example the yield on the US 10 year rose from 2.53% to 2.70%, which reflects a capital fall of over one percentage point. Overall, global bonds returned 0.2% in US dollar terms for the week, lagging slightly the pure government index which gained 0.3%. Global property securities outperformed the broader equity index with a return of 4.5%. Within currencies, sterling fell slightly against the dollar (-0.2%), but most majors gained with the euro adding 1.1% against the greenback and the yen adding 0.8%.



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

Returns to 3 September 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	USD	3.8	5.3	0.0
United Kingdom	FTSE All Share TR	GBP	4.3	3.9	4.0
Continental Europe	MSCI Europe ex UK NR	EUR	4.0	3.9	2.5
Japan	Topix TR	JPY	0.5	2.4	-8.3
Australia	S&P/ASX 300 TR	AUD	4.1	3.2	-4.1
Global	MSCI World NR	USD	3.9	4.7	-1.7
Global emerging markets	MSCI World Emerging markets TR	USD	3.5	3.5	3.2
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.2	-0.7	8.2
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.0	-0.8	5.6
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.2	-0.9	9.0
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.6	0.5	8.7
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.8	-1.3	9.1
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	-0.8	-1.2	10.1
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.6	-0.8	5.0
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.4	-0.6	6.2
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	0.7	0.7	12.2
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.5	-0.8	2.5
Australian Government	JP Morgan Australia GBI TR	AUD	0.0	-0.3	7.1
Global Government bonds	JP Morgan Global GBI	USD	0.3	-0.5	5.5
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.2	-0.4	3.4
Global Convertible bonds	UBS Global Convertible Bond	USD	1.5	1.7	1.9
Emerging Market Bonds	JP Morgan EMBI +	USD	0.3	0.3	12.7

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

Returns to 3 September 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	**USD**	5.9	6.1	20.6
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	4.2	3.8	-4.1
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	3.2	3.0	10.4
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	3.9	3.0	5.6
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	3.3	3.3	3.5
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	4.5	4.6	6.3
Currencies					
Euro		**USD**	1.1	1.2	-10.4
Sterling		**USD**	-0.2	0.5	-4.4
Yen		**USD**	0.8	-0.4	10.4
Australian Dollar		**USD**	2.2	2.7	1.7
Rand		**USD**	2.1	2.7	2.4
Commodities					
Commodities	RICI TR	**USD**	1.7	3.3	-2.3
Agricultural Commodities	RICI Agriculture TR	**USD**	3.5	4.2	7.0
Oil	Brent Crude Index (ICE) CR	**USD**	1.6	-0.5	-2.6
Gold	Gold index	**USD**	0.5	-0.4	10.3

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