

# Weekly Review

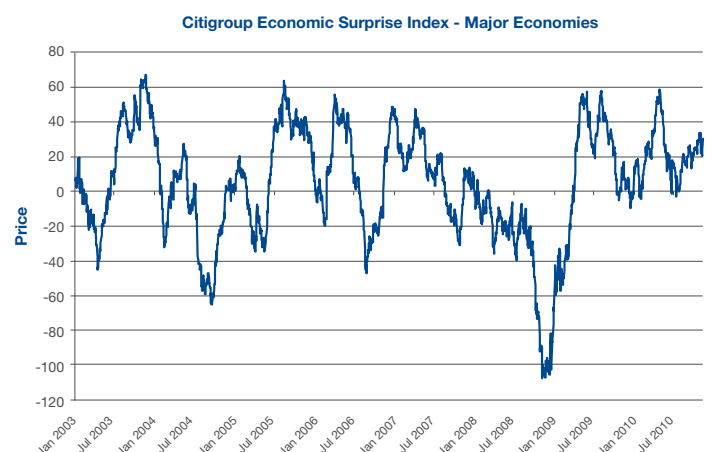
Week ending 10<sup>th</sup> December 2010

As this is the last edition of Weekly review for 2010 we would like to wish you a wonderful festive season and very prosperous 2011 – may your (and our) investment calls in the new year be rewarded more often than not! We aim to return with our weekly commentary on the 10<sup>th</sup> of January 2011.

The Euro area has over the last couple of weeks provided for much of the excitement in markets, as concerns about the financial stability of Ireland, Portugal and Spain (with Italy also cropping up) lead to a significant increase in the spreads of these governments' bond yields over German bunds. In some ways it resembles the Greek crisis earlier in the year, which coupled with worries over the supposedly overheated Chinese property market (amongst others) lead to a 16% decline in the S&P 500 between 23 April and 5 July. A little over half a year later the focus is more on the P, I and S of PIGS, and rising food inflation in China, but the big difference is that equity markets have only paused (S&P 500 down 4% peak to trough in November) on their way up to new highs (or very close to) for the year. The increased financial risk in Europe has, to some extent at least, been offset by the underlying global economic news that has continued to be fairly positive as of late. Citigroup's Economic Surprise Index is a weighted historical standard deviation of data surprises – a positive reading of the Economic Surprise Index suggests that economic release have on balance been beating consensus. The graph alongside shows how this index, and therefore surprises in economic data, has slowly moved further into positive territory in the last six months. The three major themes going into the end of the year therefore are China policy moves (inflation at 28-month highs), European peripherals' problems remaining extremely elevated and US data improving (trade numbers strong on Friday) but yields rising sharply. Newsflow on these issues seems to be on the increase into the holiday season and may yet make for a turbulent end to the year.

Most developed equity market indices ended the week higher, with the MSCI World adding just short of one percent

resulting in a 9.6% return in US Dollar terms for the year to date. When compared in terms of greenback returns the US market (S&P 500) leads the developed regions with a 12.7% return YTD, followed by Japan (Topix +10.6%), the UK (FTSE All Share + 10.1%) and finally Europe lagging with flat performance (MSCI Europe +0.0%). Global emerging markets are still slightly ahead this year (MSCI EM +15.0%). The recent increase in government bond yields around the globe has tempered returns in this asset class. In the United States Treasuries (+5.8%), TIPS, (+5.3%), Investment Grade Corporate Bonds (+8.1%) and US High Yield (+14.0%) have still fared well this year in spite of the weakness in yields over the last few weeks. Agricultural commodities, the big laggard in 2009, is on course to end the year as the best performing major asset class (+27.7% YTD), albeit not too far ahead of gold (+22.2%). With the majority of asset classes in positive territory for 2010 the important question for next year may just be which ones to avoid – capital protection may be the key to outperformance in 2011...



## Returns to 10 December 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
<b>Equities</b>					
United States	S&P 500 NR	USD	1.3	5.1	12.7
United Kingdom	FTSE All Share TR	GBP	1.3	5.4	12.6
Continental Europe	MSCI Europe ex UK NR	EUR	1.5	5.6	8.5
Japan	Topix TR	JPY	1.0	3.2	-0.3
Australia	S&P/ASX 300 TR	AUD	1.1	3.5	1.6
Global	MSCI World NR	USD	0.8	5.3	9.6
Global emerging markets	MSCI World Emerging markets TR	USD	-0.6	3.7	15.0
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-1.3	-2.1	5.8
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-1.8	-2.6	5.3
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.8	-1.8	8.1
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3	0.9	14.0
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.4	-1.6	5.9
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	-0.2	-1.1	7.3
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.6	-0.2	1.1
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.5	-0.8	4.2
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	0.5	1.4	13.9
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.3	-0.3	1.4
Australian Government	JP Morgan Australia GBI TR	AUD	-0.4	-0.5	4.9
Global Government bonds	JP Morgan Global GBI	USD	-1.5	-0.5	4.3
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-1.3	-0.5	2.7
Global Convertible bonds	UBS Global Convertible Bond	USD	0.0	2.6	9.8
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.9	0.4	13.0

Source: RMB Asset Management / Bloomberg / Lipper Hindsight, December 2010. Past performance is not indicative of future returns.

## Returns to 10 December 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
<b>Property</b>					
US Property securities	MSCI US REIT TR	USD	-1.2	1.1	22.9
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.1	5.2	2.5
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.7	6.3	17.7
Australian property securities	FTSE EPRA/NAREIT Australia TR	AUD	1.1	2.3	1.2
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-0.3	2.6	13.3
Global Property securities	FTSE EPRA/NAREIT Developed CR	USD	-0.7	2.7	12.4
<b>Currencies</b>					
Euro		USD	-1.2	1.6	-7.9
Sterling		USD	0.5	1.4	-2.2
Yen		USD	-1.5	-0.2	10.9
Australian Dollar		USD	-0.3	2.7	9.5
Rand		USD	0.3	3.6	7.6
<b>Commodities</b>					
Commodities	RICI TR	USD	-0.2	5.5	13.1
Agricultural Commodities	RICI Agriculture TR	USD	0.4	7.2	27.7
Oil	Brent Crude Index (ICE) CR	USD	1.5	5.1	16.7
Gold	Gold index	USD	-2.0	-0.6	22.2

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