# Weekly Review

## Week ending 29th April 2011

Osama Bin Laden, the man behind the terrorist attack on the World Trade Centre in September 2001, was killed in a raid by US Navy SEALs on Sunday, sparking scenes of jubilation at the site of the collapsed twin tower buildings in New York. News of the mission's success saw both the S&P 500 and the Dow Jones Industrial Average rally at the start of yesterday's trading, before ending the day marginally below Friday's close level. Global equity markets rose by 2.1% in trading last week according to the MSCI World Index of stocks. This followed gains of 1.8% the previous week (ending 22 April). Global developed market equities have outperformed their emerging market counterparts during April, up by 4.3% compared to 3.1%. Last week's gains were led by mainland Europe and the US, with the S&P 500 peaking above 1300 on Friday, its highest level since June 2008, whilst the German DAX reached a three year high. Saturday's ISM manufacturing reading of 60.4 in the US was the fourth consecutive 60 plus print. Such a series of readings has only occurred once previously in the past 25 years, in June 2004. Equally strong purchasing managers' data emerged from mainland Europe over the weekend, with Germany posting a reading of 62.0 and France 57.5. These developments, twinned with enduring inflation pressures, may suggest that the current cycle is reaching maturity.

Bond markets rose last week, with the Citigroup WorldBIG Index up by 1.1%. This return was due in part to the weakness of the US Dollar versus other major currencies following the Federal Reserve's reaffirmation of its commitment to keeping interest rates low. The spread of high yield debt instruments over government bonds widened marginally over the period, representing a greater degree of compensation to holders of these higher risk investments. In the property markets, all regions other than Australia enjoyed two consecutive weeks of positive gains since our last bulletin. The UK and the US led the way for property investors last month with a return of circa 5.8%.

Fighting in Libya has reached a stalemate in recent weeks. According to reports from inside the country, a NATO bombing attack on Saturday claimed the lives of Muammar Gadaffi's youngest son along with three of his grandsons. A deliberate targeting of the premier, if confirmed, could run the risk of violating the United Nations mandate for airstrikes against the regime in Libya, whilst reports of civilian casualties may trigger a backlash of public opinion in the Arab world. Fighting over the course of the past fortnight has focused on the coastal city of Misrata, which has been under bombardment from loyalist forces. Reports suggest that the regime is trying to mine the port in an attempt to cut off the rebel's supply lines. Elsewhere in North Africa the situation in Syria has deteriorated in the past two weeks, prompting the imposition of sanctions against the country by the international community. The city of Dera'a, which has been the focal point of the uprising against President Bashar al-Assad's regime, has been under siege for over a week, fast creating a humanitarian crisis within the country. The price of oil, which has tracked news from the region since the onset of widespread unrest in January, gained 1.9% last week, to end Friday at USD 125.5 per barrel for Brent Crude.

European Central Bank policymaker Nout Wellink raised the prospect of a restructuring of Greece's debt yesterday, by becoming the first senior bank official to publically acknowledge the possibility of extending maturities on the country's bonds. This followed reports over the weekend of two German government advisers having referred to some kind of restructuring as "inevitable". Such a move is one of a range of possible remedial measures available to European policymakers, all of which amount to a limited default on the country's outstanding obligations, including cuts to the future coupon payments or the eventual principal amount. To date rumours in the European debt saga have shown a tendency to be realised at some later point in time.

In the foreign exchange markets the US Dollar weakened during the week, with major currencies including the euro and Japanese yen appreciating versus the greenback by between 0.7% and 1.9%. On a final note, readers should be aware that the Japanese markets are closed until Friday, as the country enjoys its 'Golden Week' holiday.

*Source: RMB Asset Management / Bloomberg / Lipper Hindsight. April 2011.*

## Returns to 29 April 2011

| Asset Class/Region | Index | Currency | Week | Month to date | Year to date |
|---|---|---|---|---|---|
| **Equities** | | | | | |
| **United States** | S&P 500 NR | **USD** | 2.0 | 2.9 | 8.9 |
| **United Kingdom** | FTSE All Share TR | **GBP** | 1.1 | 3.1 | 4.2 |
| **Continental Europe** | MSCI Europe ex UK NR | **EUR** | 2.1 | 3.7 | 5.7 |
| **Japan** | Topix TR | **JPY** | 1.2 | -2.0 | -4.2 |
| **Asia Pacific (ex Japan)** | MSCI AC Asia Pacific (ex Japan) TR | **USD** | -0.1 | 4.8 | 7.6 |
| **Global** | MSCI World NR | **USD** | 2.1 | 4.3 | 9.3 |
| **Global emerging markets** | MSCI World Emerging Markets TR | **USD** | -0.1 | 3.1 | 5.2 |
| **Bonds** | | | | | |
| **US Treasuries** | JP Morgan United States Government Bond Index TR | **USD** | 0.7 | 1.2 | 1.0 |
| **US Treasuries (inflation protected)** | Barclays Capital U.S. Government Inflation Linked TR | **USD** | 1.0 | 2.6 | 4.7 |
| **US Corporate (investment grade)** | Barclays Capital U.S. Corporate Investment Grade TR | **USD** | 0.8 | 1.7 | 2.6 |
| **US High yield** | Barclays Capital U.S. High Yield 2% Issuer Cap TR | **USD** | 0.5 | 1.5 | 5.5 |
| **UK Gilts** | JP Morgan United Kingdom Government Bond Index TR | **GBP** | 0.6 | 2.0 | 1.1 |
| **UK Corporate (investment grade)** | Merrill Lynch Sterling Non Gilts TR | **GBP** | 0.5 | 2.1 | 3.1 |
| **Euro Government Bonds** | Citigroup EMU GBI TR | **EUR** | 0.2 | 0.4 | -0.8 |
| **Euro Corporate (investment grade)** | Barclays Capital Euro Aggregate Corporate TR | **EUR** | 0.3 | 1.0 | 1.0 |
| **Euro High yield** | Merrill Lynch Euro High Yield 3% constrained TR | **EUR** | 0.3 | 1.7 | 5.9 |
| **Japanese Government** | JP Morgan Japan Government Bond Index TR | **JPY** | 0.0 | 0.4 | -0.3 |
| **Australian Government** | JP Morgan Australia GBI TR | **AUD** | 0.3 | 0.5 | 2.3 |
| **Global Government bonds** | JP Morgan Global GBI | **USD** | 1.1 | 3.1 | 3.7 |
| **Global Bonds** | Citigroup World Broad Investment Grade (WBIG) TR | **USD** | 1.1 | 3.0 | 4.3 |
| **Global Convertible bonds** | UBS Global Convertible Bond | **USD** | 1.4 | 3.0 | 7.7 |
| **Emerging Market Bonds** | JP Morgan EMBI + | **USD** | 0.8 | 1.4 | 2.1 |

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| Asset Class/Region | Index | Currency | Week | Month to date | Year to date |
|---|---|---|---|---|---|
| **Property** | | | | | |
| **US Property securities** | MSCI US REIT TR | **USD** | 3.0 | 5.7 | 12.2 |
| **UK Property securities** | FTSE EPRA/NAREIT United Kingdom TR | **GBP** | 2.8 | 5.8 | 12.0 |
| **Europe ex UK Property securities** | FTSE EPRA/NAREIT Developed Europe ex UK TR | **EUR** | 2.3 | 2.7 | 6.0 |
| **Australian property securities** | FTSE EPRA/NAREIT Australia TR | **AUD** | -0.9 | 0.1 | 3.7 |
| **Asia Property securities** | FTSE EPRA/NAREIT Developed Asia TR | **USD** | 0.6 | 3.0 | -0.7 |
| **Global Property securities** | FTSE EPRA/NAREIT Developed CR | **USD** | 2.1 | 4.7 | 7.0 |
| **Currencies** | | | | | |
| **Euro** | | **USD** | 1.8 | 4.6 | 10.6 |
| **Sterling** | | **USD** | 0.7 | 4.1 | 6.5 |
| **Yen** | | **USD** | 0.7 | 2.1 | 0.0 |
| **Australian Dollar** | | **USD** | 1.9 | 5.8 | 6.8 |
| **Rand** | | **USD** | 1.9 | 2.6 | 0.4 |
| **Commodities** | | | | | |
| **Commodities** | RICI TR | **USD** | 0.4 | 3.0 | 31.1 |
| **Agricultural Commodities** | RICI Agriculture TR | **USD** | -1.5 | -2.1 | 3.3 |
| **Oil** | Brent Crude Index (ICE) CR | **USD** | 1.9 | 9.0 | 34.2 |
| **Gold** | Gold index | **USD** | 2.7 | 7.3 | 9.4 |

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## Important notes

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