

# Weekly Review

Week ending 1<sup>st</sup> March 2013

US President Barack Obama reluctantly signed the sequestration order on Friday, to officially implement USD 85 billion in automatic federal government spending cuts. Following the 1 March deadline for an agreement to avert the order, President Obama said the sequester cuts - if fully realised over the course of the next seven months - would cut 0.5% from economic growth and cost some 750,000 jobs, the effect of which would send “a ripple...across the economy”. The President had been in favour of raising taxes and blamed the Republican Party for allowing the cuts to happen after refusing to “budge on closing a single wasteful loophole to help reduce the deficit”.

Data from the US was stronger than expected last week, after the ISM manufacturing survey increased by 1.1 points to 54.2 in February (the third consecutive monthly expansion), and the Conference Board’s US Consumer Confidence Index rose to 69.6 from 58.4 the previous month. Housing and employment data also showed signs of improvement, after new single family home sales increased by 15.6% month-on-month in January, to reach their highest level since July 2008, and initial jobless claims fell more than expected to 344,000. Fourth quarter US Gross Domestic Product (GDP) was also revised up, from initial estimates for a contraction of 0.1% (on an annualised basis), to growth of an equal but opposite amount.

In Europe, investors’ attention will focus on Italy this week, after Monday’s general election saw the head of the centre left Democratic Party, Pier Luigi Bersani, take control of Italy’s lower house with 54% of the seats. Despite claiming this victory by the slimmest of margins from Berlusconi’s coalition in second place and the populist Five Star Movement in third, Bersani did not do enough to win a majority in the Senate, whose rule is yet to be agreed

upon amongst the political candidates. Economic sentiment in Italy, as reported by Bloomberg, fell to 77.4 in February from a revised 80.0 in January. Elsewhere in Europe, unemployment in the Eurozone rose by 0.1%, to 11.9% in January, whilst inflation fell to 1.8% in February, its lowest level in two years. The euro depreciated by 1.3% versus the US dollar over the week.

In the UK, the FTSE All Share index ended the week up by 0.7% in local currency terms, despite the Markit Manufacturing PMI (Purchasing Managers’ Index) falling to 47.9 in February, to record its first sub-50 reading since November (a PMI level below 50 indicates a contraction in announced activity levels by companies). Housing conditions, however, picked up in February, with average home prices rising by 0.2% over the month.

In Asia, new Prime Minister Shinzo Abe nominated Haruhiko Kuroda, the President of the Asian Development Bank, to be the next Governor of the Bank of Japan. Subject to his approval by Japan’s parliament, Kuroda is expected to deliver bold monetary policy in a bid to bring an end to the country’s era of deflation, and is reported to have said he will not set limits on the amount of cash the Bank of Japan will pump into the economy.

Equities in both developed and emerging markets ended the week flat in US dollar terms, with Japan and the UK posting some of the strongest returns, up by 2.2% and 0.7% in local currency terms respectively. European developed equities rose by 0.2%, whilst emerging European markets fell by 0.6%. In fixed income markets, global bonds declined by 0.1% in US dollar terms. Global property securities added 1.0% over the period, helped by a 3.5% rise in Asian listed property, whilst commodities fell by 1.5%, after oil futures and the gold spot rate fell by 1.8% and 0.3% respectively.

**Returns to 1 March 2013**

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 1 March 2013	Month to date	YTD 2013
<b>Developed Market Equities</b>					
United States	S&P 500 NR	USD	0.2%	1.3%	6.7%
United Kingdom	FTSE All Share TR	GBP	0.7%	2.3%	9.1%
Continental Europe	MSCI Europe ex UK NR	EUR	0.2%	0.8%	4.2%
Japan	Topix TR	JPY	2.2%	3.8%	14.5%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.6%	2.4%	7.1%
Global	MSCI World NR	USD	0.0%	0.2%	5.0%
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	-0.6%	-4.5%	-1.6%
Emerging Asia	MSCI EM Asia NR	USD	0.2%	-0.1%	1.0%
Emerging Latin America	MSCI EM Latin America NR	USD	0.2%	-2.8%	0.6%
BRICs	MSCI BRIC NR	USD	-0.6%	-4.3%	-0.8%
South Africa	FTSE JSE All Share TR	USD	-1.1%	-2.7%	-4.5%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.0%	-1.3%	0.0%
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.5%	0.6%	-0.2%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.8%	0.0%	-0.4%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.5%	0.8%	0.0%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	0.5%	1.9%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.9%	0.9%	-0.3%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	1.4%	1.0%	0.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	0.2%	-0.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.4%	1.3%	0.2%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-1.4%	-3.2%	-0.7%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.7%	0.9%	1.3%
Australian Government	JP Morgan Australia GBI TR	AUD	0.9%	0.7%	0.2%
Global Government Bonds	JP Morgan Global GBI	USD	0.1%	-1.1%	-3.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.1%	-1.0%	-2.0%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.1%	-0.5%	2.0%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.5%	-0.2%	-2.2%

Source: Bloomberg, March 2013

## Returns to 1 March 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 1 March 2013	Month to date	YTD 2013
<b>Property</b>					
US Property Securities	MSCI US REIT NR	USD	-0.2%	1.2%	5.3%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-0.4%	2.2%	3.8%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.8%	2.0%	0.7%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.2%	3.5%	6.4%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	3.5%	1.5%	5.5%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	1.0%	0.7%	4.0%
<b>Currencies</b>					
Euro		USD	-1.3%	-3.8%	-1.3%
UK Pound Sterling		USD	-0.8%	-4.4%	-7.4%
Japanese Yen		USD	-0.2%	-0.9%	-7.4%
Australian Dollar		USD	-1.1%	-2.0%	-1.8%
South African Rand		USD	-2.3%	-0.8%	-6.7%
Swiss Franc		USD	-1.4%	-2.9%	-2.9%
Chinese Yuan		USD	0.2%	-0.1%	0.2%
<b>Commodities &amp; Alternatives</b>					
Commodities	RICI TR	USD	-1.5%	-4.0%	-1.0%
Agricultural Commodities	RICI Agriculture TR	USD	0.4%	-3.1%	-0.5%
Oil	ICE Crude Oil CR	USD	-1.8%	-1.9%	1.3%
Gold	Gold Index	USD	-0.3%	-5.1%	-5.9%
Hedge Funds	HFRX Global Hedge Fund	USD	0.1%*	0.4%*	2.4%*

\* Estimate

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