

Market Weekly Review

Week ending 1 November 2013

Developed equity markets fell back last week, down by 0.6% in US dollar terms, despite positive returns in the US (+0.1%), the UK (+0.2%) and mainland Europe (+0.1%). Emerging market equities returned 0.1%, outperforming emerging market bonds which returned -0.9% over the week. Other fixed income securities were generally weak, with US high yield (+0.3%) and European corporate bonds (+0.5%) providing some of the few areas of positive returns.

Global property securities reversed some of their recent strength, falling back by 1.7% over the week, whilst commodities also struggled, returning -2.2% following falls by gold (-2.6%) and agricultural commodities (-2.5%).

Following the partial government shutdown in October, last week saw a flurry of data releases paint a mixed picture of the state of the US economy. On Friday the ISM manufacturing report for October showed the sector had expanded at the fastest pace in over two years, after the headline index rose to 56.4 for the month. Employment data, however, disappointed, after the ADP employment report showed 130,000 jobs were added to private nonfarm payrolls in October, 20,000 lower than the market had been hoping for and the lowest gain in over six months. The Conference Board Consumer Confidence index fell to 71.2 in October from 80.2 the previous month, illustrating the negative impact the political deadlock has had on consumers' outlook for the economy. Besides the data, the Federal Open Market Committee's statement following its meeting in September provided few surprises, as interest rates and the pace of quantitative easing were left unchanged. The statement went on to say that whilst economic activity had continued to "expand at a moderate pace the unemployment rate remains elevated".

In Europe, Eurozone inflation fell to its lowest level since February 2010 at 0.7% in October, as a result of lower energy costs. This level remains well below the European Central Bank's target of

2% and marks a 0.4% drop from September. Unemployment in the region increased for the 29th consecutive month in September, to 19.4 million. At 12.2%, the jobless rate is the highest since the monetary union began at the end of the 1990s, according to data from the European statistics agency, Eurostat.

Conditions in Spain showed some signs of improvement, after official data from the country's National Statistics agency, INE, confirmed last week's estimates from the Bank of Spain that the economy had indeed grown for the first time since 2011. GDP grew by 0.1% in the three months to the end of September, helped by an increase in the export sector.

In France, consumer confidence remained unchanged in October at 85, well below the long-term average reading of 100, as households' assessment of their recent financial situation deteriorated.

In the UK, a report written by the accounting firm Grant Thornton and industry body ICAEW, reported business confidence to be at its highest level for 10 years and forecast that growth in the UK would outpace other countries in Western Europe, at an annualised rate of 1.3% in the fourth quarter. At the same time, the manufacturing sector remained strong in October, as reported by the UK Markit/CIPs PMI, which came in at 56.0 in October, slightly down from September's revised figure of 56.3.

Finally in Asia, official Chinese non-manufacturing and manufacturing Purchasing Managers' Indices (PMIs) for October rose to 14 and 18 month highs of 56.3 and 51.4 respectively. Meanwhile in Japan, industrial output rose by 1.5% in September, compared to a 0.9% decline in output in August.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 1 Nov 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.1%	0.3%	25.0%	26.1%
United Kingdom	FTSE All Share TR	GBP	0.2%	0.0%	17.7%	18.4%
Continental Europe	MSCI Europe ex UK NR	EUR	0.1%	-0.4%	19.4%	21.6%
Japan	Topix TR	JPY	0.4%	-0.9%	40.1%*	54.3%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.5%	-0.3%	9.6%	12.4%
Australia	S&P / ASX 200 TR	AUD	0.5%	-0.3%	20.5%	24.6%
Global	MSCI World NR	USD	-0.6%	-0.3%	21.5%	23.8%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.1%	-0.9%	0.9%	7.3%
Emerging Asia	MSCI EM Asia NR	USD	1.2%	-0.2%	2.9%	6.5%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.1%	-1.3%	-8.2%	-2.3%
BRICs	MSCI BRIC NR	USD	1.2%	-0.6%	-1.2%	3.8%
MENA countries	Dow Jones MENA TR	USD	-0.6%	-0.1%	19.5%	22.1%
South Africa	FTSE JSE All Share TR	USD	-6.1%	-3.4%	-21.5%	-9.2%
India	Nifty Fifty TR	USD	1.4%	-0.5%	-4.8%	-5.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.1%	-0.6%	-0.3%	4.5%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.4%	-0.3%	-2.2%	-2.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-1.1%	-0.8%	-7.4%	-8.1%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.5%	-0.4%	-1.6%	-1.6%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3%	0.0%	6.3%	8.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.3%	-0.3%	-2.3%	-2.7%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.1%	-0.1%	2.4%	2.6%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.6%	0.1%	2.5%	3.3%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.5%	0.0%	2.6%	3.6%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-1.8%	-0.7%	10.8%	14.9%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	-0.1%	2.6%	2.3%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.3%	-0.2%	-0.2%	-0.5%
Global Government Bonds	JP Morgan Global GBI	USD	-1.1%	-0.6%	-3.0%	-4.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-1.1%	-0.6%	-1.3%	-1.5%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.0%*	0.0%*	15.4%*	17.6%*
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.9%	-0.6%	-6.9%	-6.1%

* Estimate

Source: Bloomberg, November 2013

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Property						
US Property Securities	MSCI US REIT NR	USD	-2.3%	0.5%	7.4%	11.2%
Australian Property Securities	S&P/ASX 200 Australia TR	AUD	0.3%	-0.2%	7.2%	8.6%
Asia Property Securities	S&P Asia Property NR USD	USD	-0.1%	-0.6%	8.1%	14.7%
Global Property Securities	S&P Global Property TR USD	USD	-1.7%	-0.2%	7.6%	12.1%
Currencies						
Euro		USD	-2.3%	-0.7%	2.2%	3.9%
UK Pound Sterling		USD	-1.5%	-0.7%	-2.0%	-0.5%
Japanese Yen		USD	-1.3%	-0.4%	-12.1%	-16.5%
Australian Dollar		USD	-1.5%	-0.2%	-9.2%	-9.5%
South African Rand		USD	-3.6%	-1.4%	-16.8%	-12.6%
Swiss Franc		USD	-2.1%	-0.6%	0.3%	1.7%
Chinese Yuan		USD	-0.3%	-0.1%	2.2%	2.1%
Commodities & Alternatives						
Commodities	RICI TR	USD	-2.2%	-1.1%	-6.0%	-6.8%
Agricultural Commodities	RICI Agriculture TR	USD	-2.5%	-0.4%	-10.7%	-13.4%
Oil	ICE Crude Oil CR	USD	1.5%	-0.2%	-1.3%	-1.5%
Gold	Gold Spot	USD	-2.6%	-0.5%	-21.4%	-23.2%
Hedge Funds	HFRX Global Hedge Fund	USD	0.0%*	0.0%*	5.5%*	6.5%*

* Estimate

Source: Bloomberg, November 2013

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