Weekly Review

Week ending 2nd November 2012

Hurricane Sandy cut a path along the US eastern seaboard at the start of last week, leading to the closure of the New York Stock Exchange on Monday and Tuesday – the market's first weather-related closure since Hurricane Gloria in 1985. The cost of the 'superstorm', which left more than eight million residents without power across 17 US states, is expected to climb to between USD 30 and USD 50 billion.

US markets reopened in time for the end of the month, with the S&P 500 posting its first monthly loss since May this year, down by 1.8%. In general, traditionally higher risk / return asset classes performed reasonably well during October, with investment grade and high yield credit, as well as most developed equity markets, producing positive returns. Greece surprised many observers, as the Athens Stock Exchange rallied by over 8% in euro terms (including reinvested dividends), despite uncertainty over the terms of its latest bailout from the international community. Government bonds in Spain and Italy enjoyed further gains during October, whilst core government bonds instead suffered modest falls, with UK gilts and German bunds down by 0.7% and 0.1% respectively.

Despite posting negative returns for October, the US stock market managed to rally into Friday's close, to end last week up by 0.2%, helped by a stronger than expected ISM (Institute for Supply Management) report on Thursday. Commodities, meanwhile, continued to underperform, with the Rogers International Commodities index declining by 1.6% over the period.

The ISM manufacturing index, the largest forward looking survey of purchasing managers in the US, registered 51.7 in October, ahead of consensus forecasts for a reading of 51.0. Consumer confidence also showed encouraging signs, with the Conference Board's Consumer Confidence index climbing to its highest level in more than four years at 72.2, whilst the latest survey from payrolls processor ADP indicated that US companies are creating new positions at the fastest pace in eight months. As the country prepares for tomorrow's 57th Presidential elections, signs of improving economic conditions are likely to offer a boost to incumbent Barack Obama, with preliminary polls continuing to show the President enjoying a slim lead over Republican challenger Mitt Romney.

Attention in the Eurozone has returned to Greece, with Spanish and Italian government bond yields remaining relatively contained since the European Central Bank's commitment of support. Greece's finance minister Yannis Stournaras released new budget projections on Wednesday, which fell below forecasters' worst case projections drawn up eight months ago. Within the headline figure, debt is projected to reach 189% of GDP in 2013 (compared to previous estimates of 167%), before climbing to 192% in 2014. As a result, Greece's backers find themselves needing to find a further EUR 30 billion in order to fund the country through 2016.

In Asia, Chinese officials continue to ease liquidity conditions, pumping a record RMB 379 billion into the country's money markets over the week. The seven day repurchase rate, the main indicator of interbank liquidity, dropped to 3.4% on Friday (from 4.2% at the start of the week), showing an increase in banks' willingness to lend to one another. The latest figures from China's National Bureau of Statistics showed industrial profits rising for the first time in six months during September. In Hong Kong, government officials announced the introduction of a 15% stamp duty for non local buyers of real estate, in addition to new taxes on homes resold within three years of purchase, in an effort to stem property price inflation.

Finally, Bank of Japan officials increased their asset purchase programme to JPY 91 trillion last week. The central bank will buy a broad range of financial securities, including corporate bonds and selected equities, whilst indicating that it stands ready to continue easing until inflation reaches 1%. Japanese industrial production fell for the third month in a row, down by 4.1% month-on-month in September. Territorial disputes between Japan and China continue to put a strain on the relationship between the two Asian powers.

Source: Lipper Hindsight / Bloomberg. Returns in US dollars unless otherwise stated. November 2012

Returns to 2 November 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 2 November 2012	Currency returns: Month to date	Currency returns: YTD 2012
Developed Market Equities					
United States	S&P 500 NR	**USD**	0.2%	0.2%	13.9%
United Kingdom	FTSE All Share TR	**GBP**	1.1%	1.5%	10.9%
Continental Europe	MSCI Europe ex UK NR	**EUR**	1.8%	1.6%	15.8%
Japan	Topix TR	**JPY**	1.5%	1.3%	5.6%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	0.0%	-0.3%	19.3%
Global	MSCI World NR	**USD**	0.4%	0.3%	12.6%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	0.1%	-0.1%	16.2%
Emerging Asia	MSCI EM Asia NR	**USD**	2.1%	1.0%	14.8%
Emerging Latin America	MSCI EM Latin America NR	**USD**	0.4%	1.3%	5.1%
BRICs	MSCI BRIC NR	**USD**	2.0%	1.9%	10.4%
South Africa	FTSE JSE All Share TR	**USD**	1.1%	0.9%	12.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	1.4%	1.0%	12.4%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.1%	-0.2%	1.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.3%	-0.5%	7.0%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.1%	-0.3%	9.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.2%	0.2%	13.3%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.0%	-0.1%	2.1%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.0%	-0.1%	11.7%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3%	0.1%	8.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.5%	0.2%	11.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	0.4%	0.2%	22.5%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.1%	0.0%	1.8%
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.3%	-0.2%	5.7%
Global Government Bonds	JP Morgan Global GBI	**USD**	-0.5%	-0.5%	2.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.3%	-0.4%	3.9%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	0.3%	0.1%	10.2%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	-0.1%	0.0%	15.0%

Source: Lipper Hindsight, November 2012.

Returns to 2 November 2012

			Currency returns		
Asset Class/Region	**Index**	**Currency**	**Week ending 2 November 2012**	**Month to date**	**YTD 2012**
Property					
US Property Securities	MSCI US REIT NR	**USD**	2.1%	1.0%	14.2%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	1.5%	1.3%	26.8%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	1.9%	0.6%	23.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	-0.3%	-0.9%	29.8%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	1.0%	1.5%	37.8%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	1.5%	1.1%	24.0%
Currencies					
Euro		**USD**	-0.7%	-0.9%	-1.0%
UK Pound Sterling		**USD**	-0.4%	-0.4%	3.2%
Japanese Yen		**USD**	-1.2%	-0.7%	-4.5%
Australian Dollar		**USD**	0.1%	0.0%	1.1%
South African Rand		**USD**	-1.0%	-0.5%	-7.6%
Swiss Franc		**USD**	-0.5%	-0.9%	-0.5%
Chinese Yuan		**USD**	0.1%	-0.1%	0.8%
Commodities & Alternatives					
Commodities	RICI TR	**USD**	-1.6%	-1.4%	-0.3%
Agricultural Commodities	RICI Agriculture TR	**USD**	-1.1%	-0.8%	5.1%
Oil	ICE Crude Oil CR	**USD**	-0.3%	-0.9%	0.7%
Gold	Gold Index	**USD**	-1.8%	-2.0%	10.1%
Hedge Funds	HFRX Global Hedge Fund	**USD**	0.0%*	0.2%*	2.4%*

* *Estimate*

Source: Lipper Hindsight, November 2012.

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