



# Market Weekly Review

## Week ending 3 January 2014

Global equity markets started the year in more measured fashion compared to the end of 2013, falling by 0.5% in US dollar terms last week. 2013 was a strong year for equities in developed markets (+26.7%), with Japanese stocks (+54.4%) and US small caps (+38.8%) amongst the strongest performing areas of the market. Emerging markets, on the other hand, underperformed their developed counterparts significantly, down by 2.6% over the past 12 months. South Africa (-24.3%) and Latin America (-13.4%) suffered some of the biggest falls in US dollar terms, whilst Emerging Europe (-4.5%), India (-4.3%) and Emerging Asia (2.0%) held up relatively better.

Fixed income securities failed to match the generally positive mood in equity markets last year, with global investment grade, government and emerging market bonds returning -2.0%, -4.5% and -8.3% in US dollar terms respectively. Government bonds generally struggled across the board, with US treasuries (-3.4%) and UK Gilts both seeing negative returns over the year.

Global property securities managed to deliver modest positive returns over the year (+3.7% in US dollar terms), helped by strong demand in the UK and Asia, but lagged broader equity markets substantially. Finally, commodities fell back over the year, down by 4.5%, with large falls for gold (-28.0%) and agricultural commodities (-11.1%).

Shifting focus back to last week's markets, the S&P 500 fell by 0.5% in US dollar terms, following a relatively quiet week for data releases. US manufacturing, as measured by the Institute of Supply Management (ISM), registered 57.0 in December, 0.3 points below the previous month's reading but still comfortably above the all important 50 level indicating growth in the sector. Initial jobless claims data was positive, after claims for the last full week of 2013 fell by 2,000 to 339,000 claimants. US auto sales for 2013 were also strong,

up by 7.6 per cent from the previous year, at 15.6 million vehicles in 2013.

In the Eurozone, the manufacturing sector ended the year on a high, after the Markit Purchasing Managers' Index (PMI) for December rose to 52.7 from 51.6 in November, its highest level in two and a half years. Manufacturing activity in Greece, despite remaining in contractionary territory at 49.6 in December, was nonetheless at its highest level in almost four and a half years, whilst German (54.3), Italian (53.3) and Spanish (50.8) PMIs all suggested growth for the same period.

In France, the country's national statistics body INSEE, estimates that the economy grew by 0.4% in Q4, after contracting by 0.1% during the previous quarter, which would bring full year growth in 2013 to 0.2%.

In the UK, the housing sector continues to strengthen, after a report from the Nationwide building society reported a 1.4% rise in home values in December, taking total gains in 2013 to 8.4%, the biggest annual increase since 2006. Construction activity, as measured by the Markit/CIPs construction PMI, also enjoyed its second fastest month of growth in more than six years in December, despite falling by 0.5 points to 62.1 from November.

In Asia, in a report conducted by China's National Audit Office (NAO), local debt was estimated at 17.7 trillion yuan, up 70% from three years ago. Services and manufacturing data, as measured by the HSBC PMI indices for December, was disappointing, falling by 1.6 and 0.3 points to 50.9 and 50.5 respectively in December. Finally in Japan, consumer prices increased at the fastest pace in five years during November, after core inflation excluding food rose to 1.2%, ahead of market expectations.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 3 Jan 2014	Month to date	YTD 2014	2013
<b>Developed Market Equities</b>						
United States	S&P 500 NR	USD	-0.5%	2.5%	-0.9%	31.5%
United Kingdom	MSCI UK NR	GBP	-0.3%	1.6%	-0.3%	18.4%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.4%	0.8%	-0.5%	22.1%
Japan	Topix TR	JPY	0.9%*	3.6%*	0.0%*	54.4%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.7%	-1.2%	-0.3%	5.6%
Australia	S&P/ASX 200 TR	AUD	0.5%	0.8%	0.0%	20.2%
Global	MSCI World NR	USD	-0.5%	2.1%	-0.9%	26.7%
<b>Emerging Market Equities</b>						
Emerging Europe	MSCI EM Europe NR	USD	-0.7%	-2.6%	-1.5%	-4.5%
Emerging Asia	MSCI EM Asia NR	USD	-2.1%	-1.3%	-2.6%	2.0%
Emerging Latin America	MSCI EM Latin America NR	USD	-2.0%	-2.4%	-2.1%	-13.4%
BRICs	MSCI BRIC NR	USD	-2.0%	-2.1%	-2.2%	-3.5%
MENA countries	Dow Jones MENA TR	USD	1.6%	3.1%	1.0%	25.8%
South Africa	MSCI EM South Africa NR USD	USD	-2.4%	-1.9%	-4.1%	-24.3%
India	Nifty Fifty TR	USD	-2.0%	2.9%	-2.1%	-4.3%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.8%	-1.4%	-2.3%	-2.6%
<b>Bonds</b>						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	-1.1%	0.1%	-3.4%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.5%	-1.5%	0.3%	-9.3%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.3%	-0.2%	0.2%	-1.5%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3%	0.5%	0.2%	7.4%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.6%	-1.3%	0.1%	-4.2%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.6%	-1.0%	0.4%	0.8%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.6%	-0.6%	0.4%	2.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	-0.4%	0.1%	2.4%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.9%	1.9%	-1.0%	15.0%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.2%	-0.6%	0.0%	2.2%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.1%	0.5%	-0.3%	0.0%
Global Government Bonds	JP Morgan Global GBI	USD	0.0%	-1.0%	-0.1%	-4.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.1%	-0.5%	-0.3%	-2.0%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.3%	1.4%	-0.5%	18.2%
Emerging Market Bonds	JP Morgan EMBI+	USD	0.1%	0.5%*	0.0%	-8.3%

\* Estimate

Source: Bloomberg

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<b>Property</b>						
US Property Securities	MSCI US REIT NR	USD	0.3%	0.1%	0.6%	1.3%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	0.8%	-3.1%	0.9%	1.1%
Asia Property Securities	S&P Asia Property 40 NR	USD	0.5%	-0.7%	-0.6%	6.5%
Global Property Securities	S&P Global Property USD TR	USD	0.5%	-0.3%	-0.1%	3.7%
<b>Currencies</b>						
Euro		USD	-1.2%	1.1%	-1.1%	4.2%
UK Pound Sterling		USD	-0.4%	1.2%	-0.8%	1.9%
Japanese Yen		USD	0.3%	-2.7%	0.4%	-17.6%
Australian Dollar		USD	0.8%	-2.1%	0.3%	-14.2%
South African Rand		USD	-2.1%	-3.0%	-2.4%	-19.2%
Swiss Franc		USD	-1.5%	1.5%	-1.4%	2.5%
Chinese Yuan		USD	0.2%	0.6%	0.1%	2.9%
<b>Commodities &amp; Alternatives</b>						
Commodities	RICI TR	USD	-3.1%	1.6%	-1.9%	-4.5%
Agricultural Commodities	RICI Agriculture TR	USD	-1.5%	-1.6%	-0.8%	-11.1%
Oil	ICE Crude Oil CR	USD	-2.1%	0.4%	-1.9%	0.9%
Gold	Gold Spot	USD	1.9%	-3.8%	2.6%	-28.0%
Hedge fund	sHFRX Global Hedge Fund	USD	0.0%*	0.4%*	0.0%*	6.5%*

\* Estimate

Source: Bloomberg

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