Weekly Review

Week ending 3rd February 2012

Last week, the positive start to the New Year continued into February. Global equities rose by 2.2% to bring the year to date returns to 7.8% by Friday's close. In a manner consistent with reduced risk aversion, the global emerging markets outperformed developed markets with a return of 3.2% for the week and 14.5% year to date. Since the beginning of the year, emerging Europe has posted the strongest gains, with returns of 20.0% in euro terms. The BRIC countries gained 18% in aggregate over the same period. Within the developed markets, the European exchanges provided the strongest gains last week, with increases in value of 3.3% in euro terms.

Global government bonds were generally weaker over the last five trading sessions in local currency terms, but the moderate weakness of the US dollar against other major currencies meant that when these local currency returns are translated into the US dollar for reporting purposes, the JP Morgan Global Government Bond index is up by 0.2% for the week. Over this period, the US treasury market slipped by 0.3%, whilst UK gilts returned -1.0% in sterling terms. European government debt returned 0.6% in euro terms. The performance of different European sovereign issuers over the period is stark and highlights the significant volatility seen in this region. By the end of last week the Italian 10 year yield had reduced to 5.7% having ended 2011 at 7.1%, whereas Portugal's 10 year yield peaked at 17.4% early last week having begun the year at 13.3%. The bond ended the week yielding 13.4% underlining the extreme volatility in the nation's bond yields. In general terms, credit has outperformed government paper year to date, with the strongest returns being provided by the lower quality end of the credit spectrum, including high yield and convertible debt. US high yield has returned 3.6% year to date whilst global convertibles have almost matched the global equity index, with returns of 7.6% in US dollar terms.

Greece continues to vex the markets, with the latest statement from the Prime Minister's office confirming that the leaders have agreed on 'basic topics'. The cuts required by the European Commission, International Monetary Fund and European Central Bank – the so called 'Troika' – include a 20% cut in the minimum wage, and fiscal cuts which amount to 1.5% of GDP.

The statements made by other political leaders following the meetings show less agreement, however, with the New Democracy party suggesting that the demanded cuts are asking for "more recession than the country can take" and the leader of the far right LAOS party went as far as to suggest "I am not going to contribute to a revolution that will humiliate us and burn Europe". Over the weekend Jean-Claude Junker suggested that a Greek default would be a possibility if the Greek government fails to comply with the conditions being imposed.

In December, Italy's jobless rates rose to 8.9%, the highest level in eight years, according to Istat, Italy's National Institute of Statistics. This is believed to be as a result of strong austerity measures introduced by Prime Minister Mario Monti last month, including a 20 billion euro package of further tax and spending cuts which have impacted growth in the region. Registered unemployment in Spain, where almost half of young people are out of work, rose by the most in three years, as the economy appears to be heading towards its second recession since 2009. The number of people registered for unemployment benefits increased by 177,470 to 4.6 million according to the Labour Ministry. This is the highest since January 2009.

In the past week, more details emerged regarding Facebook's impending Initial Public Offering (IPO), which is likely to be the largest internet IPO in history, valuing the company at between $75 and $100bn. A market cap of $100 billion would make Facebook the 27th largest company in the S&P 500.

Elsewhere in markets, commodities were essentially flat, with a return of -0.1% for the week, to bring the index's return to 4.5% year to date. Oil and gold both posted gains over the week and the return of the precious metal year to date is now 13.3% in US dollar terms. Returns for agricultural commodities have been muted thus far in 2012, with a small gain of 2.2%. Global property securities have outperformed the broader equity index year to date with a return of 10.3% in US dollar terms. Last week the index returned 1.6%. Over the week, the US property securities market proved strongest, whilst year to date the Asian region has outperformed with a rise of 12.9%.

Source: Momentum Global Investment Management / Bloomberg, February 2012.

Returns to 3 February 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 3 Feb 2012	Currency returns: Month to date	Currency returns: YTD 2012
Equities					
United States	S&P 500 NR	USD	2.2	2.5	7.1
United Kingdom	FTSE All Share TR	GBP	3.0	3.9	6.7
Continental Europe	MSCI Europe ex UK NR	EUR	3.3	4.0	8.6
Japan	Topix TR	JPY	-0.1	0.7	4.4
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.5	1.1	10.9
Global	MSCI World NR	USD	2.2	2.7	7.8
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	4.7	4.2	20.0
Emerging Asia	MSCI EM Asia NR	USD	2.5	2.0	12.9
Emerging Latin America	MSCI EM Latin America NR	USD	3.9	3.8	16.9
BRICs	MSCI BRIC NR	USD	3.0	3.3	18.0
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	3.2	2.9	14.5
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.3	-0.8	-0.3
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.1	-0.9	1.4
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.1	-0.5	1.7
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.5	0.5	3.6
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.0	-1.9	-1.7
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.3	-0.8	1.1
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.6	0.5	2.2
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.7	0.3	3.3
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.7	1.5	8.2
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1	0.1	0.2
Australian Government	JP Morgan Australia GBI TR	AUD	0.5	0.0	0.0
Global Government Bonds	JP Morgan Global GBI	USD	0.2	-0.3	1.0
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.2	-0.1	1.4
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.6	1.7	7.6
Emerging Market Bonds	JP Morgan EMBI +	USD	1.1	0.8	2.3

Source: Momentum Global Investment Management / Lipper Hindsight. February 2012.

Returns to 3 February 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 3 Feb 2012	Month to date	YTD 2012
Property					
US Property Securities	MSCI US REIT TR	**USD**	2.2	2.6	9.1
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	1.3	3.0	8.6
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	1.3	2.2	5.9
Australian Property Securities	FTSE EPRA/NAREIT	**AUD**	-0.4	0.0	5.7
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	0.6	1.7	12.9
Global Property Securities	FTSE EPRA/NAREIT Developed CR	**USD**	1.6	2.3	10.3
Currencies					
Euro		**USD**	-0.1	0.2	1.1
UK Pound Sterling		**USD**	0.9	0.1	1.7
Japanese Yen		**USD**	0.2	-0.4	0.5
Australian Dollar		**USD**	1.4	1.4	5.1
South African Rand		**USD**	3.0	3.3	7.0
Swiss Franc		**USD**	0.0	0.1	1.7
Chinese Yuan		**USD**	0.6	0.1	-0.1
Commodities					
Commodities	RICI TR	**USD**	-0.1	1.0	4.5
Agricultural Commodities	RICI Agriculture TR	**USD**	0.4	0.8	2.2
Oil	ICE Crude Oil CR	**USD**	0.6	0.7	3.9
Gold	Gold Index	**USD**	0.5	-0.6	13.3

Source: Momentum Global Investment Management / Lipper Hindsight. February 2012.

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