Weekly Review

Week ending 4th November 2011

Global equities fell by 4.0% last week, as events in Greece threatened to derail the latest plan for dealing with Europe's sovereign debt crisis. European officials' three pronged proposal, drawn up less than a fortnight ago, was based on an orderly restructuring of Greece's debts, an outcome which appeared less likely as Athens descended into political infighting. Shares in Europe fell by 5.2% in local currency terms, underperforming other major regions. Emerging markets offered a degree of protection for investors, whilst down by 2.0%. Government bonds were the main beneficiaries as investor fears returned, with US Treasuries adding 1.3% alongside returns of 2.4% for UK Gilts.

Greek prime minister George Papandreou announced plans to hold a referendum over the country's latest bailout from the international community on Monday evening, to the dismay of fellow euro area leaders. Mr. Papandreou also declared a vote of confidence in the incumbent government to be held on Friday evening. The prime minister was duly called to a meeting in Cannes on the eve of the G20 summit, where it is suggested he received a dressing down from the international community. On Sunday evening, reports emerged that Greece's ruling party had agreed to form a new unity government alongside the main opposition, with Mr. Papandreou set to step aside.

Officials from the G20 group of countries met in Cannes on Wednesday and Thursday. President Sarkozy's agenda for reform of the international monetary system was overshadowed by issues closer to home, as discussions focused on the Eurozone. The talks appeared to yield little progress, with the final statement saying simply that attendees would look at the issues again at their next meeting in February.

European officials continue to seek support from governments outside of the region. Leading emerging market countries stated their preference for using the International Monetary Fund (IMF) as the channel for any investment to Europe, rather than a special purpose vehicle aligned to the existing bailout facility. The IMF itself is in need of new resources, with many members, including the US, yet to pay the additional contributions agreed in 2010.

Italian prime minister Silvio Berlusconi is reported to have turned down the offer of a loan from the IMF, whilst allowing officials from the supranational lender to review the country's reforms process. The IMF will produce quarterly reports on Italy's progress, which are to be made available to the public. Officials from the European Commission are currently engaged in similar monitoring activity. Italian bond yields continued to climb last week, despite reports of buying by the European Central Bank (ECB).

Elsewhere, US third quarter growth was in line with expectations at 2.5%. US job growth disappointed forecasters, with 80,000 new jobs created in October, although payroll figures were revised higher for both August and September. Eurozone unemployment reached its highest level since the creation of the single currency area, at 10.2 million in September, according to Eurostat. The news increased the pressure on new ECB president Mario Draghi to lower benchmark interest rates to assist growth. Mr. Draghi duly cut rates by a quarter point to 1.25%, stating that recent inflation pressures had abated, whilst delivering the Bank's forecast for a mild recession in the region. Germany's PMI factory index fell into negative territory in October, whilst the latest data showed industrial orders contracting by 4.3% in September.

Global property securities fell by 3.0% last week, broadly in line with equity markets. Asia underperformed other major regions, with declines of 3.6%. The US Dollar was the recipient of inflows from investors, with the greenback appreciating against the majority of other major currencies. The Bank of Japan intervened in the foreign exchange markets on Monday, selling yen as it rose to a nominal postwar high of 75.35 per US Dollar. Early indications place the size of the Ministry of Finance's intervention at JPY 7.5 trillion, making it the biggest single day selling in history. Commodities fell by 0.8% in aggregate, with oil declining by 1.3%. Gold added 0.5%, to bring year to date returns for the precious metal to close to 24%.

Source: Momentum Global Investment Management / Lipper Hindsight. November 2011.

Returns to 4 November 2011

Asset Class/Region	Index	Currency	Currency returns: Week ending 4 Nov 2011	Currency returns: Month to date	Currency returns: YTD 2011
Equities					
United States	S&P 500 NR	**USD**	-2.5	0.0	0.8
United Kingdom	FTSE All Share TR	**GBP**	-2.9	-0.2	-4.1
Continental Europe	MSCI Europe ex UK NR	**EUR**	-5.2	-2.5	-13.9
Japan	Topix TR	**JPY**	-2.5	-1.6	-14.4
Asia Pacific (ex Japan)	MSCI AC Asia Pacific (ex Japan) TR	**USD**	-2.2	-0.9	-0.9
Global	MSCI World NR	**USD**	-4.0	-1.1	-4.2
Global emerging markets	MSCI World Emerging Markets TR	**USD**	-2.0	-0.6	-12.1
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	1.3	0.6	8.7
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	2.2	1.5	14.7
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	1.0	0.4	8.4
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	-0.4	-0.2	4.3
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	2.4	0.8	13.0
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	1.3	0.4	6.8
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3	0.0	2.0
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.4	0.1	2.1
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	-1.4	-1.1	-1.2
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.3	0.0	2.0
Australian Government	JP Morgan Australia GBI TR	**AUD**	1.1	-0.1	7.2
Global Government bonds	JP Morgan Global GBI	**USD**	-1.1	0.8	10.5
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.9	-0.2	6.6
Global Convertible bonds	UBS Global Convertible Bond	**USD**	-2.3	-0.7	-3.9
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.7	0.8	9.2

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Returns to 4 November 2011

Asset Class/Region	Index	Currency	Currency returns: Week ending 4 Nov 2011	Month to date	YTD 2011
Property					
US Property securities	MSCI US REIT TR	**USD**	-2.0	-1.0	5.9
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-2.3	-0.7	-1.5
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-3.4	-2.4	-8.7
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	-0.2	0.2	-1.7
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**EUR**	-3.6	-1.3	-12.4
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	-3.0	-1.4	-2.6
Currencies					
Euro		**USD**	-2.9	-1.4	2.6
UK Pound Sterling		**USD**	-0.7	-0.7	2.4
Japanese Yen		**USD**	-3.1	-0.3	3.7
Australian Dollar		**USD**	-3.4	-2.4	1.1
South African Rand		**USD**	-2.1	0.2	-16.1
Swiss Franc		**USD**	-2.9	-1.9	5.0
New Zealand Dollar		**USD**	-3.6	-2.4	1.5
Commodities					
Commodities	RICI TR	**USD**	-0.8	0.2	-3.9
Agricultural Commodities	RICI Agriculture TR	**USD**	-1.6	-0.1	-11.9
Oil	Brent Crude Index (ICE) CR	**USD**	-1.3	-0.2	18.0
Gold	Gold index	**USD**	0.5	1.6	23.9

Source: Momentum Global Investment Management / Lipper Hindsight. November 2011.

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