

# Weekly Review

Week ending 5<sup>th</sup> April 2013

Equities in both developed and emerging markets ended the week down, with Japan offering some consolation for investors after the market continued to rally, up by 3.0% in yen terms. Equities in developed (central and western) Europe fell by 1.9% in local currency terms over the week, whilst emerging European markets fell further, down by 2.6% in US dollar terms.

Fixed income markets provided positive returns across the board, as global bonds (including both high grade government bonds and credit) added 0.8% in US dollar terms, whilst US treasuries, UK gilts and European government bonds added 1.0%, 1.5% and 1.2% in local currency terms respectively. Global property securities rose by 2.8% over the period, aided by a 4.7% rise in Asian listed property, whilst commodities fell by 3.3%, after oil futures (-2.6%) and agricultural commodities (-2.4%) both moved lower.

In the US, data from the US labour department showed the economy added a disappointing 88,000 (against 200,000 expected) jobs in March, marking the lowest level of job creation since June 2012. Labour force participation (the percentage of working age persons who are employed or actively seeking a job) also fell to its lowest level since 1979, at 63.3%. Finally, manufacturing data compiled by the Institute of Supply Management underperformed expectations, with the headline index sliding to 51.3 in March from 54.2 the previous month.

In the UK, the Bank of England (BoE) opted to leave the level of asset purchases unchanged and interest rates on hold at its monetary policy meeting on Thursday. Short term interest rates have now been at their current floor of 0.5% for the past four years. Despite a change in remit in last month's budget, with the central bank encouraged to consider the use of more unconventional monetary tools to boost the economy, officials voted to keep the size of the BoE's quantitative easing programme at GBP 375 billion. New tax laws, as unveiled by Chancellor George Osborne in his Spring budget, came into effect over the weekend, including

an increase in the personal allowance threshold to GBP 9,440 and a controversial 5% reduction in the top rate of income tax to 45%. Turning attention to the residential property market, prices in the UK rose by 1.1% in the first quarter of 2013 compared to the same period last year, according to a national report from mortgage lender Halifax. Ratings agency S&P confirmed the UK's AAA rating on Friday, but left the country on negative outlook as a result of concerns over the outlook for growth.

In Europe, officials from the European Central Bank (ECB) agreed to keep interest rates on hold at 0.75% for the ninth month in a row in Frankfurt on Thursday. Following the meeting, ECB President Mario Draghi said the central bank's "monetary policy stance will remain accommodative for as long as needed", and that officials "will assess all the incoming data in the coming weeks" and stand "ready to act". When questioned on the recent bailout in Cyprus, Draghi described the actions taken in the country as offering "no template" for future bailouts, and a situation that is still "subject to downside risks". Elsewhere in Portugal, constitutional court members rejected a number of austerity measures for the 2013 budget, including a cut in state and public sector wages, and instead proposed additional spending cuts to help balance the government's finances.

The political situation in Korea continues to make headlines around the world, and has seen the South Korean won depreciate by 1.9% against the US dollar since North Korea's declaration that it was entering a "state of war" with its southern neighbour last Saturday. Japan's equity market, in contrast, continues to register new highs, following the Bank of Japan's (BoJ) decision to expand its asset purchase programme to JPY 7 trillion a month on Thursday. In his first meeting as central bank governor, Haruhiko Kuroda pledged to double the bank's holdings of government bonds over the next two years, and said he would continue quantitative easing until the bank's 2% inflation target is achieved.

**Returns to 5 April 2013**

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 5 April 2013	Month to date	YTD 2013
<b>Developed Market Equities</b>					
United States	S&P 500 NR	USD	-1.0%*	-1.0%*	9.3%
United Kingdom	FTSE All Share TR	GBP	-2.6%*	-2.6%*	7.5%
Continental Europe	MSCI Europe ex UK NR	EUR	-1.9%	-1.9%	3.6%
Japan	Topix TR	JPY	3.0%	3.0%	25.2%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-1.7%	-1.7%	5.2%
Global	MSCI World NR	USD	-1.0%	-1.0%	6.6%
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	-2.6%	-2.6%	-5.2%
Emerging Asia	MSCI EM Asia NR	USD	-2.9%	-2.9%	-4.2%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.5%	-1.5%	-0.6%
BRICs	MSCI BRIC NR	USD	-2.8%	-2.8%	-5.7%
South Africa	FTSE JSE All Share TR	USD	-2.0%*	-2.0%*	-7.9%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-2.5%	-2.5%	-4.1%
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	1.0%	1.0%	0.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	1.5%	1.5%	1.0%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	1.3%*	1.3%*	1.2%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.1%*	0.1%*	3.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.5%	1.5%	2.3%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	1.3%*	1.3%*	2.9%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	1.2%	1.2%	1.6%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.3%*	0.3%*	0.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.9%*	1.9%*	0.7%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	1.0%	1.0%	3.6%
Australian Government	JP Morgan Australia GBI TR	AUD	0.4%	0.4%	0.3%
Global Government Bonds	JP Morgan Global GBI	USD	0.6%	0.6%	-2.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.8%	0.8%	-1.2%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.4%	-0.4%	3.1%
Emerging Market Bonds	JP Morgan EMBI +	USD	2.4%*	2.4%*	-1.0%

Source: Bloomberg, April 2013

## Returns to 5 April 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 5 April 2013	Month to date	YTD 2013
<b>Property</b>					
US Property Securities	MSCI US REIT NR	USD	2.2%	2.2%	10.2%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-1.2%	-1.2%	1.9%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.9%	-0.9%	-0.2%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	1.8%	1.8%	6.9%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	4.7%	4.7%	13.6%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	2.8%	2.8%	9.2%
<b>Currencies</b>					
Euro		USD	1.3%	1.3%	-1.5%
UK Pound Sterling		USD	0.9%	0.9%	-5.6%
Japanese Yen		USD	-3.4%	-3.4%	-11.1%
Australian Dollar		USD	-0.3%	-0.3%	-0.1%
South African Rand		USD	1.5%	1.5%	-7.0%
Swiss Franc		USD	1.6%	1.6%	-2.0%
Chinese Yuan		USD	0.1%	0.1%	0.5%
<b>Commodities &amp; Alternatives</b>					
Commodities	RICI TR	USD	-3.3%*	-3.3%*	-3.1%
Agricultural Commodities	RICI Agriculture TR	USD	-2.4%*	-2.4%*	-3.9%
Oil	ICE Crude Oil CR	USD	-2.6%*	-2.6%*	-3.5%
Gold	Gold Index	USD	-1.1%	-1.1%	-5.6%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.4%*	-0.4%*	2.7%*

\* Estimate

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