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Weekly Review

Week ending 6th January 2012

After a three week break, the weekly review returns for 2012. To briefly recap the interim period, markets followed a v-shaped path during December, moving lower over the first three weeks of the month before staging a recovery as the European Central Bank stepped up its credit operations and hopes rose for a rebound in economic activity on both sides of the Atlantic. Please see our soon to be published monthly Viewpoint publication for a comprehensive review of markets in December.

Global equities rose 0.8% last week to start the year on a positive note, with the S&P 500 gaining 1.5% on the first trading day of the new year. Sentiment was buoyed by a raft of positive surprises, most notably the ISM manufacturing index which came in ahead of expectations at 53.9 for December, implying the fastest rate of US expansion in six months. The employment component of the survey rose to 55.1 from 51.8 in November, with new orders rising to 57.6 from 56.7 previously.

China's PMI manufacturing index rebounded above 50 in December, having fallen to 49.0 the previous month. Data from purchasing managers in Europe also began to move back towards par at 50, whilst still indicating a modest contraction in activity last month. Seasonally adjusted unemployment in Germany fell by 22,000 to 2.89 million in December, with the headline unemployment rate falling by 10 basis points to 6.8%; its lowest level since reunification more than 21 years ago. The latest data from Spain, however, confirmed the divergent nature of growth in the euro area, as unemployment rose for the fifth consecutive month in December to 4.42 million.

Despite further liquidity priming in the form of long term financing by the European Central Bank (ECB), stresses are still visible in the European banking sector. European banks placed EUR 453 billion with the ECB on Tuesday, whilst nearly EUR 30 billion was issued to an unnamed bank or banks from the ECB's emergency

lending facility at the start of the week. Italian bank UniCredit went to investors with a rights issue of EUR 7.5 billion last week, prompting its share price to slide 38.0% up to Friday's close.

Concerns over Iran's nuclear programme have prompted the introduction of sanctions in recent weeks. President Obama signed sanctions into law on the last day of 2011, barring access to the US financial system to any foreign bank found to have dealings with the Iranian Central Bank. Reports suggest that EU foreign ministers are ready to introduce similar sanctions against Iran at their next meeting at the end of January. Iran's central bank moved to prop up the value of the rial on Wednesday, as demand for foreign currencies and gold pushed it to a six month low versus the US dollar. A weakening rial is likely to exacerbate inflation pressures in Iran. Oil gained 5.6% last week as a result of these issues, as well as ongoing tensions in Nigeria.

Government bonds fell by 1.1% last week in US dollar terms, with US Treasuries, Gilts and European government bonds all marked down. Credit markets showed further signs of easing conditions, with senior unsecured issues from Rabobank, Nordea and ABN Amro, albeit priced at an attractive premium. Automakers continue to issue significant amounts of bonds, following a strong year in 2011. BMW, Daimler, Ford and Renault sold USD 6.8 billion of bonds on Wednesday, as the industry continues to take steps towards regaining the faith of bond markets.

Bank of England figures published on Tuesday showed that non-bank investors, including pension funds and life insurers, are shunning Gilts. This group cut their holdings of UK government bonds by GBP 23.1 billion in November, after disposing of GBP 16.7 billion in October.

US property securities fell by 0.3% last week, having ended 2011 with a return of 7.5% for the year. Commodities rose by 1.6% over the period, with gold rebounding post December's sell off to add 5.6%.

Returns to 6 January 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 6 Jan 2012	Last month	2011
Equities					
United States	S&P 500 NR	USD	1.7	1.0	1.5
United Kingdom	FTSE All Share TR	GBP	1.4	0.8	-3.5
Continental Europe	MSCI Europe ex UK NR	EUR	0.4	1.2	-12.4
Japan	Topix TR	JPY	0.1	0.1	-17.0
Asia Pacific (ex Japan)	MSCI AC Asia Pacific (ex Japan) TR	USD	0.9	0.0	-15.4
Global	MSCI World NR	USD	0.8	-0.1	-5.5
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	1.5	-9.7	-23.7
Emerging Asia	MSCI EM Asia NR	USD	0.8	0.7	-17.4
Emerging Latin America	MSCI EM Latin America NR	USD	2.4	-1.6	-19.4
BRICs	MSCI BRIC NR	USD	2.1	-2.2	-22.9
Global Emerging Market	MSCI EM (Emerging Markets) NR	USD	1.2	-1.2	-18.4
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.4	1.0	9.9
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.6	0.1	14.0
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.1	2.1	8.2
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.8	2.7	5.0
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.4	2.0	16.8
UK Corporate	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2	2.1	7.1
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-1.2	4.0	3.4
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.4	2.6	1.5
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.2	2.9	-2.6
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0	0.7	2.3
Australian Government	JP Morgan Australia GBI TR	AUD	-0.5	0.9	14.5
Global Government Bonds	JP Morgan Global GBI	USD	-1.1	1.0	7.2
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.9	0.6	5.6
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.8	-0.7	-7.0
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.4	1.3	9.2

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



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Property					
US Property Securities	MSCI US REIT TR	USD	-0.3	4.5	7.5
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-1.3	-5.1	-7.9
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-3.8	0.5	-11.5
Australian Property Securities	FTSE EPRA/NAREIT	AUD	4.0	-2.6	-2.0
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	2.1	-1.9	-19.6
Global Property Securities	FTSE EPRA/NAREIT Developed CR	USD	-0.1	0.9	-5.8
Currencies					
Euro		USD	-2.1	-3.6	-3.2
UK Pound Sterling		USD	-0.9	-1.2	-0.7
Japanese Yen		USD	-0.2	0.9	5.4
Australian Dollar		USD	-0.3	-0.2	0.0
South African Rand		USD	-0.9	0.3	-18.1
Swiss Franc		USD	-2.2	-2.7	-0.3
New Zealand Dollar		USD	0.1	0.3	-0.1
Commodities					
Commodities	RICI TR	USD	1.6	-1.8	-6.9
Agricultural Commodities	RICI Agriculture TR	USD	-0.9	2.5	-15.5
Oil	Brent Crude Index (ICE) CR	USD	5.6	-2.5	15.1
Gold	Gold Index	USD	5.6	-12.3	8.5



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