



Market Weekly Review

Week ending 6 July 2014

- US jobs data exceed expectations in June
- Fed Chair Janet Yellen remains dovish
- Core euro area economies slow
- Chinese manufacturing data at a multi-month high
- Capital expenditure increases in Japan

The release of better than expected economic data in many major economies pushed global stocks higher last week, with the MSCI World ending the week +1.3% in US dollar terms and global emerging markets returning 1.8%, also in US dollar terms. In the US, the Dow Jones Industrial Average index closed above 17,000 for the first time on Thursday, and the S&P 500 returned 1.3% over the week, with Wall Street closed on Friday due to the Independence Day holiday. UK equities rose 1.7% in sterling terms, while in the rest of Europe stocks ended the week +1.2% in euro terms.

In the US, non-farm payrolls indicated that 288,000 jobs were added to the US economy in June. This comfortably beat economists' expectations of 212,000, and is also up from the 224,000 jobs created in May. Unemployment fell to 6.1% in June from 6.3% in May. Although markets reacted positively, Deutsche Bank highlighted the need for caution. The bank pointed to the increased proportion of part-time jobs, and the overall participation rate - the amount of working-age people in employment or looking for a job - being at a 35 year low of 62.8%. They also noted that wage inflation is still only at +2% year-on-year, which is broadly in line with inflation and unchanged over an 18 month period.

The Federal Reserve (Fed) will release the minutes of its 17-18 June meeting on Wednesday and markets will be looking for any hints of a more hawkish stance going forward. Last week US treasuries fell 0.6% and the dollar strengthened 0.6% against a basket of major currencies, despite a dovish speech given by Fed Chair, Janet Yellen, at the International Monetary Fund (IMF) last week.

In Europe, the Markit Eurozone Purchasing Manager Index (PMI) fell to 52.8 last month, down from 53.5% in May, indicating

reduced confidence by purchasing managers in the euro area. The data reflected a slowdown in the core European economies of Germany and France, but also a continued recovery in the periphery, with Spain's PMI data at its highest level for 7 years, according to the Financial Times. The European Central Bank (ECB) met on Thursday, but as expected there were no major announcements following the unprecedented action taken at last month's meeting. Mario Draghi, ECB President, did however reaffirm his commitment to unconventional monetary policy if the threat of deflation increased. In contrast, sterling rose to a 6-year high versus the US dollar on Tuesday as UK manufacturing data raised expectations that the Bank of England will be the first major central bank to raise rates. Markit's manufacturing PMI stood at 57.5 for the UK, beating a consensus forecast of 56.8.

In Asia, China's official manufacturing PMI data hit 51.0 (in line with expectations), and is now at a 6 month high. The HSBC manufacturing data is also at a year-to-date high, with a reading of 50.7 (close to expectations of 50.8). These positive data points were interpreted to show that the "mini-stimulus" by the Chinese central bank is helping to steady the Chinese economy, which is still heavily anchored to the manufacturing sector.

Japanese equities had another strong week, rising 2.6% in yen terms, despite some weaker than expected economic data. The Japanese Tankan manufacturing index fell from a previous reading of 17 to 12 (versus expectations of a fall to 15), indicating a fall in business confidence following the consumption tax hike in April. Markets, however, noted the strong capital expenditure (capex) numbers underlying the headline figure. Capex growth of 7.4% surpassed expectations of 6.0% and is the strongest rate of growth since 2007. It perhaps indicated growing confidence in Prime Minister Shinzo Abe's reforms for the long run, and shows that companies are looking to spend the cheap money which is being pumped into the economy by the Bank of Japan.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 4 July 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.7%	1.8%	6.6%	23.6%
United Kingdom	MSCI UK NR	GBP	-0.8%	-0.8%	2.4%	12.8%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.4%	0.8%	8.0%	26.0%
Japan	Topix TR	JPY	0.8%	4.1%	-3.1%	12.3%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-1.2%	0.3%	5.6%	15.9%
Australia	S&P/ASX 200 TR	AUD	-1.3%	-2.0%	2.5%	16.9%
Global	MSCI World NR	USD	0.4%	1.4%	5.8%	23.6%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-1.0%	2.5%	0.7%	8.7%
Emerging Asia	MSCI EM Asia NR	USD	-1.0%	1.3%	5.4%	15.0%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.7%	4.7%	7.7%	9.6%
BRICs	MSCI BRIC NR	USD	-0.6%	4.1%	4.6%	15.5%
MENA countries	Dow Jones MENA TR	USD	-2.3%	-4.2%	14.5%	31.5%
South Africa	MSCI EM South Africa NR USD	USD	0.0%	1.3%	7.8%	20.0%
India	Nifty Fifty TR	USD	-0.9%	4.9%	20.6%	30.8%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-0.9%	1.9%	5.3%	13.5%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	-0.7%	2.6%	1.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.5%	-0.8%	5.1%	3.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	-0.6%	5.0%	7.0%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.2%	0.6%	5.2%	11.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.0%	-1.0%	3.1%	2.1%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.1%	-0.6%	4.2%	6.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.1%	0.3%	6.2%	8.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.0%	0.2%	4.5%	6.9%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	0.3%	4.0%	18.8%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.1%	1.4%	2.9%
Australian Government	JP Morgan Australia GBI TR	AUD	0.7%	-0.1%	3.9%	4.2%
Global Government Bonds	JP Morgan Global GBI	USD	0.1%	-0.4%	3.9%	5.3%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.2%	-0.4%	3.7%	6.2%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	0.0%	0.1%	4.9%	15.0%
Emerging Market Bonds	JP Morgan EMBI+	USD	-0.3%	-0.4%	8.2%	9.5%

* Estimate

Source: Bloomberg

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Property						
US Property Securities	MSCI US REIT NR	USD	0.5%	0.0%	15.9%	10.9%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-0.1%	1.2%	9.2%	4.4%
Asia Property Securities	S&P Asia Property 40 NR	USD	-0.3%	-0.1%	1.1%	7.4%
Global Property Securities	S&P Global Property USD TR	USD	-0.4%	0.0%	9.7%	11.4%
Currencies						
Euro		USD	0.0%	-0.7%	-1.5%	4.1%
UK Pound Sterling		USD	1.3%	1.3%	2.5%	11.5%
Japanese Yen		USD	0.0%	-1.0%	2.1%	-4.0%
Australian Dollar		USD	-0.5%	0.3%	4.7%	2.2%
South African Rand		USD	-1.1%	-2.5%	-3.3%	-8.9%
Swiss Franc		USD	-0.8%	-0.8%	2.4%	12.8%
Chinese Yuan		USD	0.0%	0.2%	-2.8%	-1.5%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.7%	1.6%	6.0%	9.1%
Agricultural Commodities	RICI Agriculture TR	USD	0.6%	-1.3%	5.5%	1.8%
Oil	ICE Crude Oil CR	USD	2.9%	2.6%	1.5%	10.4%
Gold	Gold Spot	USD	0.6%	1.5%	5.2%	2.8%
Hedge funds	HFRX Global Hedge Fund	USD	0.1%	0.8%	1.6%	5.1%

* Estimate

Source: Bloomberg

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