

Market Weekly Review

Week ending 6 December 2013

Global equity markets fell back last week, despite relatively strong data from several of the world's largest economies.

In the UK, headlines were dominated by Chancellor George Osborne's Autumn Statement, presented to the government on Thursday. Before announcing his main policies, the Chancellor said the UK was now growing faster than any other major economy but also stressed the importance of a "responsible recovery" that could include "more difficult decisions" on spending in the future. Included in the main plans, the Chancellor announced a further GBP 1 billion cut in department spending in the next three years and an increased crackdown on both tax avoidance and tax evasion. The plans also include a comprehensive infrastructure programme, which will see GBP 375 billion spent on energy, transport, communications and water projects and a move to sell 40% of the government's stake in Eurostar. Based on the Office for Budget Responsibility's report, the Chancellor also revised his growth expectations for this year and next to 1.4% (more than double the 0.6% projected in March) and 2.4% respectively.

The same day as the Chancellor's statement, the Bank of England's Monetary Policy Committee announced it would keep policy on hold, with interest rates unchanged at 0.5% and the stock of quantitative easing at GBP 375 billion. Data published the previous day showed the services sector continuing to expand in November, with the Markit/CIPs Purchasing Managers' Index (PMI) for the service sector registering 60, firmly above the 50-level used as the threshold for growth.

Markit PMI numbers for the Eurozone also showed some promise, after the composite index (which tracks several sectors) registered 51.7 for November. Germany's composite PMI reached a 29 month high at 55.4 and Spain's services PMI moved into growth territory at 51.5, up from 49.6 the previous month. Germany's Bundesbank also revised its growth forecast for this year and next to 0.5% and 1.7%, from 0.3% and 1.5%

previously. Meanwhile ratings agency Moody's reaffirmed its BBB long term credit rating for Spain, whilst upgrading its outlook from "negative" to "stable".

Members of the European Central Bank (ECB) also agreed to leave policy unchanged at its meeting on the 5th December, with interest rates on hold at a record low of 0.25% following November's surprise cut of a quarter point.

In the US, third quarter growth was revised upwards from an annualised pace of 2.8% to 3.6% in the third quarter, up from 2.5% in Q2. US unemployment, as measured by data from the US Labour Department, also fell to a five year low of 7%, after 203,000 new jobs were added in November.

In Asia, officials from China's central bank announced a move to liberalise rates on bank deposits yesterday. A statement from the People's Bank of China confirmed the new rules, which come into effect today, that will enable banks to issue Certificates of Deposits (CDs), to one another based on the Shanghai interbank offered rate (SHIBOR). China's exports also rose more than expected - up 12.7% from a year ago - in November helped by better-than-expected growth in demand from the US and the European Union. In Japan, however, data was less positive, as growth for the third quarter was revised down to 0.3% from 0.5%, after private investment fell by more than expected for the quarter.

Emerging market equities fell more than developed market equities over the week, with India (+3.3%) providing some of the few positive returns for investors. Returns from fixed income securities were also generally poor, with global government bonds (-0.5%), US treasuries (-0.6%) and UK Gilts (-0.6% in sterling terms) all falling back over the week. Global property securities returned -1.0%, whilst commodities added 1.5%, helped by a rise in the price of oil (+0.5%).

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 6 Dec 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.0%	0.0%	28.4%	28.4%
United Kingdom	MSCI UK NR	GBP	-1.4%	-1.4%	14.9%	14.9%
Continental Europe	MSCI Europe ex UK NR	EUR	-2.9%	-2.9%	17.7%	17.7%
Japan	Topix TR	JPY	-1.8%	-1.8%	46.4%*	46.4%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-2.3%	-2.3%	4.5%	4.5%
Australia	S&P / ASX 200 TR	AUD	-2.5%	-2.5%	16.3%	16.3%
Global	MSCI World NR	USD	-0.9%	-0.9%	22.9%	22.9%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.3%	-2.3%	-4.2%	-4.2%
Emerging Asia	MSCI EM Asia NR	USD	-1.0%	-1.0%	2.2%	2.2%
Emerging Latin America	MSCI EM Latin America NR	USD	-2.8%	-2.8%	-13.7%	-13.7%
BRICs	MSCI BRIC NR	USD	-1.2%	-1.2%	-2.6%	-2.6%
MENA countries	Dow Jones MENA TR	USD	-0.1%	-0.1%	21.8%	21.8%
South Africa	MSCI EM South Africa NR USD	USD	-3.2%	-3.2%	-25.3%	-25.3%
India	Nifty Fifty TR	USD	3.3%	3.3%	-4.0%	-4.0%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.6%	-1.6%	-2.7%	-2.7%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.6%	-0.6%	-2.9%	-2.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-1.3%	-1.3%	-9.1%	-9.1%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.6%	-0.6%	-2.0%	-2.0%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.0%	0.0%	6.9%	6.9%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.6%	-0.6%	-3.5%	-3.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.6%	-0.6%	1.1%	1.1%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.6%	-0.6%	2.2%	2.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.5%	-0.5%	2.3%	2.3%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.5%	0.5%	13.4%	13.4%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.3%	-0.3%	2.5%	2.5%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.8%	-0.8%	-1.2%	-1.2%
Global Government Bonds	JP Morgan Global GBI	USD	-0.5%	-0.5%	-4.0%	-4.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.4%	-0.4%	-1.8%	-1.8%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.2%	-0.2%	16.4%	16.4%
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.6%*	-0.6%*	-9.3%	-9.3%

* Estimate

Source: Bloomberg, December 2013

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Property						
US Property Securities	MSCI US REIT NR	USD	0.8%	0.8%	2.0%	2.0%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-3.2%	-3.2%	1.0%	1.0%
Asia Property Securities	S&P Asia Property 40 NR	USD	-2.6%	-2.6%	4.4%	4.4%
Global Property Securities	S&P Global Property USD TR	USD	-1.0%	-1.0%	3.0%	3.0%
Currencies						
Euro		USD	0.8%	0.8%	3.9%	3.9%
UK Pound Sterling		USD	-0.1%	-0.1%	0.6%	0.6%
Japanese Yen		USD	-0.5%	-0.5%	-15.7%	-15.7%
Australian Dollar		USD	-0.1%	-0.1%	-12.4%	-12.4%
South African Rand		USD	-1.4%	-1.4%	-17.9%	-17.9%
Swiss Franc		USD	1.6%	1.6%	2.6%	2.6%
Chinese Yuan		USD	0.2%	0.2%	2.5%	2.5%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.5%	1.5%	-4.6%	-4.6%
Agricultural Commodities	RICI Agriculture TR	USD	-0.30%	-0.30%	-9.90%	-9.90%
Oil	ICE Crude Oil CR	USD	0.50%	0.50%	0.90%	0.90%
Gold	Gold Spot	USD	-1.90%	-1.90%	-26.60%	-26.60%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.6%*	-0.6%*	5.5%*	5.5%*

* Estimate

Source: Bloomberg, December 2013

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