Weekly Review

Week ending 7th June 2013

At its governing council meeting in Frankfurt on Thursday, officials from the European Central Bank (ECB) lowered their growth forecast for the European Union (EU), predicting that the block would contract by 0.6% this year; 0.1% lower than earlier estimates. Officials from the ECB also voted to keep policy rates on hold and agreed that further stimulus measures would be conditional on deterioration in the data coming from the region. Following the conference, Mario Draghi, the President of the ECB, confirmed that further stimulus would be “left on the shelf” and he was satisfied that recent market volatility had emanated from other economies, such as the US.

Data from financial information company Markit published later in the week showed an improvement in manufacturing activity for the Eurozone, after May’s Purchasing Managers Index (PMI) rose to 48.3 from 46.7 in April, marking its highest level in 15 months. Germany’s PMI also picked up in May, registering a three month high of 49.4 for the month. This came despite a set of lowered growth forecasts, which put growth in Germany at 0.3% and 1.5% in 2013 and 2014 respectively, down from 0.4% and 1.9% previously. Spanish and Greek PMI numbers saw notable improvements, rising to 24 and 23 month highs of 48.1 and 45.3 respectively. The International Monetary Fund (IMF) nonetheless chose last week to publish a highly critical report outlining the mistakes made by the EU and IMF in putting together Greece’s first EUR 110 billion bailout in 2010.

The IMF was equally critical in its assessment of France’s economy, highlighting the sluggish pace of reform and the need to lower labour costs and delay tax increases in order to promote growth and competitiveness in the country. Growth forecasts were also revised down for this year and next, to -0.2% and 0.8% respectively. Meanwhile unemployment in France rose to 10.8% in the first quarter of 2013, higher than the 10.5% seen at the end of 2012 and marking the highest level since 1998.

In the US, the dollar suffered sharp falls on Thursday, depreciating by 2.1% against the Japanese yen, in advance of Friday’s US non-farm payrolls announcement. The US added 175,000 new jobs in May, the third month in a row that non-farm payrolls have fallen below 200,000, suggesting that the impact of spending cuts introduced by the government at the beginning of the year are starting to feed through to the real economy. Meanwhile the headline unemployment rate remained virtually unchanged at 7.6%. In other data, US consumer borrowing increased for the twentieth month in a row in April, up by USD 11.1 billion to a seasonally adjusted total of USD 2.8 trillion.

In the UK, the services, construction and manufacturing sectors grew in May, with PMI levels of 54.9, 50.8 and 51.3 respectively. Despite the sight of all three sectors in expansionary territory (as indicated by a level over 50), two think-tanks warned earlier in the week that austerity measures could be in place for several years to come, with a representative from the Institute for Fiscal Studies saying “we are still as far away from the (budget deficit) target as we were in 2010”. Meanwhile, UK house prices are rising at their fastest rate since September 2010, with prices for the three months to May 2.6% higher than the same period a year ago.1

Developed equities outperformed their emerging counterparts last week, whilst nonetheless down by 0.1% compared to -2.7% for EM. The US stock market provided some positive returns for investors, adding 0.8% over the week, in contrast to Japan which found itself under pressure, returning -6.9% over the week in Japanese yen terms.

Fixed income markets were generally weak, with US treasuries, UK gilts and European government bonds returning -0.1%, -0.3% and -0.4% respectively in local currency terms. Global property securities fell by 0.8% over the period whilst commodities rose by 1.8%, helped by a 1.4% increase in oil futures over the week.

Source: Bloomberg. Returns in US dollars unless otherwise stated. June 2013.

Returns to 7 June 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 7 June 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.8%	0.8%	16.0%	27.0%
United Kingdom	FTSE All Share TR	GBP	-2.5%	-2.5%	11.3%	23.8%
Continental Europe	MSCI Europe ex UK NR	EUR	-1.6%	-1.6%	8.3%	30.0%
Japan	Topix TR	JPY	-6.9%	-6.9%	24.2%*	47.9%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-4.2%	-4.2%	-2.9%	18.6%
Australia	S&P / ASX 200 NR	USD	-3.8%	-3.8%	1.9%	15.3%
Global	MSCI World NR	USD	-0.1%	-0.1%	11.1%	26.2%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.2%	-2.2%	-6.9%	14.5%
Emerging Asia	MSCI EM Asia NR	USD	-2.6%	-2.6%	-3.4%	14.2%
India	Nifty Fifty NR	USD	-2.8%	-2.8%	-4.7%	11.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-2.9%	-2.9%	-9.1%	2.8%
BRICs	MSCI BRIC NR	USD	-2.9%	-2.9%	-7.7%	7.9%
Mena countries	Dow Jones MENA TR	USD	0.8%	0.8%	9.2%	13.0%
South Africa	FTSE JSE All Share TR	USD	-1.6%	-1.6%	-10.5%	24.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-2.7%	-2.7%	-6.0%	10.0%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.1%	-0.1%	-1.3%	-0.8%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.6%	-0.6%	-4.8%	-2.3%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.7%	-0.7%	-1.4%	4.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.8%	-0.8%	3.3%	13.9%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.3%	-0.3%	-1.1%	-0.2%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.9%	-0.9%	1.6%	10.6%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.4%	-0.4%	1.2%	7.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.6%	-0.6%	1.2%	8.6%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.0%	1.0%	3.5%	26.0%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.1%	0.8%	1.4%
Australian Government	JP Morgan Australia GBI TR	AUD	0.6%	0.6%	1.7%	2.4%
Global Government Bonds	JP Morgan Global GBI	USD	1.6%	1.6%	-3.7%	-2.7%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	1.1%	1.1%	-2.3%	0.7%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.2%	-0.2%	6.9%	17.7%
Emerging Market Bonds	JP Morgan EMBI +	USD	-1.2%	-1.2%	-5.5%	6.3%

* *Estimate*

Source: Bloomberg, June 2013

Returns to 7 June 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 7 June 2013	Month to date	YTD 2013	Estimate12 months
Property						
US Property Securities	MSCI US REIT NR	**USD**	-0.2%	-0.2%	7.9%	15.6%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-1.5%	-1.5%	12.7%	32.6%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-2.6%	-2.6%	4.2%	21.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	-2.9%	-2.9%	6.4%	21.3%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	-2.0%	-2.0%	0.0%	30.3%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	-0.8%	-0.8%	4.4%	22.5%
Currencies						
Euro		**USD**	1.7%	1.7%	0.2%	5.2%
UK Pound Sterling		**USD**	2.4%	2.4%	-4.2%	0.2%
Japanese Yen		**USD**	3.0%	3.0%	-11.1%	-18.4%
Australian Dollar		**USD**	-0.8%	-0.8%	-8.6%	-4.0%
South African Rand		**USD**	1.3%	1.3%	-15.0%	-15.9%
Swiss Franc		**USD**	2.1%	2.1%	-2.2%	2.2%
Chinese Yuan		**USD**	0.0%	0.0%	1.6%	3.8%
Commodities & Alternatives						
Commodities	RICI TR	**USD**	1.8%	1.8%	-3.4%	6.7%
Agricultural Commodities	RICI Agriculture TR	**USD**	0.6%	0.6%	-3.4%	5.3%
Oil	ICE Crude Oil CR	**USD**	1.4%	1.4%	-6.5%	2.8%
Gold	Gold Index	**USD**	-0.4%	-0.4%	-17.4%	-13.0%
Hedge Funds	HFRX Global Hedge Fund	**USD**	-0.8%*	-0.8%*	3.7%*	6.2%*

* *Estimate*

Source: Bloomberg, June 2013

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