

Weekly Review

Week ending 8th February 2013

After a strong start to the year, global equities fell back last week by 0.4% in US dollar terms. Whilst equity markets in Japan and the US returned 1.6% and 0.4% in local currency terms, European and UK equities instead fell by 1.4% and 1.0% respectively. Emerging markets underperformed their developed counterparts, down by 1.1%, as Emerging Europe fell by 2.5% over the week. In fixed income markets, global government bonds declined by 0.6% in US dollar terms, with US treasuries and corporate bonds providing some of the few positive returns within fixed income markets. Elsewhere, global property securities depreciated by 0.6% last week, led by a 1.1% fall in Asian securities, whilst commodities also slipped by 0.6%, despite a 2.1% increase in the value of oil futures.

In Europe, the two-day EU leaders' summit in Brussels concluded on Friday, with an agreement on the budget for 2014-2020. Despite countries such as France and Italy initially seeking to limit spending cuts, the budget ceiling was reduced for the first time in its history, to 960 billion euros, a result that was described as a "good compromise" by the French President Francois Hollande. Representing a reduction of 3.3% from the last seven year budget, the European Council President Herman Van Rompuy felt the deal was one "worth working for" and now remains to be approved by the European parliament before being implemented next year. A day earlier, the European Central Bank's (ECB's) monthly interest rate setting committee kept rates unchanged at 0.75%, in line with expectations, yet sparked a 0.9% fall in the value of the euro against the US dollar following ECB President Mario Draghi's dovish comments after the meeting, which suggested the bank would target inflation and price stability whilst letting the exchange rate respond accordingly. The euro fell below USD 1.34 for the first time since January, whilst at the same time depreciating by 1.3% and 1.0% against sterling and the Japanese yen respectively over the course of the day.

In Britain, strong trade statistics for December showed the deficit narrowed from GBP 3.5 billion in November to GBP 3.2 billion in December, helped by a firm rise in exports. Data from the Office for National Statistics also showed manufacturing output and industrial production to have risen by 1.6% and 1.1% respectively over the same period, whilst construction output was reported to have grown more than initially thought last quarter, up by 0.9%. Earlier in the week, the Bank of England's Monetary Policy meeting on Thursday saw policy makers agree to keep the official interest rate paid on commercial bank reserves at 0.5%, whilst also maintaining the target level for asset purchases at GBP 375 billion. Contrary to the positive data, a report from accounting firm BDO showed confidence amongst UK businesses falling to its lowest level in over 21 years in January, after BDO's Optimism index fell to 88.9 last month, below the 95 threshold needed for growth.

On the other side of the Atlantic, the US Commerce department reported a lower than expected trade deficit of USD 38.5 billion in December. Helped by a reduction in crude oil imports, which fell to their lowest level since 1997 last year, and an increase in overseas sales of petroleum, the US trade deficit registered close to a three year low.

In Asia, the Peoples' Bank of China (PBoC) is reported to have injected a record USD 138 billion into the financial system via reverse repos last week, ahead of the Chinese New Year break, despite concerns over increasing inflation as highlighted in the fourth quarter Monetary Policy Meeting report published earlier in the week. Trade figures were also strong, with import and export growth surprising on the upside, up by 25.0% and 28.8% year-on-year versus 17.5% and 23.5% expected. The overall trade surplus also grew to USD 29.2 billion, higher than the 24.7 billion expected.

Returns to 8 February 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 8 February 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	USD	0.4%	1.4%	6.6%
United Kingdom	FTSE All Share TR	GBP	-1.0%	0.2%	6.6%
Continental Europe	MSCI Europe ex UK NR	EUR	-1.4%	-0.8%	3.0%
Japan	Topix TR	JPY	1.6%	1.8%	11.4%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.1%	0.5%	5.6%
Global	MSCI World NR	USD	-0.4%	0.4%	5.5%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	-2.5%	-1.4%	2.3%
Emerging Asia	MSCI EM Asia NR	USD	-0.8%	-0.9%	0.1%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.9%	-0.9%	2.8%
BRICs	MSCI BRIC NR	USD	-2.3%	-2.0%	2.1%
South Africa	FTSE JSE All Share TR	USD	0.3%	1.8%	-0.6%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.1%	-0.7%	0.6%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3%	0.2%	-0.8%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.1%	-0.3%	-1.0%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.3%	0.2%	-0.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.4%	-0.3%	1.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.3%	-0.1%	-2.1%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.3%	-0.2%	-0.7%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.2%	-0.2%	-0.7%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.3%	0.4%	-0.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-2.3%	-1.6%	1.5%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.0%	0.3%
Australian Government	JP Morgan Australia GBI TR	AUD	0.3%	0.0%	-0.6%
Global Government Bonds	JP Morgan Global GBI	USD	-0.6%	-0.9%	-2.4%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.7%	-0.7%	-1.4%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.4%	0.0%	2.8%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.3%	0.3%	-1.8%

Source: Bloomberg, February 2013

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Asset Class/Region	Index	Currency	Currency returns		
			Week ending 8 February 2013	Month to date	YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	0.3%	0.9%	4.6%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-0.1%	0.4%	1.4%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.1%	-0.7%	-1.7%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.7%	1.6%	6.2%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-1.1%	-1.6%	2.2%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-0.6%	-0.3%	2.8%
Currencies					
Euro		USD	-2.0%	-1.6%	1.3%
UK Pound Sterling		USD	0.7%	-0.4%	-2.7%
Japanese Yen		USD	0.1%	-1.0%	-6.4%
Australian Dollar		USD	-0.8%	-1.0%	-0.7%
South African Rand		USD	-0.4%	0.7%	-4.7%
Swiss Franc		USD	-1.0%	-0.8%	-0.2%
Chinese Yuan		USD	0.0%	-0.2%	0.0%
Commodities & Alternatives					
Commodities	RICI TR	USD	-0.6%	-0.1%	3.9%
Agricultural Commodities	RICI Agriculture TR	USD	-1.4%	-1.4%	1.4%
Oil	ICE Crude Oil CR	USD	2.1%	2.2%	6.2%
Gold	Gold Index	USD	0.0%	0.2%	-0.5%
Hedge Funds	HFRX Global Hedge Fund	USD	0.0%*	0.3%*	2.2%*

* Estimate

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