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Market Weekly Review

Week ending 8 November 2013

Equity markets in the US added 0.6% over the week, helped by stronger than expected employment data for October. Non-farm payrolls, a key indicator of the health of the economy, added 204,000 jobs last month, against expectation for a rise of 152,000. The previous day, the US had announced that third quarter GDP had accelerated to an annualised rate of 2.8% from 2.5% in Q2, helped by a rise in exports, business activity and home construction. Growth in consumer spending, however, fell to an annualised rate of 1.5% from 1.7% in Q2, marking the slowest rate of growth since 2011.

In Europe, the European Central Bank (ECB) surprised markets by cutting interest rates from 0.50% to 0.25% on Friday. After a meeting attended by its 23 member governing council in Frankfurt, the ECB President, Mario Draghi, said the bank expected to see "a prolonged period of low inflation followed by a gradual upward movement towards inflation rates of below but close to 2%". In addition to cutting its main refinancing rate, the ECB held its deposit rate at 0% and cut its marginal lending facility – or emergency borrowing rate – by 0.25% to 0.75%. The move came following data released earlier in the week, which showed weakness in the retail and manufacturing sectors. Retail sales, as measured by Eurostat (the EU's statistics agency), fell by 0.6% in September from their level at the end of August, whilst the Markit composite Purchasing Managers' Index (PMI) fell to 51.9 points in October, from 52.2 in September.

Elsewhere in Europe, ratings agency Standard & Poor's downgraded France's credit rating from AA+ to AA, following concerns that high unemployment is hindering growth in the country. S&P is forecasting for government debt to reach 86% of GDP in 2015, with unemployment remaining above 10% until 2016. Yields on 10 year French government bonds rose to 2.22% on Friday, up circa 7 basis points from their level at Thursday's close.

In Greece, workers went on an anti-austerity strike on Wednesday, as members of the "troika" – the European Commission, the European Central Bank and the International Monetary Fund – resumed their latest bailout review. Protesting against potential wage and pension cuts necessary to meet the country's bailout targets, labour unions hoped to convince policy makers that further austerity cuts would be hugely damaging to the already fragile Greek economy.

In the UK, equity markets fell by 0.3% over the week, following disappointing trade numbers, which showed the trade deficit widening by £259 million to £9.8 billion in September. Figures from the Office for National Statistics (ONS), showed exports had dropped by 0.7% whilst imports had risen by 0.2% over the month. The negative news was diluted by strong growth forecasts from the European Commission, with growth in 2013 revised up to 1.3% from 0.6% projected in May. Other data from the ONS also showed an improving climate in the UK's construction sector, which grew by 1.7% in Q3, albeit behind initial expectations for a 2.5% rise. The Bank of England in its policy announcement on Thursday, kept interest rates at 0.5% and made no change to quantitative easing; actions largely expected by the markets.

In Asia, strong data from China over the weekend has seen equity markets rise by 0.2% today. Industrial production rose by 10.9% (ahead of expectations for a 10.0% rise from this time last year) whilst retail sales increased to 13.0% year-on-year in October, 0.1% higher than a month ago.

Equities in developed markets (0.0%) outperformed emerging equities last week (-3.1%), following large falls in US dollar terms by stocks in Latin America (-5.1%), South Africa (-4.6%) and India (-4.4%). Fixed income markets also struggled last week, with global government bonds (-0.6%), US treasuries (-0.5%), UK Gilts (-0.9%) and Euro Bunds (-0.2%), all ending the week lower (returns in local currency terms). Global property securities fell back for the second consecutive week, down by 2.6%, whilst commodities also struggled with returns of -0.5%, following falls by gold (-2.1%) and oil (-4.7%).

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

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 8 Nov 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.6%	0.9%	25.7%	26.8%
United Kingdom	FTSE All Share TR	GBP	-0.3%	-0.3%	17.3%	18.1%
Continental Europe	MSCI Europe ex UK NR	EUR	0.2%	-0.2%	19.6%	21.8%
Japan	Topix TR	JPY	-0.6%	-1.5%	39.3%*	53.4%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.7%	-1.0%	8.9%	11.6%
Australia	S&P / ASX 200 TR	AUD	0.4%	0.1%	21.0%	25.0%
Global	MSCI World NR	USD	0.0%	-0.3%	21.5%	23.8%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.8%	-3.7%	-1.9%	4.3%
Emerging Asia	MSCI EM Asia NR	USD	-2.6%	-2.8%	0.3%	3.8%
Emerging Latin America	MSCI EM Latin America NR	USD	-5.1%	-6.4%	-13.0%	-7.3%
BRICs	MSCI BRIC NR	USD	-3.6%	-4.2%	-4.7%	0.1%
MENA countries	Dow Jones MENA TR	USD	1.5%	1.4%	21.3%	23.8%
South Africa	FTSE JSE All Share TR	USD	-4.6%	-7.8%	-25.1%	-13.4%
India	Nifty Fifty TR	USD	-4.4%	-4.8%	-9.0%	-9.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-3.1%	-3.7%	-3.5%	1.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.5%	-0.8%	-2.7%	-3.2%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.6%	-1.3%	-8.0%	-8.6%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.8%	-1.1%	-2.3%	-2.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.3%	-0.3%	6.0%	7.7%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.9%	-1.2%	-3.2%	-3.6%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.6%	-0.7%	1.8%	1.9%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.2%	-0.2%	2.3%	3.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.1%	0.0%	2.5%	3.5%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.7%	-1.4%	10.0%	14.2%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.1%	2.8%	2.4%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.2%	-0.4%	-0.4%	-0.6%
Global Government Bonds	JP Morgan Global GBI	USD	-0.6%	-1.2%	-3.6%	-4.6%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.7%	-1.3%	-2.0%	-2.2%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.3%	-0.9%	14.3%	16.5%
Emerging Market Bonds	JP Morgan EMBI +	USD	-1.8%	-2.4%	-8.6%	-7.8%

* Estimate

Source: Bloomberg, November 2013

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 8 Nov 2013	Month to date	YTD 2013	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-4.1%	-3.5%	3.0%	6.7%
Australian Property Securities	S&P/ASX 200 Australia TR	AUD	0.1%	-0.1%	7.3%	8.7%
Asia Property Securities	S&P Asia Property NR USD	USD	-1.8%	-2.4%	6.2%	12.6%
Global Property Securities	S&P Global Property TR USD	USD	-2.6%	-2.8%	4.8%	9.2%
Currencies						
Euro		USD	-0.9%	-1.6%	1.3%	2.9%
UK Pound Sterling		USD	0.6%	-0.1%	-1.5%	0.0%
Japanese Yen		USD	-0.4%	-0.7%	-12.5%	-16.8%
Australian Dollar		USD	-0.6%	-0.8%	-9.7%	-10.0%
South African Rand		USD	-1.4%	-2.8%	-18.0%	-13.8%
Swiss Franc		USD	-1.0%	-1.6%	-0.7%	0.7%
Chinese Yuan		USD	0.1%	0.0%	2.3%	2.2%
Commodities & Alternatives						
Commodities	RICI TR	USD	-0.5%	-1.6%	-6.5%	-7.3%
Agricultural Commodities	RICI Agriculture TR	USD	0.0%	-0.4%	-10.7%	-13.4%
Oil	ICE Crude Oil CR	USD	-4.7%	-5.0%	-5.9%	-6.1%
Gold	Gold Spot	USD	-2.1%	-2.6%	-23.1%	-24.9%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.3%*	-0.3%*	5.2%*	6.2%*

* Estimate

Source: Bloomberg, November 2013

Important notes