

Market Weekly Review

Week ending 9 August 2013

New Bank of England head, Mark Carney, used his first press conference since taking charge of the central bank to announce new measures to boost the UK economy. The Bank used forward guidance tied to real economic variables for the first time, by introducing a 7% unemployment rate as the threshold above which interest rates will remain on hold at their current level. The Governor expects that the economy will need three years and 750,000 new jobs in order to meet this unemployment rate target, but cited the importance of taking the announcement "with a grain of salt". The Bank also revised its forecasts for economic growth last week, up from 1.2% to 1.4% for this year and up from 1.7% to 2.5% for the next. In other data, the office for National Statistics (ONS) reported that the UK trade deficit had narrowed to GBP 8.1 billion in June, down from 8.7 billion the previous month and the smallest deficit in almost a year.

Elsewhere in Europe, conditions in Greece seem to have deteriorated after the unemployment rate rose to 27.6% in May, up from 23.8% this time last year. Despite the government's latest EUR 5.7 billion aid package from the European Commission, the European Central Bank and the International Monetary Fund, Greece faces its sixth year of recession. In a discussion between President Barack Obama and the Greek Prime Minister Antonis Samaras following the release of the latest data, Obama encouraged Samaras to balance austerity with measures to promote growth and stimulate jobs.

In Asia, Japan's two day policy meeting on Wednesday and Thursday saw monetary policy left on hold by a unanimous vote. Data released earlier today showed second quarter growth falling behind expectations at 0.6% quarter-on-quarter, lower than the 1.0% growth recorded in Q1.

Data from China on the other hand seems to be stabilising, after better than expected industrial production and export/ import growth numbers were released at the end of last week. Factory

output in July rose by 9.7% year-on-year, higher than the 8.9% growth recorded last month. Imports and exports also picked up in July, rising by 5.1% and 10.9% year-on-year respectively. Inflation, as measured by the Consumer Price Index, remained steady at 2.7% year-on-year for the second month in a row.

In India, the Reserve Bank of India (RBI) instigated new policy measures to try to stem the depreciation of the rupee in foreign exchange markets, after seeing its currency weaken to a record low of 61.3 rupees per US dollar on Wednesday. Policymakers announced that the RBI will auction off bills worth up to 220 billion rupees every Monday to help prevent the currency falling further against the dollar, having so far depreciated by 9.6% since the beginning of the year.

In the US, equity markets ended the week down by 1.0%, despite stronger than expected non-manufacturing data from the region. Economic activity in the non-manufacturing sector picked up in July, with the ISM's index rising to 56.0, marking its 43rd consecutive monthly gain. US initial jobless claims for the week ending 3 August also rose by less than expected, increasing by 5,000 to 333,000.

Global equity markets fell back last week, down by 0.4% for both developed and emerging stocks. Continental Europe and Asia however provided some positive returns, up by 0.7% and 1.0% in euros and US dollars respectively.

Fixed income securities generally moved higher over the week, as global government bonds, emerging market bonds and US treasuries added 1.1%, 0.2% and 0.1% respectively. Global properties added to their positive returns year to date, gaining 0.3% over the week (now 4.6% for the year). Finally commodities posted positive returns over the week, up by 0.1% in US dollar terms helped by a 0.2% rise in the price of gold.

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| Asset Class/Region | Index | Currency | Currency returns | | | |
|-------------------------------------|--|----------|---------------------------|---------------|----------|-----------|
| | | | Week ending 9 August 2013 | Month to date | YTD 2013 | 12 months |
| Developed Market Equities | | | | | | |
| United States | S&P 500 NR | USD | -1.0% | 0.4% | 19.7% | 22.0% |
| United Kingdom | FTSE All Share TR | GBP | -0.6% | 0.0% | 15.8% | 21.6% |
| Continental Europe | MSCI Europe ex UK NR | EUR | 0.7% | 2.3% | 12.9% | 21.1% |
| Japan | Topix TR | JPY | -4.6% | 0.8% | 34.2%* | 59.4% |
| Asia Pacific (ex Japan) | MSCI Pacific ex Japan TR | USD | 1.0% | 2.0% | 0.5% | 10.7% |
| Australia | S&P / ASX 200 TR | AUD | -1.1% | 0.1% | 11.1% | 21.4% |
| Global | MSCI World NR | USD | -0.4% | 1.3% | 15.6% | 21.8% |
| Emerging Market Equities | | | | | | |
| Emerging Europe | MSCI EM Europe NR | USD | 0.0% | 1.9% | -7.6% | 2.9% |
| Emerging Asia | MSCI EM Asia NR | USD | -1.4% | -1.1% | -6.4% | 6.4% |
| Emerging Latin America | MSCI EM Latin America NR | USD | 2.0% | 4.0% | -12.3% | -5.0% |
| BRICs | MSCI BRIC NR | USD | -0.1% | 0.8% | -10.7% | 1.4% |
| Mena countries | Dow Jones MENA TR | USD | 1.5% | 1.7% | 17.9% | 17.1% |
| South Africa | FTSE JSE All Share TR | USD | 0.3%* | 1.7%* | -6.9%* | 3.6%* |
| India | Nifty Fifty TR | USD | -1.1%* | -2.5%* | -13.9%* | -2.1%* |
| Global emerging markets | MSCI EM (Emerging Markets) NR | USD | -0.4% | 0.5% | -8.2% | 2.8% |
| Bonds | | | | | | |
| US Treasuries | JP Morgan United States Government Bond Index TR | USD | 0.1% | 0.1% | -2.6% | -3.0% |
| US Treasuries (inflation protected) | Barclays Capital U.S. Government Inflation Linked TR | USD | 0.7% | 0.7% | -6.5% | -5.4% |
| US Corporate (investment grade) | Barclays Capital U.S. Corporate Investment Grade TR | USD | 0.1% | 0.0% | -2.6% | -0.8% |
| US High Yield | Barclays Capital U.S. High Yield 2% Issuer Cap TR | USD | -0.1% | -0.2% | 3.1% | 8.0% |
| UK Gilts | JP Morgan United Kingdom Government Bond Index TR | GBP | -0.3% | -0.7% | -3.1% | -4.1% |
| UK Corporate (investment grade) | BofA Merrill Lynch Sterling Non Gilts TR | GBP | -0.1% | -0.1% | 0.4% | 3.5% |
| Euro Government Bonds | Citigroup EMU GBI TR | EUR | 0.1% | 0.4% | 1.2% | 5.6% |
| Euro Corporate (investment grade) | Barclays Capital Euro Aggregate Corporate TR | EUR | 0.2% | 0.3% | 1.3% | 5.1% |
| Euro High Yield | BofA Merrill Lynch Euro High Yield Constrained TR | EUR | 0.8% | 1.1% | 6.1% | 20.9% |
| Japanese Government | JP Morgan Japan Government Bond Index TR | JPY | 0.3% | 0.2% | 1.2% | 1.3% |
| Australian Government | JP Morgan Australia GBI TR | AUD | 0.4% | 0.1% | 0.5% | 0.5% |
| Global Government Bonds | JP Morgan Global GBI | USD | 1.1% | 1.1% | -3.7% | -4.4% |
| Global Bonds | Citigroup World Broad Investment Grade (WBIG) TR | USD | 0.8% | 0.9% | -2.3% | -1.5% |
| Global Convertible Bonds | UBS Global Convertible Bond | USD | 0.0% | 1.1% | 10.5% | 15.9% |
| Emerging Market Bonds | JP Morgan EMBI + | USD | 0.2% | 0.3% | -8.6% | -4.3% |

* Estimate

Source: Bloomberg, August 2013

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|---------------------------------------|--|----------|---------------------------|---------------|----------|-----------|
| | | | Week ending 9 August 2013 | Month to date | YTD 2013 | 12 months |
| Property | | | | | | |
| US Property Securities | MSCI US REIT NR | USD | 0.2% | -0.7% | 5.9% | 6.1% |
| UK Property Securities | FTSE EPRA/NAREIT United Kingdom TR | GBP | -2.4% | -1.8% | 16.2% | 24.2% |
| Europe ex UK Property Securities | FTSE EPRA/NAREIT Developed Europe ex UK TR | EUR | -0.7% | 1.0% | 3.6% | 11.9% |
| Australian Property Securities | FTSE EPRA/NAREIT Australia TR | AUD | 2.1% | 1.7% | 9.4% | 17.6% |
| Asia Property Securities | FTSE EPRA/NAREIT Developed Asia TR | USD | 0.6% | 3.3% | 3.1% | 20.2% |
| Global Property Securities | FTSE EPRA/NAREIT Developed TR | USD | 0.3% | 0.9% | 4.6% | 12.4% |
| Currencies | | | | | | |
| Euro | | USD | 0.5% | 0.3% | 1.1% | 6.1% |
| UK Pound Sterling | | USD | 1.3% | 1.9% | -4.6% | -2.3% |
| Japanese Yen | | USD | 2.8% | 1.7% | -9.9% | -18.5% |
| Australian Dollar | | USD | 3.4% | 2.5% | -11.4% | -10.8% |
| South African Rand | | USD | 0.2% | 0.6% | -13.8% | -14.4% |
| Swiss Franc | | USD | 0.7% | 0.4% | -0.7% | 3.5% |
| Chinese Yuan | | USD | 0.1% | 0.1% | 1.8% | 3.7% |
| Commodities & Alternatives | | | | | | |
| Commodities | RICI TR | USD | 0.1% | 0.6% | -3.5% | -6.4% |
| Agricultural Commodities | RICI Agriculture TR | USD | 0.2% | -0.7% | -9.3% | -16.8% |
| Oil | ICE Crude Oil CR | USD | -2.1% | -0.4% | -3.4% | -5.5% |
| Gold | Gold Spot | USD | 0.2% | -0.8% | -21.5% | -22.3% |
| Hedge Funds | HFRX Global Hedge Fund | USD | -0.2%* | 0.2%* | 4.4%* | 5.6%* |

* Estimate

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