

# Weekly Review

Week ending 10<sup>th</sup> February 2012

Global equities suffered their first weekly decline of the year, down by 0.3% as of Friday's close. Japan was the only major region to enjoy gains in local currency terms, as the Topix index added 2.4% over the period. Emerging markets fell by 0.6%, with shares in emerging Europe declining by 2.3% in US dollar terms.

All eyes remained firmly on Greece last week, in the build up to yesterday's parliamentary vote on the country's austerity package. Whilst inside the parliament building Greek legislators eventually committed to the budget reforms in the early hours of this morning, outside thousands of protesters amassed. Sections of the crowd turned violent, as many as 45 buildings were set alight, with 67 subsequent arrests. The bill was carried by 199 votes to 74, with 27 abstentions, after both parties imposed a whip on members, requiring that they support the bill or face expulsion. European leaders are holding back on a new EUR 130 billion loan programme for Greece, in the absence of far reaching reforms of the country's public spending. Despite the successful passage of the reforms bill, the coalition government still needs to find another EUR 325 million in spending cuts, whilst creditors are demanding a written commitment from the main political leaders that they will stick to the reforms beyond the general elections in April.

European Central Bank President Mario Draghi explicitly rejected calls for the Bank to accept losses on its holdings of Greek government bonds, stating that any such move would amount to monetisation of Greece's debts. A formal proposal for a restructuring of outstanding Greek bonds needs to be presented in the coming days, in order for the process to be completed before the 20 March deadline for Greece to repay a EUR 14.5 billion bond.

Global government bonds fell by 0.4% last week according to the JP Morgan global aggregate. US treasuries added 0.1%, whilst investment grade corporate debt issued by US companies rallied hardest, up by 0.6%. Two heavyweights of the investment industry faced off in the news, as PIMCO founder Bill Gross increased his holdings of treasuries to their highest level since July 2010, whilst Warren Buffet labelled US government securities "dangerous".

Exports in Germany fell by four times the amount forecast by economists in December, slumping 4.3% from their level during November, according to data from the country's Federal Statistics Office. French business confidence remained close to its lowest level in more than two years in January, based on the Bank of France's Business Sentiment Indicator. Unemployment in the US dropped to a three year low last week, as the latest jobless figures showed the headline rate falling to 8.3%. As Federal Reserve Chairman Ben Bernanke again committed to low interest rates for the coming year in an appearance before the Senate Budget Committee, the Bank of England announced plans to increase its asset purchase program by a further GBP 50 billion.

In India, industrial production rose less than expected in December, with the output at factories, utilities and mines climbing only 1.8% from a year earlier. This heightens concerns first raised when the government forecast the weakest rise in gross domestic product since 2009. China's exports fell by 0.5% in January, better than the 1.4% contraction forecast by economists. Imports fell significantly more than expected, down 15.3% versus consensus forecasts of -3.6%. Authorities in the People's Republic have instructed banks to roll over local government loans to avoid defaults.

Elsewhere global property securities fell by 0.6% in US dollar terms, with all major regions suffering declines, other than developed Asia, which added 1.2%. The US dollar appreciated versus the pound and the yen, whilst down against the euro, which gained 0.5%. The Reserve Bank of Australia opted to leave its benchmark lending rate at 4.25%, contrary to most economists' forecasts for a quarter point cut. The Australian dollar rose versus the greenback following the announcement, before subsiding to close at 1.07 AUDUSD on Friday. Commodities were weaker according to the Rogers International aggregate, excluding oil, which rose by 5.7% as tensions between Iran and the US continued to mount. On Monday, the White House ordered a freeze on all Iranian government and central bank assets held in the US.

## Returns to 10 February 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 10 Feb 2012	Month to date	YTD 2012
<b>Equities</b>					
United States	S&P 500 NR	USD	-0.1	2.4	6.9
United Kingdom	FTSE All Share TR	GBP	-0.7	3.1	5.9
Continental Europe	MSCI Europe ex UK NR	EUR	-1.0	2.9	7.5
Japan	Topix TR	JPY	2.4	3.2	6.9
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.5	0.6	10.3
Global	MSCI World NR	USD	-0.3	2.4	7.5
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	-2.3	1.8	17.2
Emerging Asia	MSCI EM Asia NR	USD	0.3	2.4	13.3
Emerging Latin America	MSCI EM Latin America NR	USD	-1.3	2.5	15.4
BRICs	MSCI BRIC NR	USD	-0.9	2.4	16.9
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-0.6	2.3	13.9
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1	-0.7	-0.3
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.3	-0.6	1.7
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.6	0.1	2.3
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3	0.8	3.9
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.3	-2.2	-2.0
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2	-0.6	1.3
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.0	0.5	2.2
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2	0.5	3.5
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3	1.9	8.6
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.2	-0.1	0.0
Australian Government	JP Morgan Australia GBI TR	AUD	-1.0	-1.1	-1.0
Global Government Bonds	JP Morgan Global GBI	USD	-0.4	-0.7	0.6
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.1	-0.2	1.3
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.2	2.0	7.8
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.1	0.8	2.3

Source: Momentum Global Investment Management / Lipper Hindsight. February 2012.

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Asset Class/Region	Index	Currency	Currency returns		
			Week ending 10 Feb 2012	Month to date	YTD 2012
<b>Property</b>					
US Property Securities	MSCI US REIT TR	USD	-2.1	0.4	6.8
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-0.6	2.4	8.0
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.1	2.1	5.9
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-0.4	-0.4	5.3
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	1.2	2.9	14.2
Global Property Securities	FTSE EPRA/NAREIT Developed CR	USD	-0.6	1.7	9.6
<b>Currencies</b>					
Euro		USD	0.5	0.8	1.6
UK Pound Sterling		USD	-0.3	-0.2	1.4
Japanese Yen		USD	-1.4	-1.8	-0.9
Australian Dollar		USD	-0.8	0.5	4.2
South African Rand		USD	-2.4	0.9	4.4
Swiss Franc		USD	0.2	0.3	1.9
Chinese Yuan		USD	0.1	0.2	-0.1
<b>Commodities</b>					
Commodities	RICI TR	USD	-0.3	0.7	4.1
Agricultural Commodities	RICI Agriculture TR	USD	-2.1	-1.3	0.0
Oil	ICE Crude Oil CR	USD	5.7	6.4	9.8
Gold	Gold Index	USD	-1.3	-1.9	11.8

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