

Weekly Review

Week ending 10th May 2013

Equities rallied in both developed (1.0%) and emerging markets (0.9%) last week, with Japan again providing some of the best returns for investors, after the Topix index added 5.0% in local currency terms (1.3% in US dollar terms). In comparison, Asia Pacific excluding Japan found itself under pressure, returning -0.2% over the week in US dollar terms.

Fixed income markets were generally down last week, with global government bonds, US treasuries, UK gilts and European government bonds returning -1.9%, -0.6%, -1.4% and -0.6% respectively in local currency terms. Global property securities fell by 0.2% over the period and commodities lost a further 0.4%, despite oil futures rising by 2.9% over the week.

Following the G7 (Group of Seven) meeting at the weekend, British Chancellor George Osborne said finance ministers and central bank governors had agreed on the need for collective action to prevent tax evasion. Officials also reaffirmed their commitment to avoiding exchange rate manipulation, after holding a very “intense meeting about Japan” according to the German finance minister Wolfgang Schaeuble. Discussions followed news that the Japanese yen had surpassed 100 per US dollar for the first time since April 2009, before going on to end the week at JPYUSD 101.61. Also on the agenda were questions about the rate of recovery in the 17 nation euro-block, with European policymakers expressing greater willingness to consider reducing the rate of austerity, whilst potentially increasing monetary stimulus and unlocking bank lending.

Earlier in the week, a member of the European Central Bank’s (ECB’s) executive board, Jörg Asmussen, announced that policymakers at the ECB had been discussing the use of asset-backed securities to support lending for small and medium-sized enterprises, but were still some way away from reaching a conclusion. ECB head Mario Draghi also showed a willingness to respond to slowing growth in the region, reaffirming that the ECB stands “ready to act” if necessary, after cutting interests rates the previous week.

In Germany, better than expected data for industrial output and factory orders for March saw the DAX index rise by 1.9% in local currency terms over the week. German industrial output grew by 1.2% in March, ahead of the 0.2% expected by economists, whilst German factory orders rose for the second month in a row, up by 2.2% versus consensus forecasts for a contraction of 0.5% in March.

In the UK, equity markets rose by 1.7% in local currency terms following reports that industrial output had grown by 0.7% in March, helped by manufacturing – which rose by 1.1% – and a recovery in oil and gas prices. The trade deficit also narrowed to GBP 9.1 billion from GBP 9.2 billion previously, whilst house prices, as measured by mortgage provider the Halifax, rose by 1.1% in April and were 2.0% higher when compared to the same time last year. In his last meeting as the governor of the Bank of England, Sir Mervyn King, and his fellow monetary officials made no changes to the pace of quantitative easing and interest rate levels.

In Asia, China reversed its surprise trade deficit in March by reporting a higher than expected surplus in April of USD 18.2 billion (versus USD 15.6 billion expected), after exports and imports rose by 14.7% and 16.8% respectively from a year earlier. The Consumer Price Index, a measure of changes in the price level of a basket of consumer goods and services, also rose to 2.4% in April, up from 2.1% the previous month, helped by a rise in the cost of vegetables according to the National Bureau of Statistics.

Finally, monetary policy officials in both South Korea and Australia opted to cut benchmark borrowing rates by a quarter point last week, to 2.5% and 2.75% respectively.

Returns to 10 May 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 10 May 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	USD	1.3%	2.3%	15.2%
United Kingdom	FTSE All Share TR	GBP	1.7%	3.1%	14.4%
Continental Europe	MSCI Europe ex UK NR	EUR	1.5%	2.8%	11.0%
Japan	Topix TR	JPY	5.0%*	3.9%	42.1%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.2%	-1.7%	9.6%
Global	MSCI World NR	USD	1.0%	1.5%	12.8%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	0.5%	2.6%	-0.7%
Emerging Asia	MSCI EM Asia NR	USD	1.6%	1.6%	1.7%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.6%	-0.8%	-0.2%
BRICs	MSCI BRIC NR	USD	1.7%	1.7%	0.0%
South Africa	FTSE JSE All Share TR	USD	-0.9%	2.0%	-3.8%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.9%	1.2%	0.3%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.6%	-0.9%	-0.1%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.9%	-1.6%	-1.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.5%	-0.9%	0.8%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.2%	0.8%	5.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.4%	-1.8%	0.0%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.8%	-0.8%	3.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.6%	-0.5%	2.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.1%	0.1%	2.0%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.7%	-0.9%	3.1%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.8%	-0.6%	1.4%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.7%	-0.4%	1.2%
Global Government Bonds	JP Morgan Global GBI	USD	-1.9%	-2.5%	-4.3%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-1.4%	-1.9%	-2.4%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.7%	1.4%	7.3%
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.9%	-0.3%	-0.3%

Source: Bloomberg, May 2013

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Asset Class/Region	Index	Currency	Currency returns		
			Week ending 10 May 2013	Month to date	YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	0.8%	1.1%	16.2%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	3.7%	5.0%	15.7%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	1.3%	2.6%	9.2%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	1.9%	2.1%	16.1%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-1.9%	-2.4%	14.0%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-0.2%	-0.2%	13.8%
Currencies					
Euro		USD	-1.0%	-1.4%	-1.5%
UK Pound Sterling		USD	-1.4%	-1.1%	-5.5%
Japanese Yen		USD	-2.6%	-4.1%	-14.6%
Australian Dollar		USD	-2.8%	-3.3%	-3.6%
South African Rand		USD	-2.4%	-1.8%	-7.3%
Swiss Franc		USD	-2.2%	-2.9%	-4.3%
Chinese Yuan		USD	0.2%	0.4%	1.5%
Commodities & Alternatives					
Commodities	RICI TR	USD	-0.4%	0.1%	-3.3%
Agricultural Commodities	RICI Agriculture TR	USD	-1.0%	-1.4%	-3.3%
Oil	ICE Crude Oil CR	USD	2.9%	0.6%	-5.9%
Gold	Gold Index	USD	-1.5%	-1.9%	-13.6%
Hedge Funds	HFRX Global Hedge Fund	USD	0.5%*	0.9%*	4.7%*

* Estimate

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