

# Weekly Review

Week ending 1<sup>st</sup> February 2013

Global equity markets continued their strong performance to close the first month of the year in positive territory last week. Explained by some analysts as the “January effect” the Topix, FTSE All Share and S&P 500 were some of the best performing markets over the month, returning 9.4%, 6.4% and 5.1% in their respective local currencies. Emerging markets’ return of 0.4% underperformed the 0.8% gain of their developed counterparts, after Emerging Europe fell circa 0.5% over the week. In fixed income markets, global government bonds declined by 0.2%, with European high yield and global convertible bonds providing some of the few positive returns within fixed income markets, up 0.4% and 0.3% respectively. Elsewhere, global property securities added 0.1% last week, led by Australian securities, whilst broad commodities added 2.1%, to add to their year to date return of 4.5% in US dollar terms.

In the US, the Dow Jones closed at a five year high on Friday, surpassing 14,000 for the first time since October 2007 and closing the week up 0.8%. Data from this economy was mixed last week, however. Whilst unemployment rose 0.1% from 7.8% in December, the labour department reported 127,000 more jobs were added to the US economy than initially expected in the last two months of last year. Similarly poor results from the US Conference Board Consumer Confidence Survey, which hit its lowest level since November 2011, was counteracted by stronger than expected Institute of Supply Management (ISM) manufacturing data, which rose for a second month in a row to 53.1 in January, against 50.7 expected (a reading greater than 50 is a sign of expansion). Earlier in the week, the two day Federal Open Market Committee (FOMC) meeting delivered few surprises as officials restated their commitment to the asset buying programme as long as unemployment and inflation variables remained below their target levels and helped contribute to the dollar index (an index which weighs the dollar against other major currencies) fall of 0.8% last week. The first reading of US gross domestic product for the final quarter of 2012 also came in below expectations on Wednesday, at -0.1% versus 1.1% expected.

In Europe, Eurozone Markit Purchasing Manager Indices (PMI) came in largely ahead of December’s readings with the exception of France, where the manufacturing PMI hit a four month low of 42.9. Germany, the largest country in the block, saw its PMI rise to 49.8 in January, from 46.0 the previous month, whilst the Eurozone composite rose by 1.8 points to an eleven month high, from 46.1 to 47.9 in January. Labour data was weaker than expected after Eurostat, the European Commission’s statistics agency, reported that unemployment in the 17 member states rose to a euro era high of 11.7% in December. Despite this, investors’ confidence in the stability of the Eurozone seemed to strengthen in January, as the euro reached a fourteen month high, gaining more than 8% on the dollar, to close the week at 1.3641 EURUSD.

In the UK, manufacturing activity continued to grow in January as the manufacturing PMI figure showed a reading of 50.2 (readings over 50 indicate growth in the sector). Despite representing a small drop from 51.2 in December, equity markets continued to rally on the news on Friday and finished the week up 1.0% in local currency terms.

In Asia, officials from the Reserve Bank of India (RBI) cut the benchmark interest rate by 25 basis points to 7.75% on Tuesday; the first cut in nine months. The central bank also announced a surprise 25 basis point cut in the share of deposits that banks must hold at the RBI (its reserve cash reserve ratio); a move which could free up to 180 billion rupees of extra liquidity in the banking system. In China, the HSBC Purchasing Managers’ Index reported above the 50 growth threshold, at 52.3 for January, marking the third consecutive month of improving operating conditions in the country.

## Returns to 1 February 2013

| Asset Class/Region                  | Index  | Currency | Currency returns            |               |          |
|-------------------------------------|--|----------|-----------------------------|---------------|----------|
|                                     |  |          | Week ending 1 February 2013 | Month to date | YTD 2013 |
| <b>Developed Market Equities</b>    |  |          |                             |               |          |
| United States                       | S&P 500 NR   | USD      | 0.7%                        | 1.0%          | 6.2%     |
| United Kingdom                      | FTSE All Share TR                                    | GBP      | 1.0%                        | 1.2%          | 7.7%     |
| Continental Europe                  | MSCI Europe ex UK NR                                 | EUR      | -0.3%                       | 0.7%          | 4.5%     |
| Japan                               | Topix TR   | JPY      | 2.8%                        | 0.3%          | 9.6%     |
| Asia Pacific (ex Japan)             | MSCI Pacific ex Japan TR                             | USD      | 1.1%                        | 0.4%          | 5.5%     |
| Global                              | MSCI World NR  | USD      | 0.8%                        | 0.8%          | 5.9%     |
| <b>Emerging Market Equities</b>     |  |          |                             |               |          |
| Emerging Europe                     | MSCI EM Europe NR                                    | USD      | -0.5%                       | 1.1%          | 4.9%     |
| Emerging Asia                       | MSCI EM Asia NR                                      | USD      | 0.3%                        | -0.1%         | 1.0%     |
| Emerging Latin America              | MSCI EM Latin America NR                             | USD      | 1.1%                        | 1.1%          | 4.9%     |
| BRICs                               | MSCI BRIC NR   | USD      | 0.9%                        | 0.4%          | 4.6%     |
| South Africa                        | FTSE JSE All Share TR                                | USD      | 1.3%                        | 1.5%          | -0.9%    |
| Global emerging markets             | MSCI EM (Emerging Markets) NR                        | USD      | 0.4%                        | 0.4%          | 1.7%     |
| <b>Bonds</b>                        |  |          |                             |               |          |
| US Treasuries                       | JP Morgan United States Government Bond Index TR     | USD      | -0.2%                       | -0.1%         | -1.1%    |
| US Treasuries (inflation protected) | Barclays Capital U.S. Government Inflation Linked TR | USD      | -0.2%                       | -0.3%         | -1.1%    |
| US Corporate (investment grade)     | Barclays Capital U.S. Corporate Investment Grade TR  | USD      | -0.4%                       | -0.2%         | -1.1%    |
| US High Yield                       | Barclays Capital U.S. High Yield 2% Issuer Cap TR    | USD      | -0.6%                       | 0.0%          | 1.4%     |
| UK Gilts                            | JP Morgan United Kingdom Government Bond Index TR    | GBP      | 0.0%                        | 0.1%          | -1.8%    |
| UK Corporate (investment grade)     | BofA Merrill Lynch Sterling Non Gilts TR             | GBP      | -0.5%                       | 0.1%          | -0.9%    |
| Euro Government Bonds               | Citigroup EMU GBI TR                                 | EUR      | -0.2%                       | 0.0%          | -0.5%    |
| Euro Corporate (investment grade)   | Barclays Capital Euro Aggregate Corporate TR         | EUR      | -0.4%                       | 0.1%          | -1.1%    |
| Euro High Yield                     | BofA Merrill Lynch Euro High Yield Constrained TR    | EUR      | 0.4%                        | 0.7%          | 3.9%     |
| Japanese Government                 | JP Morgan Japan Government Bond Index TR             | JPY      | -0.1%                       | -0.1%         | 0.2%     |
| Australian Government               | JP Morgan Australia GBI TR                           | AUD      | -0.9%                       | -0.3%         | -0.9%    |
| Global Government Bonds             | JP Morgan Global GBI                                 | USD      | -0.2%                       | -0.3%         | -1.8%    |
| Global Bonds                        | Citigroup World Broad Investment Grade (WBIG) TR     | USD      | 0.1%                        | 0.0%          | -0.7%    |
| Global Convertible Bonds            | UBS Global Convertible Bond                          | USD      | 0.3%                        | 0.5%          | 3.3%     |
| Emerging Market Bonds               | JP Morgan EMBI +                                     | USD      | -1.4%                       | 0.1%          | -2.0%    |

Source: Bloomberg, February 2013

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|---------------------------------------|--|----------|-----------------------------|---------------|----------|
|                                       |  |          | Week ending 1 February 2013 | Month to date | YTD 2013 |
| <b>Property</b>                       |  |          |                             |               |          |
| US Property Securities                | MSCI US REIT NR                            | USD      | -0.5%                       | 0.6%          | 4.3%     |
| UK Property Securities                | FTSE EPRA/NAREIT United Kingdom TR         | GBP      | -0.5%                       | 0.5%          | 1.5%     |
| Europe ex UK Property Securities      | FTSE EPRA/NAREIT Developed Europe ex UK TR | EUR      | -0.3%                       | 0.3%          | -0.8%    |
| Australian Property Securities        | FTSE EPRA/NAREIT Australia TR              | AUD      | 1.8%                        | 0.9%          | 5.5%     |
| Asia Property Securities              | FTSE EPRA/NAREIT Developed Asia TR         | USD      | 0.5%                        | -0.5%         | 3.3%     |
| Global Property Securities            | FTSE EPRA/NAREIT Developed TR              | USD      | 0.1%                        | 0.2%          | 3.4%     |
| <b>Currencies</b>                     |  |          |                             |               |          |
| Euro                                  |  | USD      | 1.3%                        | 0.5%          | 3.4%     |
| UK Pound Sterling                     |  | USD      | -0.7%                       | -1.0%         | -3.4%    |
| Japanese Yen                          |  | USD      | -2.1%                       | -1.2%         | -6.6%    |
| Australian Dollar                     |  | USD      | -0.2%                       | -0.2%         | 0.1%     |
| South African Rand                    |  | USD      | 1.2%                        | 1.2%          | -4.3%    |
| Swiss Franc                           |  | USD      | 2.0%                        | 0.2%          | 0.8%     |
| Chinese Yuan                          |  | USD      | -0.1%                       | -0.2%         | 0.0%     |
| <b>Commodities &amp; Alternatives</b> |  |          |                             |               |          |
| Commodities                           | RICI TR                                    | USD      | 2.1%                        | 0.5%          | 4.5%     |
| Agricultural Commodities              | RICI Agriculture TR                        | USD      | 1.5%                        | 0.0%          | 2.8%     |
| Oil                                   | ICE Crude Oil CR                           | USD      | 1.7%                        | 0.1%          | 4.0%     |
| Gold                                  | Gold Index                                 | USD      | 0.5%                        | 0.2%          | -0.5%    |
| Hedge Funds                           | HFRX Global Hedge Fund                     | USD      | 0.3%*                       | 0.0%*         | 2.0%*    |

\* Estimate

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