

# Weekly Review

Week ending 11<sup>th</sup> January 2013

The Shanghai stock exchange ended the week 1.5% lower in local currency terms, despite stronger than expected Chinese trade data providing a spur for equity markets across the world. The US replaced Europe as the largest trading partner for China in December, and last month contributed to a rise in total exports of 14.1% year-on-year (the highest increase since May 2012). Imports also rose, by 6% year-on-year versus 3.5% expected, and together saw the country record a USD 31.6 billion trade surplus in December, up from USD 19.6 billion in November. With demand from China reported as “coming back” in Alcoa’s fourth quarter earnings report, investor sentiment was buoyed by an anticipated resurgence of growth in the world’s second largest economy.

Elsewhere in Asia, Japan’s Prime Minister Shinzo Abe, announced that the government approved a JPY 10.3 trillion fiscal stimulus package on Friday which they expect to boost growth by 2% and create 600,000 new jobs. The Prime Minister outlined the need for the Bank of Japan (BoJ) to follow the US Federal Reserve’s lead by targeting unemployment as a monetary policy tool. According to Mr. Abe, the BoJ should take “responsibility for the real economy” and start thinking “about maximising jobs”. Despite this addition to Japan’s already inflated government debt level (which currently stands above 220% of GDP) the measures were largely welcomed and saw the Topix end the week up by 1.1%, at a 23 month high of 898.69.

In the US, stocks rose to a five year high on Thursday, buoyed by increased confidence filtering through from China’s strong trade report. Whilst news regarding the fiscal cliff gradually began to ebb, other data releases came to the fore, with the US National Federation of Independent Business (NFIB) survey showing a small improvement in overall business sentiment in January (88.0 versus 87.5 previously), and the consumer credit report for November showing a USD 16 billion increase for the month.

In Europe, the European Central Bank’s (ECB) decision to keep interest rates on hold at 0.75% on Thursday was in line with expectations, and hailed as an act of “normalisation” in financial market conditions by President Mario Draghi. Following Mr. Draghi’s press conference, the euro rallied by 1.3% against the US dollar, with the currency finishing the day 1.6% higher, marking the best one day performance since August 3rd 2012. Spanish 10 year yields fell to their lowest level since March 2012, whilst in Italy yields fell to a two year low, reflecting the perception of a reduction in the risk of default by either nation. Volatility, as measured by the VIX index, also fell to new lows during the week, with the VIX index hitting 13.22 on Wednesday, the lowest level since January 2007.

In the UK, the Office for National Statistics (ONS) decided to keep the calculation of the Retail Price index (the RPI) unchanged on Thursday, which – whilst contra to international standards – prevented the statistic from being adjusted down, and thereby avoiding disruption to many financial contracts and agreements in which it is rooted. Data releases from the ONS on Friday showed manufacturing output contracting by 0.3% (against a 0.5% expansion predicted) and industrial production rising less than expected, up 0.3% against 0.8% expected, between October and November.

Global equities added to their positive returns year to date and ended the week up by 0.9%. Emerging markets, with the exception of Europe, continued to underperform their developed counterparts, with global emerging markets returning -0.4% over the week. High yield performed strongly, with Euro High Yield returning 3.3% over the week. Global property securities added 0.5%, led by Australia and Asia, whilst the Broad Commodities index rose by 0.7%, helped by gold, oil, and agricultural commodities, which added 0.4%, 0.5% and 1.2% respectively.

**Returns to 11 January 2013**

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 11 January 2013	Month to date	YTD 2013
<b>Developed Market Equities</b>					
United States	S&P 500 NR	USD	0.4%	3.3%	3.3%
United Kingdom	FTSE All Share TR	GBP	0.6%	3.8%	3.8%
Continental Europe	MSCI Europe ex UK NR	EUR	0.2%	3.1%	3.1%
Japan	Topix TR	JPY	1.1%	4.5%*	4.5%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.7%	2.8%	2.8%
Global	MSCI World NR	USD	0.9%	3.3%	3.3%
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	1.6%	2.5%	2.5%
Emerging Asia	MSCI EM Asia NR	USD	-0.5%	1.7%	1.7%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.4%	2.9%	2.9%
BRICs	MSCI BRIC NR	USD	-0.7%	2.4%	2.4%
South Africa	FTSE JSE All Share TR	USD	-1.8%	-0.3%	-0.3%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-0.4%	1.7%	1.7%
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3%	-0.5%	-0.5%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.6%	-0.4%	-0.4%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.3%	-0.1%	-0.1%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.6%	1.3%	1.3%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.5%	-1.9%	-1.9%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	1.0%	0.4%	0.4%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	-0.2%	-0.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	-0.3%	-0.3%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	3.3%	3.2%	3.2%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	-0.1%	-0.1%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.1%	-0.8%	-0.8%
Global Government Bonds	JP Morgan Global GBI	USD	0.6%	-1.0%	-1.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.7%	-0.5%	-0.5%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.8%	1.8%	1.8%
Emerging Market Bonds	JP Morgan EMBI +	USD	-1.2%	-1.0%	-1.0%

Source: Bloomberg, January 2013

## Returns to 11 January 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 11 January 2013	Month to date	YTD 2013
<b>Property</b>					
US Property Securities	MSCI US REIT NR	USD	0.4%	2.1%	2.1%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-0.3%	1.8%	1.8%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-2.9%	-1.1%	-1.1%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	1.7%	1.5%	1.5%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	0.9%	2.2%	2.2%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.5%	1.8%	1.8%
<b>Currencies</b>					
Euro		USD	2.1%	1.1%	1.1%
UK Pound Sterling		USD	0.4%	-0.7%	-0.7%
Japanese Yen		USD	-1.2%	-2.8%	-2.8%
Australian Dollar		USD	0.5%	1.4%	1.4%
South African Rand		USD	-1.8%	-2.9%	-2.9%
Swiss Franc		USD	1.2%	0.2%	0.2%
Chinese Yuan		USD	0.2%	0.2%	0.2%
<b>Commodities &amp; Alternatives</b>					
Commodities	RICI TR	USD	0.7%	0.4%	0.4%
Agricultural Commodities	RICI Agriculture TR	USD	1.2%	-0.4%	-0.4%
Oil	ICE Crude Oil CR	USD	0.5%	1.9%	1.9%
Gold	Gold Index	USD	0.4%	-0.7%	-0.7%
Hedge Funds	HFRX Global Hedge Fund	USD	0.5%*	1.0%*	1.0%*

\* Estimate

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