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# Weekly Review

Week ending 11<sup>th</sup> May 2012

Global equities declined by 1.7% last week in US dollar terms, as shares in Asia retreated by approximately 4.0%. Investors sold their emerging markets exposure more aggressively, to leave the MSCI aggregate down 4.1% over the period. Global government bonds fell by a modest 0.1% when converted into US dollar terms, despite local currency gains for treasuries, UK gilts and Japanese government bonds.

National elections in Greece during the past fortnight saw two thirds of voters reject the main pro-bailout parties, to cast fresh doubts over the viability of the country's austerity programme, and indeed Greece's continued participation in the euro. Whilst centrist parties lost ground, the Coalition of the Radical Left (Syriza) saw its support swell to 16.8%, as both Left and Right enjoyed gains at the polls. The value of Greece's stock market fell by 6.7% the following day, whilst yields on newly restructured 10 year government bonds rose by 2%. So far no party has been able to form a coalition government, with the prospect of new elections in June rising as a result. Despite the uncertainty surrounding Greece, the European Financial Stability Fund (EFSF) agreed to release EUR 4.2 billion of the country's next loan tranche, with the remaining EUR 1 billion to be disbursed before it is needed in June.

Political change is afoot in Europe, after France's Socialist party won control of the country for the first time in 17 years following run-off elections at the start of the month. Meanwhile in Germany, Chancellor Angela Merkel's Christian Democratic Union (CDU) suffered its worst local-election performance in the northern state of Schleswig-Holstein since 1950, polling 30.8% of the vote. Over the weekend the CDU subsequently dropped to defeat in Germany's largest state, North Rhine-Westphalia.

Spain's economy is officially back in recession, after the country's statistics office announced that output had contracted by 0.3% in the first quarter of 2012, having declined by the same amount during the previous three months to the end of December. Commentators continue to focus on the capital needs of Spain's banking sector,

which remains weighed down by troubled property loans. The recapitalisation process may finally be underway, however, after last week's decision to partially nationalise Bankia – Spain's fourth largest lender – by converting EUR 4.5 billion of government preferred stock into ordinary voting shares.

Chinese industrial production grew by 9.3% year-on-year in April, compared with 11.9% in March. Analysts have highlighted this data point as a good indication of a likely 'soft-landing' for China's economy, with 2008's lows in production growth anchoring expectations regarding the alternative 'hard-landing' scenario. The People's Bank of China cut the reserve requirement ratio for the country's largest banks by 0.5% over the weekend, to increase liquidity in the economy.

In company news, JP Morgan announced unrealised losses of USD 2 billion from its synthetic credit portfolio after hours on Thursday. The portfolio is designed to hedge the overall credit exposure of the bank, although industry insiders have described the activities of the team responsible for its management as being analogous to a proprietary trading desk. Chief executive Jamie Dimon blamed the losses on "errors, sloppiness and bad judgement". In France, Credit Agricole reported a 75% fall in first quarter net profits related to loss making Emporiki, the Greek bank it acquired in 2006.

The US dollar has enjoyed gains versus a broad basket of currencies month to date, with investors seeking US treasuries as a safe haven in times of uncertainty. The broad commodities index fell by 2.2% last week, with agricultural commodities, oil and gold all experiencing falls. The International Energy Agency, the energy watchdog to the industrialised nations, increased its forecast for global oil demand by 80,000 barrels a day to 88.7 million barrels. Despite the announcement, Brent crude for delivery in June fell by 0.8% to USD 112.3 per barrel. Argentina's President Cristina Fernandez de Kirchner received Congressional support for the proposed nationalisation of YPF, with a majority of 207 votes to 32 at the start of the month.

## Returns to 11 May 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 11 May 2012	Month to date	YTD 2012
<b>Equities</b>					
United States	S&P 500 NR	USD	-1.1%	-3.1%	8.2%
United Kingdom	FTSE All Share TR	GBP	-1.1%	-2.6%	3.0%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.1%	-1.9%	3.6%
Japan	Topix TR	JPY	-4.3%	-5.7%	5.2%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-3.9%	-5.0%	7.4%
Global	MSCI World NR	USD	-1.7%	-3.8%	6.1%
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	-2.2%	-7.1%	7.8%
Emerging Asia	MSCI EM Asia NR	USD	-4.8%	-5.0%	7.5%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.4%	-5.8%	3.9%
BRICs	MSCI BRIC NR	USD	-4.3%	-7.0%	3.9%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-4.1%	-5.3%	6.7%
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3%	0.5%	0.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.2%	0.3%	3.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.0%	0.4%	3.9%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.1%	0.5%	6.9%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.3%	1.1%	-0.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.1%	1.0%	3.6%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	0.6%	3.9%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.1%	0.4%	6.2%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.5%	0.2%	12.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.3%	1.1%
Australian Government	JP Morgan Australia GBI TR	AUD	1.2%	1.9%	3.6%
Global Government Bonds	JP Morgan Global GBI	USD	-0.1%	-0.1%	0.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.3%	-0.3%	1.6%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.8%	-1.9%	5.9%
Emerging Market Bonds	JP Morgan EMBI +	USD	-1.2%	-0.5%	5.5%

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

## Returns to 11 May 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 11 May 2012	Month to date	YTD 2012
<b>Property</b>					
US Property Securities	MSCI US REIT NR	USD	0.5%	0.1%	13.7%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	2.3%	1.6%	12.8%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	1.2%	0.5%	8.0%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-1.2%	0.3%	13.7%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-4.5%	-5.7%	12.7%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-1.0%	-1.9%	13.3%
<b>Currencies</b>					
Euro		USD	-1.3%	-2.2%	-0.3%
UK Pound Sterling		USD	-0.4%	-0.9%	3.6%
Japanese Yen		USD	0.0%	0.0%	-3.7%
Australian Dollar		USD	-1.3%	-3.3%	-1.8%
South African Rand		USD	-3.2%	-4.0%	0.0%
Swiss Franc		USD	-1.3%	-2.2%	0.8%
Chinese Yuan		USD	-0.1%	0.0%	-0.3%
<b>Commodities</b>					
Commodities	RICI TR	USD	-2.2%	-5.9%	-1.7%
Agricultural Commodities	RICI Agriculture TR	USD	-3.6%	-6.0%	-5.6%
Oil	ICE Crude Oil CR	USD	-3.6%	-5.6%	5.1%
Gold	Gold Index	USD	-3.7%	-4.1%	3.4%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.4%	-0.8%	2.4%

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