Weekly Review

Week ending 12th April 2013

The World Trade Organisation (WTO) revised down its forecast for global growth in 2013 last week, to 3.3% from 4.5% previously. The move was driven by concerns over recent events in the Eurozone and a general rise in protectionism around the world. Global growth in 2012 came in at 2%, the second worst figure since records began in 1981, but nonetheless Director General of the WTO, Pascal Lamy, has said he expects growth to rebound to 5% next year. Equities in both developed and emerging markets ended the week up by 2.7% and 1.2% respectively, whilst global bonds fell back by 0.4% in US dollar terms. Global property securities rose by 2.9% over the period, aided by a 6.3% rise in UK listed property, whilst commodities fell by 0.3%, after oil futures (-1.4%) and gold (-6.2%) both moved lower.

In Europe, Eurogroup finance ministers met in Dublin on Friday and agreed upon a seven year extension to the existing repayment terms for Portugal and Ireland. Following the bailout of the Republic of Ireland in 2010 and Portugal in 2011, both countries were due to have repaid their loans by the end of this year and 2014 respectively. On the issue of Cyprus, EU ministers confirmed that a EUR 10 billion bailout loan was ready for approval by member states and the International Monetary Fund (IMF). The news followed the release of a draft document prepared by Cyprus' creditors on Thursday, which highlighted a EUR 6 billion shortfall in the funds the country needs to raise in order to secure the loan, after the proposed cost of the rescue rose to EUR 23 billion from EUR 17 billion previously. Reports have suggested that Cyprus may sell a large proportion of its gold reserves to help fund a portion of this deficit. German officials have so far remained adamant that the contribution from international creditors will not change.

Elsewhere in Europe, industrial production in Spain dropped by 6.5% in February, after falling by 4.9% the previous month. Industrial output in France was 0.1% lower in the three months to the end of February compared to the previous quarter, with the manufacturing sector showing a bigger decline of 0.3%. In the UK, the Office for National Statistics reported a 5.5% increase in activity in the construction sector in February, although output still remains some 7% below its level at the same point last year.

In the US, President Barack Obama unveiled his USD 3.77 trillion budget on Wednesday, which he said "met Republicans more than halfway" in its terms. The budget, which outlines cuts to benefit programs and a new tax on the wealthy, aims to lower the fiscal deficit by an additional USD 1.8 trillion over the next 10 years. The plan also incorporates the 'Buffet Rule' of a minimum 30% tax rate on households earnings over USD 1 million, whilst including plans to spend USD 50 billion on infrastructure projects. Looking at data releases, the US Commerce Department reported a 0.4% fall in retail sales in March and revised down figures for January and February; the decline in sales is thought to have been caused by tax rises earlier in the year. Consumer sentiment, as measured by the University of Michigan's Consumer Sentiment Index also disappointed, after falling to a nine month low of 64.2 in March from 70.8 in February. Finally, the minutes of the Federal Monetary Policy Committee (FOMC) meeting on 20 March, indicate that members are moving towards slowing the rate of asset purchases, but remained dependant on improving data for the timing and pace of such reductions.

In Asia, inflation in China came in below expectations at 2.1% year-on-year in March, whilst GDP growth for the first quarter was also lower than expected, at 7.7%, and below the 7.9% growth seen in the final quarter of 2012. Trade figures also surprised on the downside, with the country posting its first trade deficit in more than a year at USD 884 million in March, after imports rose by more than expected. In Korea, as tensions continue to mount between North and South, the Bank of Korea opted to keep the seven day repo rate unchanged at 2.75% on Wednesday, despite political pressure to ease monetary policy.

Source: Bloomberg. Returns in US dollars unless otherwise stated. April 2013

Returns to 12 April 2013

Asset Class/Region	Index	Currency	Currency returns Week ending 12 April 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	USD	2.3%	1.3%*	11.9%
United Kingdom	FTSE All Share TR	GBP	2.3%	-0.3%*	10.0%
Continental Europe	MSCI Europe ex UK NR	EUR	2.0%	0.1%	5.6%
Japan	Topix TR	JPY	7.7%	11.0%	34.8%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	2.9%	1.2%	8.3%
Global	MSCI World NR	USD	2.7%	1.6%	9.5%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	2.1%	-0.6%	-3.2%
Emerging Asia	MSCI EM Asia NR	USD	0.7%	-2.2%	-3.5%
Emerging Latin America	MSCI EM Latin America NR	USD	1.7%	0.1%	1.0%
BRICs	MSCI BRIC NR	USD	1.5%	-1.4%	-4.3%
South Africa	FTSE JSE All Share TR	USD	2.2%	0.1%*	-5.9%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	1.2%	-1.4%	-3.0%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.2%	0.8%	0.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.5%	0.9%	0.4%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.1%	1.4%*	1.3%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.7%	0.8%*	3.7%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.0%	0.5%	1.2%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.2%	1.1%*	2.7%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.1%	1.1%	1.5%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.3%	0.6%*	1.1%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.4%	3.3%*	1.1%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-1.7%	-0.7%	1.8%
Australian Government	JP Morgan Australia GBI TR	AUD	0.1%	0.6%	0.4%
Global Government Bonds	JP Morgan Global GBI	USD	-0.8%	-0.2%	-3.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.4%	0.4%	-1.6%
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.4%	1.0%	4.5%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.9%	3.3%*	-0.1%

Source: Bloomberg, April 2013

Returns to 12 April 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 12 April 2013	Currency returns: Month to date	Currency returns: YTD 2013
Property					
US Property Securities	MSCI US REIT NR	**USD**	2.5%	4.7%	12.9%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	6.3%	5.0%	8.3%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	3.4%	2.5%	3.2%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	3.2%	5.1%	10.4%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	2.9%	7.7%	16.8%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	2.9%	5.7%	12.3%
Currencies					
Euro		**USD**	0.9%	2.3%	-0.6%
UK Pound Sterling		**USD**	0.0%	0.9%	-5.6%
Japanese Yen		**USD**	-0.9%	-4.2%	-11.9%
Australian Dollar		**USD**	1.2%	0.8%	1.1%
South African Rand		**USD**	1.7%	3.2%	-5.3%
Swiss Franc		**USD**	0.7%	2.4%	-1.3%
Chinese Yuan		**USD**	0.1%	0.3%	0.6%
Commodities & Alternatives					
Commodities	RICI TR	**USD**	-0.3%	-3.6%*	-3.4%
Agricultural Commodities	RICI Agriculture TR	**USD**	1.7%	-0.7%*	-2.2%
Oil	ICE Crude Oil CR	**USD**	-1.4%	-4.0%*	-4.9%
Gold	Gold Index	**USD**	-6.2%	-7.2%	-11.5%
Hedge Funds	HFRX Global Hedge Fund	**USD**	0.7%*	0.2%*	3.3%*

* *Estimate*

Source: Bloomberg, March 2013

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