

Weekly Review

Week ending 12 July 2013

Global equities rallied by 3.4% last week in US dollar terms to bring month to date returns to 4.6%. The S&P 500 continued to make new ground, reaching an all time high of 2850.7 on Friday. Characteristic of the global economic recovery since 2008, data published last week appeared somewhat at odds with these moves. The International Monetary Fund (IMF) reduced its forecast for global growth in its latest World Outlook report; down 0.2% in both 2013 and 2014 to 3.1% and 3.8% respectively. US output was also revised down by 0.2% to 1.7% and 2.7% for this year and next. This apparent disconnect between rising asset prices and less than inspiring growth seems to be explained in part by continued loose monetary policy from the world's largest central banks. In his regular Question & Answer session following the release of the Federal Open Market Committee minutes on Wednesday, Federal Reserve Chairman Ben Bernanke spoke about "highly accommodative monetary policy...for the foreseeable future". The Fed Chairman appears keen to set a more dovish tone following his comments in May that caused last month's "taper tantrum" in markets. His answers before the National Bureau of Economic Research underpinned gains in equities, credit and commodities, with emerging market equities enjoying their best one day performance since September 2012 on Thursday, as stocks rallied by 3.0%. The debate around Fed tapering remains of keen interest to investors however, with the minutes also stating that "About half of participants indicated that it likely would be appropriate to end asset purchases later this year".

In China, exports fell by 3.3% year-on-year in June compared to growth of 3.7% expected by economists; the country's first negative print since January 2012. Imports also disappointed, down by 0.7% versus +6.0% expected. Speculation that the recent spate of weak data may force China's new administration to introduce some kind of stimulus into the economy helped Chinese equities rally into the end of the week. China released its second quarter growth figures earlier today, which showed GDP growth slowing to 7.5% (annualised) for the three months to June, marking the ninth quarter out of the last ten in which the rate of expansion has weakened.

In southern Europe, the supranational bodies involved in Greece's bailout (the International Monetary Fund, the European Union and the European Central Bank, collectively known as the 'troika') agreed to release the country's bailout funds on Monday. Once again the troika's decision helps to avoid a short term headache for markets, without shedding much light on the longer term dynamics surrounding Greece's national finances. In Portugal, CDS-People's Party leader Paulo Portas rescinded his resignation from the coalition government, with the offer of the vice-Prime Minister role. He will take on overall responsibility for economics and government reform, whilst also managing the coalition's relationship with the troika. Given Mr. Portas' opposition to Portugal's austerity programme which lay behind his decision to hand in his resignation at the start of the month, the coalition may find relations with the troika become strained. Finally, Italy has been downgraded to BBB by ratings agency Standard & Poor's (from BBB+ previously). The agency cited weakening growth plus an impaired monetary transmission mechanism, as being behind its decision to downgrade the sovereign. Italy's rating outlook remains on negative.

Alcoa kicked off US second quarter earnings season after the market close on Monday; the aluminium producer reported earnings per share of 7 cents versus circa 6 cents expected, and revenue of USD 5.85 billion (analysts' consensus 5.79 billion).

Returns to 12 July 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 12 July 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	3.0%	4.7%	18.8%	23.7%
United Kingdom	FTSE All Share TR	GBP	2.7%	5.5%	14.4%	22.8%
Continental Europe	MSCI Europe ex UK NR	EUR	2.9%	3.6%	8.4%	19.2%
Japan	Topix TR	JPY	1.1%	6.0%	41.3%*	66.9%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	2.6%	2.4%	-2.3%	7.9%
Australia	S&P / ASX 200 TR	AUD	2.7%	3.6%	9.2%	21.9%
Global	MSCI World NR	USD	3.4%	4.6%	13.4%	22.4%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	5.3%	3.5%	-13.0%	4.6%
Emerging Asia	MSCI EM Asia NR	USD	2.9%	1.3%	-5.4%	6.7%
Emerging Latin America	MSCI EM Latin America NR	USD	1.4%	-2.9%	-17.3%	-10.9%
BRICs	MSCI BRIC NR	USD	3.1%	0.6%	-12.1%	-1.1%
Mena countries	Dow Jones MENA TR	USD	0.7%	2.7%	12.5%	15.4%
South Africa	FTSE JSE All Share TR	USD	6.3%	1.9%	-10.7%	0.4%
India	Nifty Fifty TR	USD	3.9%	2.6%	-6.1%	8.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	3.1%	0.7%	-9.0%	1.6%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.6%	-0.5%	-3.0%	-3.5%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.7%	-0.3%	-8.1%	-7.3%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	1.2%	0.3%	-3.2%	-1.2%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	1.3%	1.2%	2.7%	8.8%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.3%	1.0%	-2.2%	-3.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	1.4%	1.4%	0.0%	3.9%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.2%	0.7%	0.8%	5.9%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.5%	0.9%	0.9%	5.9%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	2.5%	1.6%	2.2%	22.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.1%	0.7%	0.7%
Australian Government	JP Morgan Australia GBI TR	AUD	0.5%	0.3%	-0.1%	0.3%
Global Government Bonds	JP Morgan Global GBI	USD	1.5%	0.2%	-5.6%	-5.7%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	1.5%	0.3%	-4.1%	-2.3%
Global Convertible Bonds	UBS Global Convertible Bond	USD	2.1%	2.4%	7.9%	15.5%
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.2%	-0.4%	-9.7%	-4.5%

* Estimate

Source: Bloomberg, July 2013

Returns to 12 July 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 12 July 2013	Month to date	YTD 2013	Estimate 12 months
Property						
US Property Securities	MSCI US REIT NR	USD	3.4%	3.6%	9.5%	9.5%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	3.0%	8.5%	18.7%	28.3%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	2.6%	3.8%	3.4%	10.6%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-2.0%	-0.3%	8.2%	16.2%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	1.0%	2.8%	3.0%	19.7%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	2.7%	3.6%	6.1%	14.3%
Currencies						
Euro		USD	1.9%	0.4%	-0.9%	6.2%
UK Pound Sterling		USD	1.5%	-0.7%	-7.0%	-3.6%
Japanese Yen		USD	2.0%	-0.1%	-12.6%	-21.2%
Australian Dollar		USD	-0.2%	-1.0%	-12.9%	-13.8%
South African Rand		USD	2.2%	-1.0%	-15.2%	-17.2%
Swiss Franc		USD	1.9%	-0.1%	-3.2%	3.2%
Chinese Yuan		USD	-0.1%	0.0%	1.5%	3.7%
Commodities & Alternatives						
Commodities	RICI TR	USD	2.3%	4.6%	-3.0%	-1.3%
Agricultural Commodities	RICI Agriculture TR	USD	1.7%	1.3%	-6.7%	-13.4%
Oil	ICE Crude Oil CR	USD	2.6%	5.4%	-2.2%	1.7%
Gold	Gold Spot	USD	5.1%	4.1%	-23.3%	-20.4%
Hedge Funds	HFRX Global Hedge Fund	USD	0.6%*	0.8%	4.0%*	5.8%*

* Estimate

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