

Market Weekly Review

Week ending 13 September 2013

Political instability in the Middle-East eased over the weekend after the Syrian government agreed to a US-Russian agreement, under which Bashar al-Assad's government will be required to destroy its chemical weapons programme by the middle of 2014. The diplomatic breakthrough, which requires Syria to provide full details of its stockpile within a week, was cautiously welcomed by the Obama administration. However, in a joint news conference with Israeli Prime Minister Benjamin Netanyahu, US Secretary of State John Kerry was keen to point out that "the threat of force is real" should Syria fail to destroy its chemical weapons.

Eurogroup ministers came together for the two-day Eurogroup/ECOFIN meeting in Vilnius last week, where the debate focussed on the future of the Banking Union and the best way to enhance financing for small and medium-sized enterprises (SMEs). In their first meeting since the end of the summer break, ministers welcomed positive developments in the broader euro area, which returned to growth in the second quarter of the year. Ministers also praised Cyprus, after the Mediterranean nation successfully completed its first review, as set out in the terms of its bailout.

Elsewhere in Europe, Spanish public debt soared to a record EUR 942.8 billion in June, representing some 92.2% of the country's annual economic output. Whilst Prime Minister Mariano Rajoy had previously targeted public spending cuts of EUR 150 billion between 2012 and 2014, public debt has instead risen by nearly 15% compared to this time last year, as a result of rising unemployment and benefit payments.

In the UK, unemployment fell slightly from 7.8% to 7.7%, after the office for National Statistics reported a reduction of 24,000 in the number of people out of work in the three months to July. The pound rose to an eight month high following the release of the news on Friday, at 1.5874 dollars to the pound.

In the US, Verizon Communications completed the biggest debt raising in history on Wednesday, issuing bonds worth USD 49 billion to dwarf the previous record held by Apple Inc of USD

17 billion. Data from the US was mixed, however, with retail sales growing less than consensus forecasts in August, at 0.2% versus 0.4% expected. The preliminary consumer sentiment index report from the University of Michigan also fell to a six month low of 76.8 in September, down from 82.1 the previous month. However, business inventory data provided some more upbeat news, as the Commerce Department reported that inventories had posted their largest increase in six months in July, up by 0.4% after increasing by 0.1% in June.

In Asia, India's economic advisory council lowered its growth forecast to 5.3% for the current financial year, down from 6.4% previously. Whilst warning that the 4.8% fiscal deficit target for the year "could be a challenge", the council also admitted to having reached 62.8% of the budgetary provision for the full year in the first four months of 2013 alone. In Indonesia, policymakers raised interest rates for the second time in two weeks to 7.25%, now the highest level in more than four years.

Global equity markets continue to rally from the start of September, returning 2.1% over the week. Emerging markets outperformed their developed counterparts with gains of 3.3% in US dollar terms, helped by the strong performance of India and Eastern European markets, which added 6.2% and 5.2% in US dollar terms respectively.

Most fixed income markets were positive over the week, as global and emerging market bonds added 0.5% and 1.4% respectively. Meanwhile US treasuries and UK gilts returned 0.3% and 0.1% in their respective local currencies. Finally, global property securities added 2.7%, whilst commodities fell by 1.4% following a 4.7% drop in the gold spot price over the week.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 13 Sept 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	2.0%	3.4%	19.6%	19.0%
United Kingdom	FTSE All Share TR	GBP	0.7%	3.0%	16.6%	21.1%
Continental Europe	MSCI Europe ex UK NR	EUR	1.9%	4.6%	14.3%	21.1%
Japan	Topix TR	JPY	3.3%	7.2%	39.4%*	62.7%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	1.9%	5.2%	3.6%	9.9%
Australia	S&P / ASX 200 TR	AUD	1.6%	2.2%	16.2%	24.2%
Global	MSCI World NR	USD	2.1%	4.2%	16.4%	19.3%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	5.2%	7.3%	-5.0%	1.1%
Emerging Asia	MSCI EM Asia NR	USD	2.9%	5.4%	-1.4%	4.4%
Emerging Latin America	MSCI EM Latin America NR	USD	3.3%	8.1%	-11.7%	-7.9%
BRICs	MSCI BRIC NR	USD	3.2%	8.2%	-5.3%	1.0%
Mena countries	Dow Jones MENA TR	USD	3.6%	1.2%	15.4%	14.4%
South Africa	FTSE JSE All Share TR	USD	2.8%	7.4%	-3.0%	5.0%
India	Nifty Fifty TR	USD	6.2%	12.6%	-13.3%	-13.3%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	3.3%	6.3%	-4.5%	0.8%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3%	-0.7%	-3.9%	-3.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.7%	-0.9%	-9.4%	-8.8%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	-0.9%	-4.2%	-3.2%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	0.4%	3.1%	6.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.1%	-0.8%	-4.3%	-4.7%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.1%	-0.8%	-0.9%	1.3%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.0%	-0.3%	0.0%	3.0%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	-0.1%	0.6%	3.6%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.1%	1.1%	5.8%	15.6%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.4%	0.0%	1.4%	1.3%
Australian Government	JP Morgan Australia GBI TR	AUD	0.3%	-0.9%	-1.1%	-1.7%
Global Government Bonds	JP Morgan Global GBI	USD	0.4%	-0.3%	-5.4%	-7.1%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.5%	-0.2%	-3.8%	-4.1%
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.6%	3.1%	11.7%	15.0%
Emerging Market Bonds	JP Morgan EMBI +	USD	1.4%	1.1%	-10.5%	-7.6%

* Estimate

Source: Bloomberg, September 2013

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Property						
US Property Securities	MSCI US REIT NR	USD	2.3%	2.7%	1.9%	4.1%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	3.7%	3.5%	15.3%	24.4%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	1.3%	1.5%	0.7%	9.0%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	1.4%	0.2%	7.8%	14.6%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	3.1%	5.2%	4.4%	14.1%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	2.7%	3.7%	2.9%	8.8%
Currencies						
Euro		USD	0.9%	0.5%	0.8%	3.4%
UK Pound Sterling		USD	1.6%	2.4%	-2.3%	-1.8%
Japanese Yen		USD	-0.3%	-1.2%	-12.7%	-21.6%
Australian Dollar		USD	0.7%	3.9%	-11.1%	-10.9%
South African Rand		USD	0.9%	3.5%	-14.7%	-16.3%
Swiss Franc		USD	0.9%	0.0%	-1.5%	1.1%
Chinese Yuan		USD	0.0%	0.0%	1.8%	2.7%
Commodities & Alternatives						
Commodities	RICI TR	USD	-1.4%	-0.7%	-1.6%	-4.9%
Agricultural Commodities	RICI Agriculture TR	USD	0.0%	-0.3%	-7.7%	-13.0%
Oil	ICE Crude Oil CR	USD	-2.6%	-3.0%	1.6%	0.8%
Gold	Gold Spot	USD	-4.7%	-4.9%	-20.8%	-25.2%
Hedge Funds	HFRX Global Hedge Fund	USD	0.5%*	0.9%*	4.2%*	5.0%*

* Estimate

Source: Bloomberg, September 2013

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