



# Market Weekly Review

## Week ending 13 December 2013

Global equity markets disappointed last week, despite party leaders edging closer to reaching a budget deal in the US.

The S&P 500 fell by 1.6% over the week, in spite of a week of negotiations which saw the first bipartisan budget deal in four years being passed by the US House of Representatives on Thursday. The budget proposal, passed by a 332-94 vote, if approved by the Democrat-led Senate, will help prevent a US government shutdown in mid-January and would bode well for the next debt ceiling due in February of next year. The budget proposal, reached on Tuesday, outlines a two year plan aimed at reducing spending by USD 63 billion compared to sequester spending levels and sets out USD 85 billion of saving measures.

Data from the country however remained mixed over the week. Retail sales grew by a seasonally adjusted rate of 0.7% for November, marking the biggest gain since June according to the Commerce Department. Household wealth data was also positive, as net worth increased by USD 1.9 trillion to USD 77.3 trillion in the third quarter; the highest level since records began at the Federal Reserve in 1945. US producer prices however, fell for its third consecutive month in October, as the Producer Price Index (PPI) which fell by 0.1% in November.

In Europe, the two day Eurogroup/ECOFIN finance ministers' meeting scheduled for the beginning of the week finished inconclusively, with no agreement made on a Single Resolution mechanism for banks.

In Germany, an increase in imports in October reduced the country's trade surplus more than expected to EUR 17.9 billion, down from EUR 20.3 billion in September. Industrial production also decreased, down 1.2% in October, suggesting that weak growth in the eurozone could be dampening economic activity in its largest economy.

In Europe's peripheral states conditions also seemed disappointing after GDP numbers from Greece's statistics service ELSTAT, revealed its economy shrank by 3.0% in the third

quarter of this year from a year ago. Industrial production numbers in Turkey also fell dramatically by 3.1% in November to 0.7%, driven by a drop in mining and manufacturing activity.

In the UK, data was somewhat more positive with strong industrial production, construction, house price and budget releases. The Office for National Statistics (ONS) announced a GBP 0.4 billion reduction in the trade deficit in October, whilst industrial production rose for its second consecutive month, up 0.4% in October, and the UK construction industry grew by 2.2% over the same month, fuelled by a big rise in house building according to the ONS. House price sentiment, as measured by the Markit House Price Sentiment Index also rose to 59.4 in December, with a value above 50 indicating that prices are rising.

In Asia, Chinese industrial production and retail sales for November came in largely in line with expectation, growing at 10.0% and 13.7% from the same time a year ago. Consumer prices, as measured by the Consumer Price Index (CPI) however fell short of its inflation target of 3.5%, rising only by 3.1% in November from a year ago.

In Japan, GDP for Q3 was revised down from an annualised 1.9% to 1.1%, after the government downgraded its estimates for investment and business inventories. Business confidence however, as measured by the Bank of Japan's latest Tankan survey, rose to its highest level in six years to +16, from +12 in September.

Emerging market equities outperformed developed market equities over the week, falling by 1.1% and 1.5% in US dollar terms respectively. Returns from fixed income securities were however generally positive, with global bonds (0.1%), global emerging market bonds (1.2%), US treasuries (0.1%) and UK Gilts (0.1% in sterling terms) all providing positive returns over the week. Global property securities returned -1.9%, whilst commodities fell by 0.3%, helped by a fall in the price of oil (-2.2%).

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 13 Dec 2013	Month to date	YTD 2013	12 months
<b>Developed Market Equities</b>						
United States	S&P 500 NR	USD	-1.6%	-1.6%	26.3%	26.3%
United Kingdom	MSCI UK NR	GBP	-1.7%	-3.1%	13.0%	13.0%
Continental Europe	MSCI Europe ex UK NR	EUR	-2.0%	-4.8%	15.3%	15.3%
Japan	Topix TR	JPY	0.2%	-1.5%	46.8%*	46.8%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-2.6%	-4.8%	1.8%	1.8%
Australia	S&P / ASX 200 TR	AUD	-1.7%	-4.2%	14.3%	14.3%
Global	MSCI World NR	USD	-1.5%	-2.4%	21.0%	21.0%
<b>Emerging Market Equities</b>						
Emerging Europe	MSCI EM Europe NR	USD	-1.1%	-2.1%	1.1%	1.1%
Emerging Asia	MSCI EM Asia NR	USD	-1.1%	-3.9%	-14.7%	-14.7%
Emerging Latin America	MSCI EM Latin America NR	USD	-2.0%	-3.1%	-4.5%	-4.5%
BRICs	MSCI BRIC NR	USD	1.6%	1.4%	23.7%	23.7%
MENA countries	Dow Jones MENA TR	USD	-2.3%	-5.4%	-27.0%	-27.0%
South Africa	MSCI EM South Africa NR USD	USD	-3.0%	0.2%	-6.8%	-6.8%
India	Nifty Fifty TR	USD	-1.1%	-2.7%	-3.8%	-3.8%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.6%	-1.6%	-2.7%	-2.7%
<b>Bonds</b>						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	-0.5%	-2.9%	-2.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.4%	-1.0%	-8.7%	-8.7%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.4%	-0.2%	-1.6%	-1.6%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.1%	0.1%	7.0%	7.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.1%	-0.5%	-3.4%	-3.4%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2%	-0.5%	1.3%	1.3%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	-0.3%	2.5%	2.5%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	-0.4%	2.4%	2.4%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.5%	1.0%	14.1%	14.1%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.1%	-0.4%	2.3%	2.3%
Australian Government	JP Morgan Australia GBI TR	AUD	0.7%	0.0%	-0.5%	-0.5%
Global Government Bonds	JP Morgan Global GBI	USD	0.0%	-0.4%	-3.9%	-3.9%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.1%	-0.2%	-1.7%	-1.7%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.4%	-0.6%	15.9%	15.9%
Emerging Market Bonds	JP Morgan EMBI +	USD	1.2%	0.6%*	-8.2%	-8.2%

\* Estimate

Source: Bloomberg, December 2013

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<b>Property</b>						
US Property Securities	MSCI US REIT NR	USD	-2.5%	-1.7%	-0.5%	-0.5%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-1.2%	-4.4%	-0.2%	-0.2%
Asia Property Securities	S&P Asia Property 40 NR	USD	-1.3%	-3.9%	3.0%	3.0%
Global Property Securities	S&P Global Property USD TR	USD	-1.9%	-2.9%	1.0%	1.0%
<b>Currencies</b>						
Euro		USD	0.3%	1.1%	4.2%	4.2%
UK Pound Sterling		USD	-0.3%	-0.4%	0.3%	0.3%
Japanese Yen		USD	-0.3%	-0.8%	-16.0%	-16.0%
Australian Dollar		USD	-1.5%	-1.6%	-13.8%	-13.8%
South African Rand		USD	0.3%	-1.2%	-17.7%	-17.7%
Swiss Franc		USD	0.3%	1.9%	2.9%	2.9%
Chinese Yuan		USD	0.2%	0.4%	2.7%	2.7%
<b>Commodities &amp; Alternatives</b>						
Commodities	RICI TR	USD	-0.3%	1.2%	-4.9%	-4.9%
Agricultural Commodities	RICI Agriculture TR	USD	0.1%	-0.2%	-9.9%	-9.9%
Oil	ICE Crude Oil CR	USD	-2.2%	-1.7%	-1.3%	-1.3%
Gold	Gold Spot	USD	0.8%	-1.2%	-26.1%	-26.1%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.2%*	-0.6%*	5.5%*	5.5%*

\* Estimate

Source: Bloomberg, December 2013

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