

Weekly Review

Week ending 15th February 2013

Finance ministers and central bankers came together for the first G20 summit of 2013 in Moscow last week. Attendees agreed to “refrain from competitive [currency] devaluation” and avoid targeting exchange rates for “competitive purposes”, without singling out Japan, whose currency has fallen circa 16% in the last six months against the US dollar. Global equities fell back by 0.2% in US dollar terms, after stocks in Japan declined by 1.6% in local currency terms. European and UK equities rose by 0.3% and 1.3% respectively, whilst emerging markets outperformed their developed counterparts (up 0.6%), despite emerging Europe and Latin America falling by 1.3% and 0.4% respectively. In fixed income markets, global government bonds declined by 0.5% in US dollar terms, with European government and corporate bonds providing some of the few areas of positive returns for investors. Finally, global property securities gained 0.2% last week, helped by a 2.5% rise in UK listed property, whilst commodities fell by 0.7%.

In the US, President Barack Obama outlined his plans for his second term in his State of the Union speech on Tuesday, focusing on ‘reigniting’ the economy by targeting the middle classes and modernising tax laws. The President also called on Congress to approve a USD 50 billion “Fix it first” program of infrastructure improvements, and campaigned to raise the minimum wage from \$7.25 to \$9.00. Meanwhile, latest data releases from the US economy were fairly mixed, with January retail sales climbing 0.1% from their level at the end of December, but industrial production moving 0.1% lower for the same period. Consumer confidence in the US improved in February to a three month high, as reported by the University of Michigan’s preliminary index of consumer sentiment, which rose to 76.3 from 73.8 in January.

In Europe, disappointing growth figures for the last quarter of 2012 saw equities in both developed and emerging Europe provide subdued returns of 0.3% and -1.3% respectively over the week. Euro area gross domestic product (GDP) disappointed forecasters, after returning -0.6% between September and December, against -0.4% expected; marking the sharpest contraction since

the beginning of 2009. Germany, Italy and France’s GDP all underperformed consensus forecasts, with Germany - the biggest economy in the Eurozone - suffering its biggest slump since the beginning of the financial crisis, as output contracted by 0.6%. Italy and France’s GDP shrank by 0.9% and 0.3% over the quarter respectively.

In the UK, the Bank of England’s inflation report on Wednesday stated that inflation “may remain above the 2% target for the next two years”, whilst the Governor of the Bank of England, Sir Mervyn King, said the UK economy will see a “slow but steady recovery”. The rate of the UK Consumer Price index (CPI), as measured by the Office for National Statistics, was unchanged at 2.7% for the fourth consecutive month in January, driven by a rise in prices of alcohol and tobacco. Meanwhile the Retail Price index (RPI), which includes housing costs, rose to 3.3% from 3.1% in December. Retail sales also fell in January, down 0.6% from their level at the end of December, with the food sector being one of the biggest drags on performance, after sales declined by 2.6% year-on-year to hit their lowest level since 2004.

Mainland Chinese shares were mixed this morning, after the market reopened following the one week break for the Lunar New Year. In Japan, the two day Bank of Japan meeting during the middle of the week saw officials keep rates and the target level for asset purchases on hold, whilst upgrading their growth forecast for the economy despite inflation remaining around 0%. Japanese GDP fell by 0.1% during the final quarter of 2012, due to a drop in exports and a lack of domestic consumption.

Returns to 15 February 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 15 February 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	USD	0.2%	1.6%	6.8%
United Kingdom	FTSE All Share TR	GBP	1.3%	1.5%	8.0%
Continental Europe	MSCI Europe ex UK NR	EUR	0.3%	-0.5%	3.3%
Japan	Topix TR	JPY	-1.6%	0.2%	9.6%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.9%	1.4%	6.6%
Global	MSCI World NR	USD	-0.2%	0.2%	5.3%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	-1.3%	-2.7%	0.9%
Emerging Asia	MSCI EM Asia NR	USD	1.4%	0.4%	1.5%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.4%	-1.3%	2.4%
BRICs	MSCI BRIC NR	USD	0.3%	-1.7%	2.4%
South Africa	FTSE JSE All Share TR	USD	-0.4%	1.4%	-1.0%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.6%	-0.2%	1.2%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.1%	0.0%	-0.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.4%	-0.6%	-1.4%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.1%	0.1%	-0.8%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	0.0%	1.4%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.7%	-0.9%	-2.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.3%	-0.5%	-1.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	-0.1%	-0.6%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	0.6%	-0.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	-1.4%	1.8%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.2%	0.4%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.1%	-0.2%	-0.7%
Global Government Bonds	JP Morgan Global GBI	USD	-0.5%	-1.4%	-2.9%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.3%	-1.0%	-1.8%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.0%	0.0%	2.8%
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.4%	0.0%	-2.1%

Source: Bloomberg, February 2013

Returns to 15 February 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 15 February 2013	Month to date	YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	0.5%	1.5%	5.2%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	2.5%	2.9%	3.9%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	1.4%	0.7%	-0.3%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-1.4%	0.2%	4.6%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-0.7%	-2.2%	1.5%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.2%	-0.2%	3.0%
Currencies					
Euro		USD	0.0%	-1.6%	1.3%
UK Pound Sterling		USD	-1.8%	-2.2%	-4.5%
Japanese Yen		USD	-0.9%	-1.9%	-7.3%
Australian Dollar		USD	-0.1%	-1.1%	-0.9%
South African Rand		USD	0.1%	0.9%	-4.6%
Swiss Franc		USD	-0.5%	-1.3%	-0.7%
Chinese Yuan		USD	0.0%	-0.2%	0.0%
Commodities & Alternatives					
Commodities	RICI TR	USD	-0.7%	-0.8%	3.1%
Agricultural Commodities	RICI Agriculture TR	USD	-1.2%	-2.6%	0.2%
Oil	ICE Crude Oil CR	USD	0.3%	2.6%	6.6%
Gold	Gold Index	USD	-3.4%	-3.2%	-3.9%
Hedge Funds	HFRX Global Hedge Fund	USD	0.2%*	0.6%*	2.5%*

* Estimate

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