Weekly Review

Week ending 15th March 2013

Following a two-day meeting of European leaders in Brussels at the end of last week, officials from the European Union and the International Monetary Fund came together in the early hours of Saturday morning to announce a dramatic EUR 10 billion bailout deal for Cyprus. Whilst avoiding a disorderly collapse of the country's banks, the terms of the bailout - which would see deposits in Cypriot banks of less than EUR 100,000 hit with a one-off tax of 6.75% - have provoked public anger, with depositors accusing the government of going back on its promises to safeguard savings. Under the terms of the proposal, deposits in excess of EUR 100,000 will be taxed at 9.9%, with depositors receiving compensation in the form of bank shares. The deal is believed to have been put together under mounting pressure from Germany and other creditor countries, who argued that the one-off raid on depositors would reduce the bill for Cyprus' bailout from EUR 17 billion to a more manageable level.

European markets ended the week in positive territory despite some poor data releases from the region. Industrial production, as reported by the European Union's statistics office, contracted by 0.4% in January, versus consensus forecasts for a more modest fall of 0.1%. In Germany, industrial production contracted by 0.4% last month, after growing by 0.8% in December, whilst output from French factories, mines and utilities fell by 1.2% in January, considerably worse than the 0.2% drop forecast by economists.

The latest news from the UK economy was also disappointing, after data from the Office for National Statistics showed industrial and manufacturing output falling by 1.2% and 1.5% respectively in January. In the US, the S&P 500 returned 0.6% over the week, whilst the Dow Jones Industrial average reached a five year high of 14,539 points on Thursday. US retail sales rose by 1.1% in February (versus +0.5% expected) marking their biggest rise since September 2012, and business inventories surprised on the upside, after rising by 1.0%, against 0.5% expected. The US Consumer Price Index (CPI) rose by 0.7% in February to record its largest rise since June 2009, helped by a 9.1% rise in gasoline prices, whilst conditions in the labour markets also showed signs of improvement, after the number of Americans claiming benefits for the first time fell by ten thousand to 332,000 for the week ending 9 March (versus 350,000 expected).

Ireland continues to take positive steps towards full reintegration into international capital markets. The government held its first ten year bond auction since the country's bailout in 2010 last week. Having raised the target level for debt issuance from EUR 3 billion to EUR 5 billion, the auction attracted an order book of over 12 billion euros across some 400 separate accounts, with successful bid yields of around 4.15%.

In Asia, the Topix index ended the week at a four year high of 1,051.65, after Haruhiko Kuroda was approved as the new governor of the Bank of Japan by Japan's parliament. The upper house ratified Mr. Kuroda's appointment, after he won approval from the lower house on Thursday. Fresh appointments in China saw Li Keqiang confirmed as Premier following the confirmation of Xi Jin Ping as President on Thursday. Mr. Keqiang has pledged to reduce the power of bureaucrats and the level of government spending in the world's second largest economy.

Turning finally to markets, global developed equities outperformed their emerging counterparts last week, after adding 1.1% in US dollar terms compared to a return of -2.2% for the global emerging markets aggregate. In fixed income markets, global government bonds rose by 0.8% in US dollar terms, whilst global convertible bonds and emerging market debt performed less favourably, with returns of 0.4% and -0.2% respectively. Global property securities added 1.0% over the week, led by Asia, whilst the Broad Commodities index rose by 0.8%, helped by gold and agricultural commodities, which added 0.8% and 1.1% respectively.

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

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Week ending 15th March 2013

Returns to 15 March 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 15 March 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	**USD**	0.6%	3.1%	9.8%
United Kingdom	FTSE All Share TR	**GBP**	0.3%	2.4%	11.4%
Continental Europe	MSCI Europe ex UK NR	**EUR**	0.6%	3.2%	8.0%
Japan	Topix TR	**JPY**	3.1%	7.8%	22.4%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	0.7%	1.1%	8.8%
Global	MSCI World NR	**USD**	1.1%	2.9%	8.3%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	0.4%	1.7%	0.7%
Emerging Asia	MSCI EM Asia NR	**USD**	-2.5%	-2.0%	-1.0%
Emerging Latin America	MSCI EM Latin America NR	**USD**	-2.5%	0.2%	1.1%
BRICs	MSCI BRIC NR	**USD**	-2.5%	-0.5%	-0.8%
South Africa	FTSE JSE All Share TR	**USD**	-0.7%	1.3%	-3.7%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	-2.2%	-1.1%	-1.0%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.3%	-0.5%	-0.8%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.4%	-0.3%	-1.1%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.3%	-0.5%	-0.6%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.3%	0.8%	2.7%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.8%	0.1%	-1.0%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.7%	0.5%	0.5%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.1%	0.4%	0.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.4%	0.4%	0.4%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	1.0%	1.1%	1.0%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.2%	0.4%	1.6%
Australian Government	JP Morgan Australia GBI TR	**AUD**	-0.5%	-1.4%	-1.3%
Global Government Bonds	JP Morgan Global GBI	**USD**	0.8%	-0.8%	-3.4%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.7%	-0.5%	-2.2%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	0.4%	1.6%	3.8%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	-0.2%	-0.7%	-3.0%

Source: Bloomberg, March 2013

Returns to 15 March 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 15 March 2013	Month to date	YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	0.6%	1.9%	6.9%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-1.5%	0.6%	3.8%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.7%	0.7%	1.7%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.2%	-0.3%	7.8%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	2.0%	2.1%	7.7%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	1.0%	1.7%	5.7%
Currencies					
Euro		USD	0.5%	0.1%	-0.9%
UK Pound Sterling		USD	1.3%	-0.3%	-7.0%
Japanese Yen		USD	0.8%	-2.9%	-9.0%
Australian Dollar		USD	1.7%	1.9%	0.1%
South African Rand		USD	-1.0%	-1.8%	-7.8%
Swiss Franc		USD	1.3%	-0.2%	-2.5%
Chinese Yuan		USD	0.0%	0.2%	0.3%
Commodities & Alternatives					
Commodities	RICI TR	USD	0.8%	0.9%	0.7%
Agricultural Commodities	RICI Agriculture TR	USD	1.1%	1.4%	1.0%
Oil	ICE Crude Oil CR	USD	-1.5%	-3.0%	-1.1%
Gold	Gold Index	USD	0.8%	0.8%	-5.0%
Hedge Funds	HFRX Global Hedge Fund	USD	0.2%*	0.9%*	3.3%*

* *Estimate*

Source: Bloomberg, March 2013

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