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Market Weekly Review

Week ending 15 November 2013

Both global equities and global bonds finished the week in positive territory, adding 1.6% and 0.4% in US dollar terms respectively, after policymakers in the US indicated that monetary policy is set to remain accommodative for longer than previously anticipated.

On Thursday, Vice Chair of the Board of Governors of the Federal Reserve, Janet Yellen, reaffirmed the Fed's commitment to Quantitative Easing. In her confirmation hearing before the Senate Banking Committee, Yellen said it was "imperative" to do what was possible "to promote a strong economic recovery" and gave "no set time" for tapering. Markets responded positively to the prospect of continued liquidity injections from the Fed, and 10 year US Treasury yields fell 5 basis points to 2.70%.

Data from the US remained broadly mixed, as initial jobless claims for the week ending November 9 fell by 2,000 to 339,000, whilst the New York Fed's "Empire State" General Business Conditions Index slumped to -2.21 (from 1.52 in October), indicating a weakening in manufacturing conditions and marking the first negative reading since May this year.

In the UK, sterling rose by 0.6% against the dollar after an upbeat assessment of the economy heightened expectations that interest rates could rise sooner than previously expected. In its quarterly forecast on Wednesday, the Monetary Policy Committee (MPC) stated that there was a 50% chance that unemployment would fall to 7% in the last quarter of this year. Alongside inflation, the 7% threshold makes up a key element of the forward guidance given by the Bank of England (BoE) for deciding on when to begin tightening monetary policy. The announcement marks a big change from the MPC's previous forecast in August, which implied unemployment would remain above its 7% threshold until the summer of 2016. The BoE Governor, Mark Carney, was optimistic about the data, stating "the recovery has finally taken hold".

Elsewhere in Europe, first estimates for third quarter GDP were disappointing, as growth in the Eurozone appears to have slowed to just 0.1% from 0.3% previously. French growth also disappointed, as output contracted by 0.1% versus 0.0% expected, due to a pronounced fall in net exports. Germany (+0.3%), Spain (+0.1%) and Italy (-0.1%), however, were all in line with expectations. The region's Consumer Price Index, an index used to measure a change in the price level of a market basket of consumer goods and services purchased by households, fell to an annualised rate of 0.7%, down from 1.1% in September.

In China, the Third Plenary Meeting of the 18th Central Committee came to a close on Tuesday and dominated most of the week's headlines, after a sweeping and vague initial "guideline" document lef markets guessing. A follow-up statement released on Friday acted to reassure investors, however, as Chinese President Xi Jinping announced a plan involving 60 measures, including reforms aimed at deregulation, the opening up of industry, improving social security and a relaxation of the one-child policy. Chinese equities have rallied on the news and finished today's session up by 2.9%.

The Japanese yen finished the week 1.1% lower against the dollar, after falling to over 100 yen per dollar for the first time since September. Japanese GDP nearly halved in the third quarter, to an annualised rate of 1.9%, down from 4.3% and 3.8% seen in Q1 and Q2 respectively. A fall in exports, which slipped by 0.6% over the quarter, and a fall in household consumption (from 0.6% to 0.1%) were behind the slowdown in GDP growth.

Emerging market equities underperformed developed market equity over the week, despite comments from US policymakers regarding continued accommodative policy, with gains of 1.0% in US dollar terms. Fixed income markets also rallied over the period, with global government bonds (0.1%), US treasuries (0.3%), UK Gilts (0.5%) and European government bonds (0.3%), all ending the week higher (returns in local currency terms). Global property securities reversed some of their recent losses, up by 1.5%, whilst commodities also bounced back with returns of 0.2%, following a steep rise in oil futures (4.3%).

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

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 15 Nov 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	1.6%	2.5%	27.7%	28.8%
United Kingdom	FTSE All Share TR	GBP	-0.1%	-0.4%	17.2%	17.9%
Continental Europe	MSCI Europe ex UK NR	EUR	0.5%	0.3%	20.3%	22.4%
Japan	Topix TR	JPY	5.3%	3.7%	46.7%*	61.6%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.1%	-0.9%	9.0%	11.7%
Australia	S&P / ASX 200 TR	AUD	0.0%	0.2%	21.0%	25.1%
Global	MSCI World NR	USD	1.6%	1.3%	23.5%	25.8%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	0.6%	-3.1%	-1.4%	5.0%
Emerging Asia	MSCI EM Asia NR	USD	0.3%	-2.4%	0.6%	4.1%
Emerging Latin America	MSCI EM Latin America NR	USD	3.1%	-3.5%	-10.3%	-4.5%
BRICs	MSCI BRIC NR	USD	1.5%	-2.8%	-3.3%	1.5%
MENA countries	Dow Jones MENA TR	USD	0.1%	1.6%	21.5%	24.0%
South Africa	FTSE JSE All Share TR	USD	3.8%	-4.4%	-22.3%	-10.1%
India	Nifty Fifty TR	USD	-0.9%*	-5.7%*	-9.8%*	-10.1%-
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	1.0%	-2.8%	-2.5%	2.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3%	-0.5%	-2.4%	-2.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.5%	-0.8%	-7.5%	-8.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.5%	-0.6%	-1.8%	-1.8%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.1%	-0.2%	6.2%	7.8%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.5%	-0.7%	-2.7%	-3.2%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2%	-0.6%	1.9%	2.1%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	0.1%	2.6%	3.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	0.1%	2.6%	3.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.0%	-0.4%	11.1%	15.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.3%	-0.1%	2.5%	2.2%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.2%	-0.6%	-0.6%	-0.8%
Global Government Bonds	JP Morgan Global GBI	USD	0.1%	-1.1%	-3.5%	-4.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.4%	-0.9%	-1.6%	-1.9%
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.3%	0.4%	15.8%	18.1%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.2%	-2.1%	-8.4%	-7.6%

* Estimate

Source: Bloomberg, November 2013

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Property						
US Property Securities	MSCI US REIT NR	USD	1.4%	-2.2%	4.4%	8.1%
Australian Property Securities	S&P/ASX 200 Australia TR	AUD	0.4%	0.3%	7.7%	9.1%
Asia Property Securities	S&P Asia Property NR USD	USD	2.8%	0.4%	9.2%	15.8%
Global Property Securities	S&P Global Property TR USD	USD	1.5%	-1.3%	6.4%	10.9%
Currencies						
Euro		USD	1.0%	-0.6%	2.3%	3.9%
UK Pound Sterling		USD	0.6%	0.5%	-0.8%	0.7%
Japanese Yen		USD	-1.1%	-1.8%	-13.4%	-17.7%
Australian Dollar		USD	-0.2%	-0.9%	-9.9%	-10.2%
South African Rand		USD	1.7%	-1.1%	-16.6%	-12.3%
Swiss Franc		USD	0.7%	-0.9%	0.1%	1.4%
Chinese Yuan		USD	0.0%	0.0%	2.3%	2.2%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.2%	-1.4%	-6.3%	-7.1%
Agricultural Commodities	RICI Agriculture TR	USD	-0.4%	-0.8%	-11.1%	-13.8%
Oil	ICE Crude Oil CR	USD	4.3%	-0.8%	-1.9%	-2.1%
Gold	Gold Spot	USD	0.1%	-2.5%	-23.0%	-24.8%
Hedge Funds	HFRX Global Hedge Fund	USD	0.3%*	0.0%*	5.5%	6.5%*

* Estimate

Source: Bloomberg, November 2013

Important notes

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