

Market Weekly Review

Week ending 16 August 2013

The S&P 500 index fell in four out of the five trading sessions last week, to end down by 2.1%, following the publication of relatively mixed data from the US economy. Whilst manufacturing activity continued to increase in Philadelphia and New York in July, it did so at a slower pace than during the previous month, with manufacturing indices falling to 9.3 (versus 19.8 previously) and 8.2 (9.5 previously). In a similar vein, retail sales growth, while positive at +0.2% in July was less than the +0.3% expected by the market. Jobless claims and housing market data surprised on the upside, however, after jobless claims for the week ended 10 August were lower than predicted, falling by 15,000 to 320,000 versus 335,000 expected. The National Association of Home Builders (NAHB) Housing Market Index also posted a larger than anticipated rise at 59, against 57 expected; its highest reading since November 2005 (readings above 50 indicate more builders view sales as good rather than poor).

Across the Atlantic, conditions in Europe were somewhat more favourable, after better than expected second quarter GDP figures saw the Eurozone break out of recession for the first time in 18 months. With growth of 0.3% for the quarter, the Eurozone expanded at its fastest pace since the first quarter of 2011, with Germany and France also reporting stronger than expected growth of 0.7% and 0.5% respectively. Portugal, one of the smallest peripheral countries of the bloc and the recipient of a multi million euro bailout, delivered the fastest growth in the region, up by 1.1% over the quarter.

In the UK, the release of the minutes of the Monetary Policy Committee's (MPC's) August meeting, revealed that only one member of the nine-person committee had voted against the forward guidance measures announced by Bank Governor Mark Carney. Such measures, which are contingent on three clauses around inflation and financial stability, were announced by the Governor at the start of the month. The release of the minutes coincided with the latest data from the labour market, which showed a 29,000 reduction in those seeking jobseeker's allowance in July to 1.4 million. UK unemployment also fell by

4,000 to 2.51 million in the three months to June, leaving the unemployment rate at 7.8%; above the Bank of England's 7% target.

In other data, inflation in the UK, as measured by the Consumer Price Index (CPI), fell to 2.8% in July, from 2.9% in June. Statistics from the Office of National Statistics also showed the Retail Price Index (RPI), a measure which includes housing costs and other items not included in CPI, to have fallen to 3.1% from 3.3% in June.

In Japan, trade deficit figures out earlier today revealed a larger than expected trade deficit of JPY 1.02 trillion, versus JPY 773 billion expected. A 20% increase in imports and a 12.2% increase in exports over the past year helped contribute to the headline figure.

Elsewhere in India, the rupee continued to fall sharply against the dollar, hitting a new low of 61.7 rupees per dollar on Friday, despite the central bank putting in place measures on Wednesday to limit the amount of money which international investors could withdraw from the country, in an attempt to bolster the currency.

Global emerging markets outperformed developed markets last week, with gains of 0.8% in dollar terms, to bring returns over 12 months to 3.6%. Equity markets in emerging Asia were strong, rising by 2.0% in US dollar terms, whilst Indian stocks provided some of the lowest returns, down by 3.7% in US dollar terms.

Fixed income markets were generally negative, as investment grade bonds and convertibles both lost 1.0% over the week, and US treasuries, UK gilts and European government bonds declined by -1.1%, -1.3% and -0.5% in local currency terms respectively. Global property securities fell by 3.9% over the period, after US REITs lost 6.7%, whilst commodities rose by 2.7%, with oil futures (4.1%) and gold (4.8%) both moving higher.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 16 Aug 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-2.1%	-1.7%	17.2%	19.5%
United Kingdom	FTSE All Share TR	GBP	-1.1%	-1.1%	14.6%	20.3%
Continental Europe	MSCI Europe ex UK NR	EUR	0.5%	2.8%	13.5%	21.7%
Japan	Topix TR	JPY	0.2%	1.0%	34.4%*	59.7%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.9%	2.9%	1.4%	11.7%
Australia	S&P / ASX 200 TR	AUD	1.2%	1.3%	12.4%	22.9%
Global	MSCI World NR	USD	-1.1%	0.2%	14.3%	20.4%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	0.3%	2.3%	-7.3%	3.3%
Emerging Asia	MSCI EM Asia NR	USD	2.0%	0.8%	-4.6%	8.5%
Emerging Latin America	MSCI EM Latin America NR	USD	-2.3%	1.6%	-14.3%	-7.2%
BRICs	MSCI BRIC NR	USD	1.2%	2.0%	-9.7%	2.6%
Mena countries	Dow Jones MENA TR	USD	0.1%	1.8%	18.0%	17.2%
South Africa	FTSE JSE All Share TR	USD	0.6%*	2.2%	-6.4%	4.1%
India	Nifty Fifty TR	USD	-3.7%*	-6.1%	-17.1%	-5.7%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.8%	1.2%	-7.5%	3.6%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-1.1%	-1.0%	-3.7%	-4.1%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-2.6%	-1.9%	-9.0%	-7.9%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-1.6%	-1.5%	-4.1%	-2.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.3%	-0.6%	2.8%	7.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.3%	-2.0%	-4.4%	-5.4%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-1.1%	-1.2%	-0.6%	2.4%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.5%	-0.1%	0.7%	5.0%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.5%	-0.1%	0.8%	4.6%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.0%	1.1%	6.1%	20.9%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.1%	0.1%	1.0%	1.2%
Australian Government	JP Morgan Australia GBI TR	AUD	-1.2%	-1.0%	-0.6%	-0.7%
Global Government Bonds	JP Morgan Global GBI	USD	-1.1%	0.0%	-4.7%	-5.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-1.0%	-0.2%	-3.3%	-2.5%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-1.0%	0.1%	9.4%	14.8%
Emerging Market Bonds	JP Morgan EMBI +	USD	-1.2%	-1.0%	-9.7%	-5.5%

* Estimate

Source: Bloomberg, August 2013

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Property						
US Property Securities	MSCI US REIT NR	USD	-6.7%	-7.3%	-1.2%	-1.0%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-1.5%	-3.3%	14.4%	22.3%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.4%	0.6%	3.2%	11.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-1.6%	0.0%	7.7%	15.7%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-1.3%	1.9%	1.7%	18.6%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-3.9%	-3.0%	0.5%	8.1%
Currencies						
Euro		USD	-0.1%	0.2%	1.0%	6.0%
UK Pound Sterling		USD	0.8%	2.7%	-3.8%	-1.5%
Japanese Yen		USD	-1.3%	0.3%	-11.1%	-19.6%
Australian Dollar		USD	-0.2%	2.3%	-11.6%	-11.0%
South African Rand		USD	-2.7%	-2.2%	-16.1%	-16.8%
Swiss Franc		USD	-0.4%	0.0%	-1.2%	3.1%
Chinese Yuan		USD	0.1%	0.2%	1.9%	3.8%
Commodities & Alternatives						
Commodities	RICI TR	USD	2.7%	3.3%	-0.9%	-3.8%
Agricultural Commodities	RICI Agriculture TR	USD	2.1%	1.4%	-7.4%	-15.0%
Oil	ICE Crude Oil CR	USD	4.1%	3.7%	0.5%	-1.7%
Gold	Gold Spot	USD	4.8%	3.9%	-17.8%	-18.6%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.5%*	-0.4%*	3.8%*	5.1%*

* Estimate

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