

Weekly Review

Week ending 16th November 2012

Equities fell for the second week in a row, with developed markets down by 1.7%. Japan bucked the general trend, as the TOPIX index rallied by 2.8% in local currency terms, after opposition leader Shinzo Abe pledged to increase monetary easing in the event that he is elected as Prime Minister. Japan will vote for its next leader in December, with polls currently indicating a large proportion of undecided voters. Whilst most major stock markets have tended to move in tight formation over the past year, Japan has charted its own course. In the space of the last two weeks alone, Japanese equities have made up 4.1% versus stocks in the UK in local currency terms. These two markets are now the clear laggards amongst developed markets to date in 2012.

As equity markets continued to drift off, government bonds offered scant protection for global investors, with the JP Morgan Global Government Bond Index declining by 0.7%. Global property securities fell by 1.5% over the period, successfully protecting a portion of investors' capital relative to the broader equity market. Year to date listed property is now over 11% ahead of the global stock market. The yen fell sharply versus the US dollar, down by 2.2% to 79.9 yen per US dollar, its largest one week fall since February.

In commodity markets, agricultural commodities and gold were both marked down, with prices declining by 1.5% and 1.4% respectively. Oil rallied by 3.2% amidst growing tensions in the Middle East, after an Israeli missile attack killed the leader of Hamas' military arm. UN Secretary General Ban Ki-moon is due to arrive in Cairo today to help broker a ceasefire, after both sides exchanged rocket fire over the weekend. Reports suggest that Israel may be on the verge of expanding operations in the Gaza strip, after calling up 75,000 reservists.

Last week started on a positive note, after European leaders agreed to extend the timetable for Greece's fiscal adjustment programme by two years on Monday. A draft Troika report showed that Greece is expected to require additional loans worth EUR 32.6 billion as part of the new programme. So far policymakers have been keen to present a united front, but there was clear disagreement between Eurogroup President Jean-Claude Juncker

and International Monetary Fund (IMF) chief Christine Lagarde over the time needed for Greece to meet its debt-to-GDP target of 120%. A further meeting of Eurogroup leaders will take place tomorrow (20 November), at which a definite timetable is expected to be agreed for the release of Greece's next tranche of funding.

Eurozone GDP contracted by 0.1% last quarter. Following the 0.2% decline in output between March and June, last week's figures confirm that the 17-nation region is officially back in recession for the second time in five years. Growth in Germany slowed to 0.2% in the third quarter (down from 0.3% previously), whilst France surprised economists by registering growth of 0.2%, versus expectations for no change.

Investors remain concerned over the looming 'fiscal cliff' in the US. President Obama appears ready to take a hard line at the start of his second term, writing that "I'm committed to solving our fiscal challenges. But I refuse to accept any approach that isn't balanced" on social messaging site Twitter. Sentiment improved on Friday, however, after John Boehner, speaker of the Republican-controlled House of Representatives, described talks with the President as "constructive". The S&P 500 rallied by 1.2% following Mr. Boehner's comments, with momentum spilling over into Monday's Asian and European sessions.

Minutes from the Federal Open Market Committee meeting at the end of October confirmed members' commitment to easing labour market conditions. US initial jobless claims for the week ending 10 November registered 439,000 versus 375,000 expected, marking the highest number of claims since Hurricane Katrina. Tropical storm Sandy was a key factor behind the Department of Labor's latest figures.

Finally, in China the 18th National Party Congress came to an end on Tuesday, with Xi Jinping appointed as President of the ruling Communist Party. A number of key reform-minded candidates were absent from the seven-seat Politburo Standing Committee, to the disappointment of some observers.

Returns to 16 November 2012

| Asset Class/Region | Index | Currency | Currency returns | | |
|-------------------------------------|--|----------|------------------------------|---------------|----------|
| | | | Week ending 16 November 2012 | Month to date | YTD 2012 |
| Developed Market Equities | | | | | |
| United States | S&P 500 NR | USD | -1.4% | -3.6% | 9.6% |
| United Kingdom | FTSE All Share TR | GBP | -2.6% | -2.8% | 6.2% |
| Continental Europe | MSCI Europe ex UK NR | EUR | -2.5% | -2.6% | 11.0% |
| Japan | Topix TR | JPY | 2.8% | 1.2% | 5.5% |
| Asia Pacific (ex Japan) | MSCI Pacific ex Japan TR | USD | -2.6% | -3.1% | 16.0% |
| Global | MSCI World NR | USD | -1.7% | -3.6% | 8.2% |
| Emerging Market Equities | | | | | |
| Emerging Europe | MSCI EM Europe NR | USD | -1.4% | -3.6% | 12.0% |
| Emerging Asia | MSCI EM Asia NR | USD | -2.0% | -1.9% | 11.4% |
| Emerging Latin America | MSCI EM Latin America NR | USD | -2.4% | -3.6% | -0.2% |
| BRICs | MSCI BRIC NR | USD | -2.3% | -3.1% | 5.0% |
| South Africa | FTSE JSE All Share TR | USD | -3.2% | -3.1% | 7.7% |
| Global emerging markets | MSCI EM (Emerging Markets) NR | USD | -2.1% | -2.5% | 8.5% |
| Bonds | | | | | |
| US Treasuries | JP Morgan United States Government Bond Index TR | USD | 0.2% | 0.8% | 2.9% |
| US Treasuries (inflation protected) | Barclays Capital U.S. Government Inflation Linked TR | USD | -0.1% | 0.3% | 7.9% |
| US Corporate (investment grade) | Barclays Capital U.S. Corporate Investment Grade TR | USD | -0.1% | -0.1% | 9.9% |
| US High Yield | Barclays Capital U.S. High Yield 2% Issuer Cap TR | USD | -0.7% | -0.7% | 12.2% |
| UK Gilts | JP Morgan United Kingdom Government Bond Index TR | GBP | 0.1% | 0.9% | 3.2% |
| UK Corporate (investment grade) | BofA Merrill Lynch Sterling Non Gilts TR | GBP | 0.0% | 1.1% | 13.0% |
| Euro Government Bonds | Citigroup EMU GBI TR | EUR | 0.1% | 0.6% | 8.9% |
| Euro Corporate (investment grade) | Barclays Capital Euro Aggregate Corporate TR | EUR | 0.1% | 0.7% | 12.3% |
| Euro High Yield | BofA Merrill Lynch Euro High Yield Constrained TR | EUR | -0.1% | 0.4% | 22.8% |
| Japanese Government | JP Morgan Japan Government Bond Index TR | JPY | -0.1% | 0.2% | 2.0% |
| Australian Government | JP Morgan Australia GBI TR | AUD | 0.4% | 0.5% | 6.5% |
| Global Government Bonds | JP Morgan Global GBI | USD | -0.7% | -0.6% | 1.9% |
| Global Bonds | Citigroup World Broad Investment Grade (WBIG) TR | USD | -0.4% | -0.6% | 3.6% |
| Global Convertible Bonds | UBS Global Convertible Bond | USD | -0.5% | -1.3% | 8.7% |
| Emerging Market Bonds | JP Morgan EMBI + | USD | -0.4% | 0.3% | 15.4% |

Source: Lipper Hindsight, November 2012.

Returns to 16 November 2012

| Asset Class/Region | Index | Currency | Currency returns | | |
|---------------------------------------|--|----------|------------------------------|---------------|----------|
| | | | Week ending 16 November 2012 | Month to date | YTD 2012 |
| Property | | | | | |
| US Property Securities | MSCI US REIT NR | USD | -2.0% | -3.2% | 9.4% |
| UK Property Securities | FTSE EPRA/NAREIT United Kingdom TR | GBP | -1.9% | -3.4% | 21.0% |
| Europe ex UK Property Securities | FTSE EPRA/NAREIT Developed Europe ex UK TR | EUR | -2.2% | -4.4% | 17.3% |
| Australian Property Securities | FTSE EPRA/NAREIT Australia TR | AUD | -1.2% | -2.5% | 27.7% |
| Asia Property Securities | FTSE EPRA/NAREIT Developed Asia TR | USD | -0.5% | 0.1% | 35.9% |
| Global Property Securities | FTSE EPRA/NAREIT Developed TR | USD | -1.5% | -2.4% | 19.7% |
| Currencies | | | | | |
| Euro | | USD | 0.0% | -1.9% | -2.1% |
| UK Pound Sterling | | USD | -0.4% | -1.6% | 2.0% |
| Japanese Yen | | USD | -2.2% | -1.6% | -5.3% |
| Australian Dollar | | USD | -0.7% | -0.6% | 0.5% |
| South African Rand | | USD | -1.8% | -2.2% | -9.2% |
| Swiss Franc | | USD | 0.1% | -1.8% | -1.4% |
| Chinese Yuan | | USD | 0.2% | 0.0% | 0.9% |
| Commodities & Alternatives | | | | | |
| Commodities | RICI TR | USD | -0.1% | -0.6% | 0.4% |
| Agricultural Commodities | RICI Agriculture TR | USD | -1.5% | -3.1% | 2.6% |
| Oil | ICE Crude Oil CR | USD | 3.2% | 1.3% | 3.0% |
| Gold | Gold Index | USD | -1.4% | -0.3% | 11.9% |
| Hedge Funds | HFRX Global Hedge Fund | USD | -0.4%* | -0.4%* | 1.7%* |

* Estimate

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