

Market Weekly Review

Week ending **16 November 2014**

- Global markets subdued
- Japan slides back into recession
- US consumers remain upbeat
- European inflation continues to disappoint
- Chinese industrial production surprises on the downside

Global markets were relatively subdued last week, with equities adding 0.6% in developed markets and 0.3% in the emerging world. Australia and Latin America were notable underperformers, falling by 1.5% in Australian dollar terms and 3.5% in US dollar terms, respectively. US Treasuries were flat, while UK gilts added 0.6% in sterling terms. According to Deutsche Bank, high yield bond funds in the US continue to see inflows while European funds have had outflows for six of the past seven weeks. European high yield bonds added 0.6% in euro terms last week, and US high yield bonds fell by 0.3%. US investment grade bonds also fell (-0.1%) and European corporate bonds added 0.2%.

As at the time of writing, investors are focused on the news that Japan has fallen back into a technical recession, as its economy shrank for the second consecutive quarter. Economists had expected GDP growth to increase by 2.2% on an annualised basis, but GDP fell by 1.6% in the world's third largest economy. The fall in GDP of 7.1% in the second quarter of this year was also revised down to -7.3%. The April increase in consumption tax from 5% to 8% has arguably put more pressure on the Japanese economy than first anticipated. Prime Minister Shinzo Abe is now widely expected to call a snap election, possibly in the coming days, and to argue against a second consumption tax hike which is currently scheduled for next year. Last week, Japanese equities added 2.7% in yen terms and the yen fell by 2.3% against the US dollar.

In the US, the University of Michigan's consumer confidence index beat expectations, registering 89.4 versus consensus forecasts of 87.5, while wholesale business inventories also increased (0.3% month-on-month versus 0.2% expected). The

US dollar continued to rally on the back of the news, putting pressure on oil and gold prices. Brent crude oil fell by 5.8% as the Organisation of the Petroleum Exporting Countries (OPEC) prepares to meet at the end of the month to consider whether it will cut back on supply. The continued fall in the price of oil is putting pressure on the energy sector, which in turn is weighing on American stock markets. The S&P 500 ended the week up by a modest 0.4% but energy stocks declined.

In Europe, GDP data out of France surprised on the upside, printing +0.3% quarter-on-quarter versus expectations for a 0.1% increase. For the euro area as a whole, quarter-on-quarter GDP growth of 0.2% beat forecasts of 0.1%. Italy's economy continued to shrink as its headline figure came in at -0.1%. Inflation remains modest in the common currency bloc, with the German Consumer Price Index (CPI) registering -0.3% month-on-month and France reporting no change in its CPI number. Benoit Coeure, an executive board member of the European Central Bank, voiced his concern about the lack of inflation in Europe, and confirmed his support for accommodative policies for an extended period of time. European equities added 0.4% in euro terms last week, as the euro appreciated by 0.6% against the US dollar.

In China, the annual celebration of .Single's Day. resulted in record levels of online shopping to cement 11 November as the world's busiest online shopping day. Alibaba, the country's largest online market place which recently listed in the US, reported sales of RMB 57.1 billion (USD 9.3 billion) for the day. Concerns about a slowdown in China remain, however, as industrial production figures missed forecasts, registering +7.7% year-on-year versus an expected rise of 8.0%. The numbers for fixed asset investment excluding rural households rose by 15.9% year-on-year (versus forecasts of +16.0%), and retail sales rose by 11.5% year-on-year versus 11.6% expected. China also announced a gas supply deal with Russia, which may reduce the latter's dependence on European exports as sanctions continue to affect the Russian economy. Chinese President Xi Jinping and Japanese Prime Minister Shinzo Abe also shared a widely publicised handshake last week, as both leaders aim to ease geopolitical pressures in the region.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 14 Nov. 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.4%	1.2%	11.7%	14.5%
United Kingdom	MSCI UK NR	GBP	1.4%	1.9%	1.8%	3.5%
Continental Europe	MSCI Europe ex UK NR	EUR	0.4%	-0.4%	4.1%	4.9%
Japan	Topix TR	JPY	2.7%	5.0%	9.6%	13.5%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	0.9%	-0.9%	5.5%	4.1%
Australia	S&P/ASX 200 TR	AUD	-1.5%	-0.7%	6.2%	7.0%
Global	MSCI World NR	USD	0.6%	0.6%	5.2%	7.5%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	0.4%	-5.2%	-17.8%	-20.0%
Emerging Asia	MSCI EM Asia NR	USD	0.9%	-1.2%	5.4%	4.1%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.5%	-7.4%	-6.3%	-8.6%
BRICs	MSCI BRIC NR	USD	-0.2%	-3.4%	0.4%	-1.7%
MENA countries	Dow Jones MENA TR	USD	0.7%	-1.5%	16.2%	19.8%
South Africa	MSCI EM South Africa NR USD	USD	4.5%	1.5%	10.7%	11.9%
India	Nifty Fifty TR	USD	0.2%	0.4%	35.0%	38.9%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.3%	-2.5%	1.1%	-0.4%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.0%	0.2%	5.0%	3.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.3%	0.1%	5.3%	3.7%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.1%	-0.1%	6.5%	6.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.3%	-0.4%	4.3%	4.9%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.6%	1.1%	10.2%	8.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.5%	0.9%	9.5%	8.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	0.3%	10.7%	10.1%
Euro Corporate (inv. grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	0.4%	7.7%	7.2%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.6%	0.2%	-4.6%	-2.8%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.2%	3.0%	2.4%
Australian Government	JP Morgan Australia GBI TR	AUD	0.1%	-0.2%	7.3%	7.8%
Global Government Bonds	JP Morgan Global GBI	USD	0.0%	-0.9%	0.6%	-0.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.1%	-0.6%	1.1%	0.5%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	0.7%	-0.1%	-0.3%	1.0%
Emerging Market Bonds	JP Morgan EMBI+	USD	-0.3%	-1.4%	7.8%	8.3%

* Estimate

Source: Bloomberg

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Property						
US Property Securities	MSCI US REIT NR	USD	-0.6%	-0.8%	23.3%	23.4%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-0.1%	0.5%	17.7%	14.1%
Asia Property Securities	S&P Asia Property 40 NR	USD	3.4%	0.4%	2.8%	2.2%
Global Property Securities	S&P Global Property USD TR	USD	1.0%	-0.3%	12.4%	12.1%
Currencies						
Euro	EURUSD Spot Exchange Rate - Price of 1 EUR in USD	USD	0.6%	0.0%	-8.9%	-7.9%
UK Pound Sterling	GBPUSD Spot Exchange Rate - Price of 1 GBP in USD	USD	-1.3%	-2.1%	-5.4%	-4.3%
Japanese Yen	JPYUSD Spot Exchange Rate - Price of 1 JPY in USD	USD	-2.3%	-4.5%	-10.5%	-13.3%
Australian Dollar	AUDUSD Spot Exchange Rate - Price of 1 AUD in USD	USD	1.4%	-0.5%	-1.8%	-3.9%
South African Rand	ZARUSD Spot Exchange Rate - Price of 1 ZAR in USD	USD	1.7%	-0.4%	-5.4%	-8.2%
Swiss Franc	CHFUSD Spot Exchange Rate - Price of 1 CHF in USD	USD	0.7%	0.4%	-6.9%	-5.5%
Chinese Yuan	CNYUSD Spot Exchange Rate - Price of 1 CNY in USD	USD	-0.1%	-0.2%	-1.2%	-0.7%
Commodities & Alternatives						
Commodities	RICI TR	USD	-1.4%	-2.3%	-11.0%	-9.5%
Agricultural Commodities	RICI Agriculture TR	USD	1.4%	-0.7%	-6.6%	-8.1%
Oil	ICE Crude Oil CR	USD	-5.8%	-9.9%	-30.3%	-30.0%
Gold	Gold Spot	USD	0.9%	1.3%	-1.4%	-5.2%
Hedge funds	HFRX Global Hedge Fund	USD	0.0%	-0.1%	-0.3%	0.3%

* Estimate

Source: Bloomberg

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