

Market Weekly Review

Week ending 17 January 2014

Global equity markets remained subdued last week, with stocks in the UK providing some of the strongest returns, up by 1.4% in GBP terms.

The UK's positive performance was helped by a better-than-expected retail sales number from the Office for National Statistics (ONS). Sales in December beat expectations, up by 5.3% from this time last year, marking the fastest annual sales growth in more than nine years. Having spent 48 consecutive months above the Bank of England's 2.0% target, UK inflation - as measured by the Consumer Price Index (CPI) - fell to 2.0% in December, 0.1% below expectations.

In Europe, inflation in the largest economies generally fell in December, with harmonised CPI numbers for Germany, France, Italy and the Euro area of 0.8%, 0.7%, 0.8% and 1.2% year-on-year respectively. The risk of deflation and its threat to the economic recovery was highlighted over the week, with head of the International Monetary Fund (IMF), Christine Lagarde, stating "if inflation is the genie then deflation is the ogre that must be fought decisively" at the National Press Club in Washington. Growth in Europe was also disappointing, after Germany's preliminary reading for 2013 dropped 0.3% from 2012 to 0.4%.

In France, President Francois Hollande, whose private life has been in the spotlight of late, announced his programme for reviving the French economy in his New Year press conference on Tuesday, with reforms including a EUR 30 billion payroll tax cut.

Credit agency Moody's upgraded Ireland's debt from junk (Ba1) to investment grade (Baa3), based on its assessment of the country's improving fundamentals and growth opportunities.

In the US, equity markets fell by 0.2% last week, despite a set of reasonably positive data releases. Retail sales, as measured

by the Commerce Department, rose more than expected, up by 0.2% from November. Manufacturing sentiment also picked up in New York and Philadelphia, after the New York Empire Fed Manufacturing report reached its highest level in 20 months at 12.5 for January (9 points higher than expected) and the Philly Fed index increased to 9.4. Homebuilder confidence also remained above 50 - a level indicating that more builders think sales conditions are 'good' as opposed to 'poor' - despite falling 1 point to 56 according to the National Association of Homebuilders' (NAHB) homebuilder sentiment index for January.

Japan posted its largest current account deficit on record in November, after the shortfall widened from JPY 127.9 billion in October to 592.8 billion, driven predominately by rising energy costs. Meanwhile in China, data released earlier today was mixed, after GDP for the fourth quarter came in at 7.7% YoY, ahead of expectations of 7.6% but 0.1% slower than Q3's 7.8%. Industrial production, fixed asset investment and retail sales for December fell from November's readings, at 9.7%, 19.6% and 13.6% YoY respectively.

Developed market equities outperformed emerging market equities over the week; down by 0.2% and 1.2% in US dollar terms respectively. Returns from fixed income securities on the other hand were generally positive, with US treasuries (+0.1%), UK Gilts (+0.3% in sterling terms) and Euro government bonds (+0.6%) all providing positive returns over the week. Global property securities returned 0.3%, underperforming the return from commodities (+1.0%) after agricultural commodities (+0.3%) and gold (+0.4%) both rallied.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 17 Jan 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-0.2%	-50.0%	-0.5%	24.5%
United Kingdom	MSCI UK NR	GBP	1.4%	1.2%	1.2%	12.5%
Continental Europe	MSCI Europe ex UK NR	EUR	1.8%	2.4%	2.4%	20.4%
Japan	Topix TR	JPY	-0.1%	-0.4%*	-0.4%*	40.7%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-1.0%	-1.8%	-1.8%	-1.3%
Australia	S&P/ASX 200 TR	AUD	-0.1%	-0.9%	-0.9%	13.5%
Global	MSCI World NR	USD	0.1%	-0.2%	-0.2%	20.3%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-1.2%	-3.3%	-3.3%	-10.9%
Emerging Asia	MSCI EM Asia NR	USD	1.0%	-2.4%	-2.4%	-1.5%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.4%	-4.5%	-4.5%	-20.3%
BRICs	MSCI BRIC NR	USD	0.3%	-3.3%	-3.3%	-10.5%
MENA countries	Dow Jones MENA TR	USD	1.0%	3.2%	3.2%	25.2%
South Africa	MSCI EM South Africa NR USD	USD	-2.0%	-7.0%	-7.0%	-21.2%
India	Nifty Fifty TR	USD	1.2%	-0.3%	-0.3%	-9.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.2%	-3.0%	-3.0%	-6.8%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	0.8%	0.8%	-1.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.1%	1.4%	1.4%	-7.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	1.2%	1.2%	0.5%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	1.0%	1.0%	7.1%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.3%	1.3%	1.3%	-1.0%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.5%	1.9%	1.9%	3.8%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.6%	1.3%	1.3%	4.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.4%	0.9%	0.9%	4.5%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.5%	-0.7%	-0.7%	10.7%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.4%	0.4%	2.3%
Australian Government	JP Morgan Australia GBI TR	AUD	0.9%	0.8%	0.8%	1.3%
Global Government Bonds	JP Morgan Global GBI	USD	0.0%	0.5%	0.5%	-2.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.1%	0.4%	0.4%	-1.0%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.5%	1.4%	1.4%	16.6%
Emerging Market Bonds	JP Morgan EMBI+	USD	0.3%	0.5%	0.5%	-5.9%

* Estimate

Source: Bloomberg

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Property						
US Property Securities	MSCI US REIT NR	USD	0.5%	2.8%	2.8%	0.4%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	0.2%	2.4%	2.4%	-0.7%
Asia Property Securities	S&P Asia Property 40 NR	USD	0.3%	-1.4%	-1.4%	2.0%
Global Property Securities	S&P Global Property USD TR	USD	0.3%	0.7%	0.7%	1.0%
Currencies						
Euro		USD	-0.9%	-1.5%	-1.5%	-0.3%
UK Pound Sterling		USD	-0.4%	-0.8%	-0.8%	3.6%
Japanese Yen		USD	-0.2%	0.9%	0.9%	-12.1%
Australian Dollar		USD	-2.4%	-1.5%	-1.5%	-15.8%
South African Rand		USD	-2.0%	-3.4%	-3.4%	-17.6%
Swiss Franc		USD	-0.8%	-1.9%	-1.9%	0.0%
Chinese Yuan		USD	0.0%	0.1%	0.1%	2.8%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.0%	-1.5%	-1.5%	-9.5%
Agricultural Commodities	RICI Agriculture TR	USD	0.3%	-1.0%	-1.0%	-14.4%
Oil	ICE Crude Oil CR	USD	-0.4%	-4.1%	-4.1%	-6.8%
Gold	Gold Spot	USD	0.4%	4.0%	4.0%	-24.6%
Hedge funds	HFRX Global Hedge Fund	USD	0.1%*	0.4%*	0.4%*	5.1%*

* Estimate

Source: Bloomberg

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