Weekly Review

Week ending 17th May 2013

The past week proved to be another positive one for global equity markets. It was a week, again, where the developed indices were favoured over their emerging counterparts; indeed Global Emerging Markets (GEM) equity lost -0.4% in the five trading sessions to 17 May 2013. Over the same period, the developed markets added 1.2% in US dollar terms. Year to date this bifurcation of returns is starker still: the global developed markets have enjoyed a strong start to 2013, with returns of 14.2% whereas GEM has returned -0.1% for investors. Interestingly, over this period emerging Asian markets have posted small gains (1.5%), but these are superseded by negative returns elsewhere. While the GEM Asian markets may have outperformed other emerging regions, the developed Asia Pacific ex Japan markets have underperformed other developed markets year to date. Japan, however, remains the preeminent major market performer year to date, with gains of 47.1% in 2013.

The positive returns from the global equity market are all the more pleasing in the context of the week's global data pronouncements which were, on the whole, slightly behind expectations. For example, US industrial production slipped by -0.5% compared to a -0.2% anticipated result. Housing starts of 853k in the US were also behind expectations of 970k and the Philly Fed Index (a measure of regional manufacturing growth) printed at -5.2 compared to 2.0 expected. When the index is above 0 it indicates factory-sector growth, and when below 0 indicates contraction.

Fixed income markets were again moderately softer despite the levels of global liquidity as bond yields of high quality sovereign debt drifted higher last week. Overall global government debt returned -0.9% in US dollar terms. US Treasuries depreciated by -0.2%, UK gilts by -0.1% whereas aggregate European government bonds returned 0.3%. Investment grade debt behaved sympathetically to the drift out in government yields, with US, UK and European investment grade aggregate returns matching their sovereign counterparts. The lower quality end of the credit spectrum underperformed the government bond markets, providing an interesting contrast to the equity market gains experienced over the same period.

The week also provided a noteworthy dispersion of property security returns, with the UK's index gaining 4.2%. The returns of other regions were such that the global property securities index returned 0.5% to underperform the broader market. Month to date this is also the case, but year to date property securities have performed broadly in line with the global equity market.
Within the commodity complex, gold once again had a difficult week as its spot price fell by -6.1%. Year to date the precious metal is down -18.8%. Many commodity futures also lost a small amount of value last week, including a -0.3% return for crude oil. Overall the broad commodity index returned -0.1% last week to bring its year to date return to -3.5%.

Looking to the week ahead, there are a number of central bank pronouncements that could provide colour on the current state of the global economy. For example, Federal Reserve Chairman, Ben Bernanke's congressional testimony on Wednesday may provide more clarity on the Fed's intentions with regards to the future of Quantitative Easing in the US, be it expansion or tapering.

Wednesday will also see the Bank of Japan (BoJ) publish its latest monthly policy statement, following the conclusion of its two-day policy meeting which starts on Tuesday. The BoJ should be content that their extreme change to monetary policy has impacted the Japanese stock market. The Bank of England will also publish minutes from its last meeting on Wednesday and on Thursday, Mario Draghi will be speaking on "The future of Europe in the global economy".

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

Returns to 17 May 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 17 May 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	**USD**	2.1%	4.5%	17.6%
United Kingdom	FTSE All Share TR	**GBP**	1.8%	5.0%	16.5%
Continental Europe	MSCI Europe ex UK NR	**EUR**	1.1%	4.0%	12.3%
Japan	Topix TR	**JPY**	3.5%	7.6%	47.1%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	-2.0%	-3.6%	7.3%
Global	MSCI World NR	**USD**	1.2%	2.7%	14.2%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	-0.1%	2.5%	-0.7%
Emerging Asia	MSCI EM Asia NR	**USD**	-0.1%	1.4%	1.5%
Emerging Latin America	MSCI EM Latin America NR	**USD**	-0.9%	-1.6%	-1.1%
BRICs	MSCI BRIC NR	**USD**	-0.8%	0.9%	-0.8%
South Africa	FTSE JSE All Share TR	**USD**	0.0%	2.0%	-3.6%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	-0.4%	0.8%	-0.1%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-0.2%	-1.1%	-0.3%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-0.9%	-2.5%	-2.0%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	-0.2%	-1.1%	0.6%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	-0.4%	0.5%	5.3%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-0.1%	-1.9%	-0.1%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	-0.1%	-0.8%	3.5%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3%	-0.2%	2.8%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.3%	0.4%	2.4%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	-1.2%	-2.1%	0.6%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.8%	-1.3%	0.6%
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.5%	0.1%	1.7%
Global Government Bonds	JP Morgan Global GBI	**USD**	-0.9%	-3.4%	-5.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.8%	-2.6%	-3.2%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	-0.4%	-0.8%	-0.8%

* *Estimate*

Source: Bloomberg, May 2013

Returns to 17 May 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 17 May 2013	Month to date	YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	1.8%	2.9%	18.3%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	4.2%	9.5%	20.6%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	3.2%	6.0%	12.7%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.7%	2.8%	16.9%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-1.8%	-4.1%	12.0%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.5%	0.3%	14.4%
Currencies					
Euro		USD	-1.2%	-2.5%	-2.7%
UK Pound Sterling		USD	-1.2%	-2.3%	-6.6%
Japanese Yen		USD	-1.6%	-5.6%	-16.0%
Australian Dollar		USD	-2.9%	-6.2%	-6.4%
South African Rand		USD	-2.9%	-4.6%	-10.0%
Swiss Franc		USD	-1.6%	-4.4%	-5.8%
Chinese Yuan		USD	0.0%	0.4%	1.5%
Commodities & Alternatives					
Commodities	RICI TR	USD	-0.1%	0.0%	-3.5%
Agricultural Commodities	RICI Agriculture TR	USD	-0.2%	-1.7%	-3.5%
Oil	ICE Crude Oil CR	USD	-0.3%	0.2%	-6.2%
Gold	Gold Index	USD	-6.1%	-7.9%	-18.8%
Hedge Funds	HFRX Global Hedge Fund	USD	0.4%*	1.2%*	5.1%*

* *Estimate*

Source: Bloomberg, May 2013

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