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Weekly Review

Week ending 17th August 2012

Last week saw a number of countries release second quarter growth figures, helping to shed light on the state of the global economy. In Europe, Italy's economy contracted at its fastest pace in three years between April and June, as output fell by 0.7%. Germany's economy grew by 0.3% in the second quarter, whilst France narrowly avoided a negative print, with a flat reading. Whilst Eurozone gross domestic product (GDP) contracted in line with consensus forecasts of -0.2%, in terms of the region's core members only Finland saw a fall in output over the period. Greece's economy shrunk at an annual rate of 6.2% during the second quarter, as the country entered its fifth year of recession, underlining the difficulty Greece's leaders' face in trying to rebalance the economy away from public spending at a time of falling private demand. The latest numbers nonetheless showed a slight improvement versus the 6.5% year-on-year contraction in the first quarter, and 7.5% contraction in the fourth quarter of 2011.

In spite of these key economic releases, markets were relatively calm last week, as global equities moved within a narrow range through Wednesday, before adding c.1% over the final two sessions. The VIX index, which is a measure of implied or expected volatility in the future, fell to its lowest level in five years on Friday, at 13.5.

Government bond yields in the so-called 'core', including the US, Britain and Germany, have begun to move out in recent weeks. US 10 year Treasury yields rose by 15 basis points last week, to reach a three month high of 1.81%. UK Gilt yields similarly added 11 basis points over the period, whilst German Bunds rose back towards 1.5%. With two weeks to go in August, the global bond market has so far delivered its biggest monthly loss since November 2010.

There are tentative signs that the US economy may be regaining a degree of its momentum from the start of the year. Citigroup's economic surprise index, a popular gauge of the general trend between actual data prints and market expectations, has bottomed and begun to tick upwards in recent weeks. US retail sales

grew by 0.8% in July versus 0.3% expected, the first monthly increase since March. Industrial production equally grew ahead of economists' expectations, at 0.6% versus consensus forecasts for growth of 0.5%, whilst the NAHB Housing Market index produced a positive surprise with a reading of 37.

In Asia, Japan's economy grew at an annualised rate of 1.4% during the second quarter, below consensus forecasts for growth of 2.3%. The flow of credit in China's economy remains muted. Renminbi loans worth RMB 540.1 billion were originated in July, making last month the slowest period for credit expansion since September 2011.

In the UK, the Olympic Games prompted a fall in numbers on British High Streets, as tourists concentrated on the sporting drama and Britons stayed away from the capital for fear of overcrowding. Overall UK retail sales grew by 0.3% month-on-month in July compared to forecasts for a modest contraction, according to data from the Office for National Statistics (ONS). The ONS revised up its figures for June at the same time. Latest retail figures augur well for an upward revision to second quarter GDP growth next week. Car production continues to provide a manufacturing bright spot for the UK economy, as output increased for the 13th month in a row in July. Indeed, Jaguar Land Rover has moved to a 24-hour operation in order to meet demand for its cars from Asia.

Commodities continue to see investor inflows, as Brent crude oil for delivery in September rose back above USD 110 per barrel. Finally, in company news Standard Chartered has agreed to pay USD 340 million to settle allegations that it broke US money-laundering laws in handling transactions for Iranian customers. The settlement represents the largest sum collected by a single US regulator in relation to money laundering, after the New York state Department for Financial Services struck out alone with little advanced warning for fellow regulators elsewhere.

Looking to the week ahead, there are a number of European economic data releases including flash Purchasing Managers' Index as well as UK Q2 GDP. From the US the Fed minutes are released on Wednesday as well as data on the housing market and employment.

Returns to 17 August 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 17 Aug 2012	Month to date	YTD 2012
Developed Market Equities					
United States	S&P 500 NR	USD	0.9%	3.0%	13.9%
United Kingdom	FTSE All Share TR	GBP	0.5%	4.5%	9.4%
Continental Europe	MSCI Europe ex UK NR	EUR	0.9%	3.9%	12.8%
Japan	Topix TR	JPY	2.6%	4.0%	6.4%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.6%	1.3%	14.4%
Global	MSCI World NR	USD	1.0%	3.3%	10.9%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	-0.2%	3.5%	12.8%
Emerging Asia	MSCI EM Asia NR	USD	-0.6%	1.7%	8.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.6%	3.1%	3.9%
BRICs	MSCI BRIC NR	USD	-0.7%	2.7%	4.5%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-0.8%	2.1%	8.2%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.8%	-1.5%	1.2%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-1.6%	-2.3%	3.8%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-1.0%	-1.4%	6.1%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.1%	0.5%	9.8%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.1%	-1.3%	2.6%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.6%	-0.3%	8.8%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	0.5%	5.9%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.0%	0.8%	9.2%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.2%	2.1%	16.5%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.2%	-0.2%	1.5%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.9%	-1.5%	3.7%
Global Government Bonds	JP Morgan Global GBI	USD	-1.0%	-1.2%	0.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.8%	-0.8%	1.4%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.7%	1.7%	7.7%
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.6%	-0.4%	11.2%

Source: Momentum Global Investment Management / Lipper Hindsight. August 2012.

Returns to 17 August 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 17 Aug 2012	Month to date	YTD 2012
Property					
US Property Securities	MSCI US REIT NR	USD	1.1%	-0.7%	15.7%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.8%	2.2%	22.9%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.4%	1.9%	19.9%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	2.0%	0.7%	23.9%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	0.1%	0.9%	26.3%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.7%	0.5%	20.0%
Currencies					
Euro		USD	-0.1%	-0.1%	-5.3%
UK Pound Sterling		USD	-0.1%	0.1%	0.9%
Japanese Yen		USD	-1.7%	-1.8%	-3.2%
Australian Dollar		USD	-1.3%	-0.9%	1.7%
South African Rand		USD	-3.1%	-1.4%	-3.1%
Swiss Franc		USD	-0.2%	-0.1%	-4.3%
Chinese Yuan		USD	0.0%	0.1%	-1.0%
Commodities & Alternatives					
Commodities	RICI TR	USD	1.1%	3.0%	3.3%
Agricultural Commodities	RICI Agriculture TR	USD	-0.5%	-0.7%	8.9%
Oil	ICE Crude Oil CR	USD	3.6%	10.0%	8.7%
Gold	Gold Index	USD	-0.2%	-0.4%	5.5%
Hedge Funds	HFRX Global Hedge Fund	USD	0.1%	0.5%	2.3%

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