

Weekly Review

Week ending 18th January 2013

Global equity markets continued to rally in the third week of 2013, adding 0.5% in US dollar terms, led by strong returns in the US and Asia. Emerging markets outperformed their developed counterparts, up by 0.7%, after Emerging Europe rallied by 2.5%. In fixed income markets, global government bonds declined by 0.3%, despite modest gains for US treasuries (0.1%), whilst European high yield bonds fell by 0.6%. Elsewhere, global property securities added 0.5% last week, led by the US, and broad commodities rose by 1.9% despite crude oil futures falling on the IntercontinentalExchange (ICE) by an equivalent amount.

In the US, the S&P 500 finished the week up by 1.0%, after reaching a post crisis high of 1,486 on Friday. Strong data releases, with housing starts rising 12% month-on-month to 954,000 (versus 890,000 expected) and jobless claims falling by 37,000, helped drive the market higher. Business sentiment in the US picked up after the Philadelphia Fed Future Activity index registered a higher reading from its last revised level, suggesting expected growth by firms in the first six months of 2013. The start of the earnings season also brought with it positive results. Of the 47 S&P 500 companies that reported last week, 68% posted better than expected earnings per share (EPS) and 70% exceeded their revenue estimates.

Discussions continue to take place between Republican and Democratic party leaders about how best to address the gaps in the federal budget. In the final press conference of his first term, President Barack Obama refused to countenance spending cuts as part of a deal to increase the debt ceiling, claiming that the Republicans were holding a “gun at the head of the American people” by delaying raising the limit. In a letter to House Speaker

John Boehner, outgoing Treasury Secretary, Tim Geithner highlighted the importance of Congress agreeing to raise the debt ceiling well in advance of the Treasury running out of money, which he expects to happen sometime between mid February and early March.

In Asia, the Shanghai Composite index ended the week up by 3.3% in local currency terms, after the Chairman of the Chinese securities regulator announced plans to grant foreign investors quotas worth USD 16 billion to invest in Chinese onshore securities in 2013; the same amount as was handed out during the previous six years. Chinese industrial production, retail sales and property price data were all better than expected in December, with new house prices rising in 54 out of the 70 cities tracked by the government, marking the highest ratio of rising prices since April 2011. Fourth quarter gross domestic product (GDP) growth was also stronger than expected, at 7.9% year-on-year versus consensus forecasts for growth of 7.8%. In Japan, speculation regarding further monetary easing ahead of the Bank of Japan’s meeting today and tomorrow saw the Topix index outperform other regional bourses, ending the week up by 1.4% in Japanese yen terms.

In Europe, former Italian Prime Minister Mario Monti and Pier Bersani, Secretary of the Democratic Party, have come together to form an “anti Berlusconi” alliance ahead of the elections due on 24/25 February. Finally, in Spain, Prime Minister Rajoy confirmed that he does not intend to request aid from the ECB in an interview with the Financial Times. Mr. Rajoy stated that he would only consider open money transfers if economic conditions deteriorated significantly.

Returns to 18 January 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 18 January 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	USD	1.0%	4.3%	4.3%
United Kingdom	FTSE All Share TR	GBP	0.7%	4.5%	4.5%
Continental Europe	MSCI Europe ex UK NR	EUR	0.4%	3.5%	3.5%
Japan	Topix TR	JPY	1.4%	6.0%*	6.0%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.7%	3.5%	3.5%
Global	MSCI World NR	USD	0.5%	3.8%	3.8%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	2.5%	5.1%	5.1%
Emerging Asia	MSCI EM Asia NR	USD	0.8%	2.5%	2.5%
Emerging Latin America	MSCI EM Latin America NR	USD	0.7%	3.7%	3.7%
BRICs	MSCI BRIC NR	USD	1.6%	4.0%	4.0%
South Africa	FTSE JSE All Share TR	USD	-2.1%	-2.4%	-2.4%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.7%	2.4%	2.4%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	-0.4%	-0.4%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.2%	-0.3%	-0.3%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.0%	-0.1%	-0.1%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.2%	1.5%	1.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.4%	-1.5%	-1.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.4%	0.0%	0.0%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	-0.1%	-0.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.0%	-0.3%	-0.3%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.6%	2.6%	2.6%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.3%	0.2%	0.2%
Australian Government	JP Morgan Australia GBI TR	AUD	0.3%	-0.5%	-0.5%
Global Government Bonds	JP Morgan Global GBI	USD	-0.3%	-1.3%	-1.3%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.3%	-0.7%	-0.7%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.3%	2.0%	2.0%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.4%	-0.6%	-0.6%

Source: Bloomberg, January 2013

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Asset Class/Region	Index	Currency	Currency returns		
			Week ending 18 January 2013	Month to date	YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	1.3%	3.4%	3.4%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.1%	2.0%	2.0%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.6%	-0.5%	-0.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	1.2%	2.7%	2.7%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	0.0%	2.3%	2.3%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.5%	2.4%	2.4%
Currencies					
Euro		USD	-2.0%	1.0%	1.0%
UK Pound Sterling		USD	-1.7%	-2.4%	-2.4%
Japanese Yen		USD	-1.0%	-3.7%	-3.7%
Australian Dollar		USD	-0.2%	1.1%	1.1%
South African Rand		USD	-1.8%	-4.7%	-4.7%
Swiss Franc		USD	-2.2%	-2.0%	-2.0%
Chinese Yuan		USD	-0.1%	0.2%	0.2%
Commodities & Alternatives					
Commodities	RICI TR	USD	1.9%	2.3%	2.3%
Agricultural Commodities	RICI Agriculture TR	USD	2.1%	1.7%	1.7%
Oil	ICE Crude Oil CR	USD	-1.9%	0.0%	0.0%
Gold	Gold Index	USD	1.3%	0.5%	0.5%
Hedge Funds	HFRX Global Hedge Fund	USD	0.5%*	1.4%*	1.4%*

* Estimate

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