Weekly Review

Week ending 19th April 2013

Equities in both developed (-2.3%) and emerging markets (-0.7%) ended the week down, with emerging Europe producing some of the weakest returns as shares slipped by 4.1% in US dollar terms. Emerging Asia provided one of the few areas of positive returns, as markets rose by 0.8% over the week, ahead of developed Asia which fell by 2.2% in US dollar terms.

Fixed income markets provided fairly flat returns across the board, with global government bonds returning 0.0% in US dollar terms. Global property securities fell by 0.5% over the period, despite a 2.3% rise in Australian property securities, whilst commodities fell by 2.3%, after oil futures (-5.9%) and gold (-5.3%) both moved sharply lower.

Looking through these market moves, the International Monetary Fund (IMF) lowered its forecast for UK growth last week. The UK economy is now expected to grow by 0.7% in 2013, down from 1.0% previously. IMF Managing Director, Christine Lagarde, acknowledged that the numbers were “not particularly good”, whilst pointing to jobs growth as the catalyst for improvement in the future.

Data for March appeared to confirm the report’s findings, with retail sales declining by 0.5% from the same time last year, after non-food sales contracted by 4% in March, their biggest one month fall in more than three years. Unemployment in the UK also rose by 70,000 between December and February to 2.56 million; with the unemployment rate rising by 0.1% to 7.9%. To cap a disappointing week for investors in the UK, credit ratings agency Fitch followed Moody’s example in downgrading the government to AA+ on Friday, citing a “weaker economic and fiscal outlook” for the economy.

Despite recent data disappointments, the minutes from the latest Monetary Policy Committee (MPC) meeting at the start of April, showed a split amongst members on the issue of whether to increase monetary stimulus in the UK, with six members voting against expanding the quantitative easing programme versus three in favour. Whilst Sir Mervyn King, Paul Fischer and David Miles voted to increase the amount of asset purchases by USD 25 billion, the remaining members of the MPC voted to keep the programme unchanged at USD 375 billion. Members voted unanimously to keep interest rates on hold at 0.5% and saw “merit” in extending the government’s “Lending for Funding” scheme; an initiative set up in August last year.

Elsewhere in Europe, Bundestag officials approved the EUR 10 billion bailout package for Cyprus, by a majority of 487 to 102, with 13 abstentions. The Bundestag also approved an extension to the repayment of bailout loans issued to Portugal and Ireland. In a re-run of the Italian Presidential elections first held in February, 87 year old Giorgio Napolitano became the first Italian President in history to win a successive second term, after gaining support from centre left leader Pier Luigi Bersani, centre right leader Silvio Berlusconi and interim Prime Minister Mario Monti.

Turning attention to the US; retail sales and unemployment figures disappointed, after sales fell by 0.4% month-on-month in March and jobless claims for the week ending 13 April reported marginally above expectations. On a more positive note, the Federal Reserve’s latest Beige Book Report - published eight times a year and used to highlight the current state of the economy - said that the US economy had expanded at a “moderate pace” in recent months, buoyed by residential construction and auto manufacturing.

In Asia, Japan reported a JPY 8.2 trillion budget deficit for the year to the end of March, following a drop in exports and a rise in imports of fuel. In China, despite improving property price data showing a 1.5% rise in values in 70 cities for March, ratings agency Moody’s downgraded its guidance for the country’s Aa3 rating from “positive” to “stable”, following concerns about the risk posed by excessive local government debt.

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

Returns to 19 April 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 19 April 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	**USD**	-2.1%	-0.8&*	9.5%
United Kingdom	FTSE All Share TR	**GBP**	-1.5%	-1.8%*	8.3%
Continental Europe	MSCI Europe ex UK NR	**EUR**	-2.5%	-2.4%	3.1%
Japan	Topix TR	**JPY**	-1.9%	8.9%	32.3%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	-2.2%	-1.1%	5.9%
Global	MSCI World NR	**USD**	-2.3%	-0.7%	7.0%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	-4.1%	-4.6%	-7.2%
Emerging Asia	MSCI EM Asia NR	**USD**	0.8%	-1.3%	-2.7%
Emerging Latin America	MSCI EM Latin America NR	**USD**	-2.7%	-2.6%	-1.7%
BRICs	MSCI BRIC NR	**USD**	-0.8%	-2.2%	-5.1%
South Africa	FTSE JSE All Share TR	**USD**	-3.5%	-3.4%*	-9.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	-0.7%	-2.1%	-3.7%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.1%	0.9%	0.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-0.5%	0.4%	-0.1%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.1%	1.5%*	1.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	-0.1%	0.7%*	3.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.5%	1.0%	1.7%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.7%	1.8%*	3.4%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3%	1.4%	1.8%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.1%	0.7%*	1.2%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	-0.1%	3.3%*	2.0%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.4%	-0.3%	2.2%
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.5%	-0.3%	2.2%
Global Government Bonds	JP Morgan Global GBI	**USD**	0.5%	1.1%	1.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.0%	0.4%	-1.6%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	-1.0%	-0.1%	3.5%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	-0.7%	2.5%*	-0.8%

Source: Bloomberg, April 2013

Returns to 19 April 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 19 April 2013	Currency returns: Month to date	Currency returns: YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	-0.2%	4.6%	12.7%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-0.6%	4.4%	7.7%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-1.7%	0.7%	1.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	2.3%	7.5%	12.9%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-0.5%	7.2%	16.3%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-0.5%	5.2%	11.8%
Currencies					
Euro		USD	-0.5%	1.8%	-1.1%
UK Pound Sterling		USD	-0.7%	0.2%	-6.3%
Japanese Yen		USD	-1.1%	-5.3%	-12.8%
Australian Dollar		USD	-2.2%	-1.4%	-1.1%
South African Rand		USD	-3.1%	0.0%	-8.3%
Swiss Franc		USD	-0.6%	1.7%	-1.9%
Chinese Yuan		USD	0.3%	0.6%	0.9%
Commodities & Alternatives					
Commodities	RICI TR	USD	-2.3%	-5.8%*	-5.6%
Agricultural Commodities	RICI Agriculture TR	USD	-0.8%	-1.5%*	-3.0%
Oil	ICE Crude Oil CR	USD	-5.9%	-9.6%*	-10.5%
Gold	Gold Index	USD	-5.3%	-12.2%	-16.2%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.5%*	-0.3%*	2.8%*

* *Estimate*

Source: Bloomberg, March 2013

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