Weekly Review

Week ending 19th July 2013

Politics remain fragile in the Eurozone, after Portugal's two main political parties failed to agree on a "national salvation pact" yesterday. Despite the failure to agree the pact, which is needed to keep the country's bailout programme on track, Portugal's President, Aníbal Silva, ruled out calling early elections (a full two years ahead of schedule) and said that the ruling coalition would shortly provide details of its economic plans for the remainder of its term. Elsewhere, in Greece, MPs passed a controversial austerity bill on Wednesday, in order to gain access to the latest round of loans from the Troika (the European Union, the International Monetary Fund and the European Central Bank). The bill, which was passed by 153 votes out of a possible 293, will see more than 4,000 state employees lose their jobs and 25,000 Greeks put into a "mobility pool" by the end of the year. This pool will give employees an eight month grace period at 75% of their salaries in which to find alternative employment, after which time they will face redundancy. The bill was met with anti-austerity protests outside of parliament which rumbled on throughout the week.

In the UK, minutes from the latest Monetary Policy Committee (MPC) meeting on 5/6 July saw all nine members vote in favour of keeping stimulus measures at their current level. The meeting, which was the first to be chaired by the Bank's new governor Mark Carney, comes after June's meeting in which two members voted to expand quantitative easing. Improving unemployment and retail sales data supported the MPC's decision, after unemployment in the UK was shown to have fallen by 57,000 to 2.51 million in the three months to the end of May and retail sales rose by 0.2% in June. Government borrowing also fell in June, after public sector net borrowing (excluding financial interventions) fell to GBP 8.5 billion, down 29% from GBP 11.9 billion a year ago.

In the US, Federal Reserve Chairman Ben Bernanke was busy making his semi annual testimonies before the House Financial Services Committee and the Senate Banking Committee last week. In his statement to Congress, the Chairman reassured investors that the tapering of quantitative easing would not begin until the US economy was in a stable state and that the programme was not on any "preset course". Manufacturing data was strong last week, after the Philadelphia Federal Reserve's manufacturing survey rose to 19.8 from 12.5 in June, marking the highest level since March 2011. Jobless claims for the week ending July 13 also fell to an eleven week low of 334,000. Moody's rating agency changed its "negative" outlook on the US Aaa sovereign rating to "stable" on Friday, exactly two years after the agency's decision to place the country "on watch for possible downgrade". Moody's cited declining budget deficits, improving growth and the economy's resilience to cuts in government spending as the main reasons for the change. Despite these observations, Detroit became the largest US city to file for bankruptcy on Thursday, with an estimated USD 18.5 billion in outstanding debts.

In Asia, Japanese Prime Minister Shinzo Abe's coalition won a majority in the parliament's upper house yesterday, receiving 76 seats out of the 121 being contested. Having now gained control of both chambers in the Diet, Abe's economic policies (known as "Abenomics") which are aimed at ending long run deflation in Japan, appear to have been endorsed by the result. Elsewhere, in China, average new home prices in 70 major Chinese cities rose by 0.8% in June from their level at the end of May, and by 6.8% from the same time last year, according to the National Bureau of Statistics on Thursday.

Equities in both developed and emerging markets ended the week up, with gains of 1.0% and 0.6% in US dollar terms respectively. Fixed income markets provided positive returns across the board, as global investment grade bonds, US treasuries and European government bonds added 0.5%, 0.6% and 0.2% in local currency terms.

Global property securities rose by 0.6% over the period, whilst commodities added 0.9% after oil futures (0.4%) and agricultural commodities (0.8%) both moved higher.

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

Returns to 19 July 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 19 July 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.9%	5.4%	19.6%	24.6%
United Kingdom	FTSE All Share TR	GBP	1.2%	6.8%	15.9%	24.3%
Continental Europe	MSCI Europe ex UK NR	EUR	1.1%	4.7%	9.5%	20.5%
Japan	Topix TR	JPY	0.8%	6.9%	42.5%*	68.3%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.7%	3.1%	-1.6%	8.6%
Australia	S&P / ASX 200 TR	AUD	0.0%	3.5%	9.2%	21.9%
Global	MSCI World NR	USD	1.0%	5.6%	14.5%	23.7%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	2.8%	6.3%	-5.9%	7.5%
Emerging Asia	MSCI EM Asia NR	USD	-0.2%	1.0%	-5.6%	6.5%
Emerging Latin America	MSCI EM Latin America NR	USD	2.8%	-0.2%	-15.0%	-8.4%
BRICs	MSCI BRIC NR	USD	1.7%	2.3%	-10.6%	0.6%
Mena countries	Dow Jones MENA TR	USD	1.1%	3.8%	13.7%	16.6%
South Africa	FTSE JSE All Share TR	USD	1.0%	2.9%	-9.9%	1.4%
India	Nifty Fifty TR	USD	1.2%	3.8%	-5.0%	9.4%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.6%	1.3%	-8.4%	2.2%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.6%	0.1%	-2.4%	-2.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	1.7%	1.4%	-6.6%	-5.7%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	1.0%	1.3%	-2.2%	-0.2%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3%	2.6%	4.0%	10.2%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.0%	1.0%	-2.3%	-3.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.4%	1.8%	0.4%	4.3%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.2%	0.9%	1.0%	6.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	1.0%	1.1%	6.1%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.1%	2.7%	3.3%	23.6%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.2%	0.8%	0.8%
Australian Government	JP Morgan Australia GBI TR	AUD	0.3%	0.6%	0.3%	0.6%
Global Government Bonds	JP Morgan Global GBI	USD	0.3%	0.5%	-5.3%	-5.4%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.5%	0.8%	-3.6%	-1.8%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.8%	3.2%	8.7%	16.4%
Emerging Market Bonds	JP Morgan EMBI +	USD	3.1%	2.7%	-6.9%	-1.6%

* *Estimate*

Source: Bloomberg, July 2013

Returns to 19 July 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 19 July 2013	Month to date	YTD 2013	Estimate12 months
Property						
US Property Securities	MSCI US REIT NR	**USD**	1.4%	5.0%	11.1%	11.1%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	0.4%	8.9%	19.2%	28.8%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	0.4%	4.2%	3.7%	11.0%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	0.2%	-0.2%	8.3%	16.4%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	-0.9%	1.9%	2.0%	18.6%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	0.6%	4.2%	6.7%	14.9%
Currencies						
Euro		**USD**	0.6%	1.0%	-0.4%	6.8%
UK Pound Sterling		**USD**	1.1%	0.4%	-6.0%	-2.6%
Japanese Yen		**USD**	-1.4%	-1.5%	-13.8%	-22.4%
Australian Dollar		**USD**	1.3%	0.4%	-11.8%	-12.7%
South African Rand		**USD**	1.4%	0.4%	-14.0%	-16.1%
Swiss Franc		**USD**	0.5%	0.4%	-2.7%	3.7%
Chinese Yuan		**USD**	0.0%	0.0%	1.5%	3.7%
Commodities & Alternatives						
Commodities	RICI TR	**USD**	0.9%	5.4%	-2.1%	-0.5%
Agricultural Commodities	RICI Agriculture TR	**USD**	0.8%	2.1%	-6.0%	-12.8%
Oil	ICE Crude Oil CR	**USD**	0.4%	5.8%	-1.9%	2.1%
Gold	Gold Spot	**USD**	0.8%	5.0%	-22.6%	-19.7%
Hedge Funds	HFRX Global Hedge Fund	**USD**	0.4%*	1.3%*	4.5%*	6.3%*

* *Estimate*

Source: Bloomberg, July 2013

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