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Weekly Review

Week ending 20th January 2012

Global equities rose for the fifth week in a row, to bring year to date returns to 4.5%. Including data up to Friday's close, 2012 has seen the strongest start to a year by equities since MSCI began publishing their daily total return aggregate in 1999. Shares in Asia Pacific excluding Japan gained 3.2% last week in US dollar terms, whilst continental European equities rose by 3.4%. Emerging markets added 4.4% over the period, to bring year to date returns to 8.6%. Latin America and Eastern Europe led the way, whilst the BRIC economies added 5.0% to cap an impressive start to 2012 for the quartet.

In fixed income markets, US Treasuries fell by 80 basis points last week, pulling returns into negative territory for the year. Global government bonds added 0.2% in aggregate, due principally to the appreciation of local currencies versus the US dollar, whilst corporate debt outperformed government paper. Yields on peripheral European sovereign bonds have come in since the European Central Bank introduced its long term refinancing operations during the second half of December. Portuguese government bonds have lagged Italian and Spanish debt during this most recent rally, driven in part by some likely forced selling after the country fell out of the Citigroup European Bond index as a result of Standard & Poor's (S&P) downgrade of its rating to BB.

S&P downgraded the credit rating of the European Financial Stability Fund (EFSF) by one notch to AA+ on Monday evening. Investors shrugged off the news, purchasing EUR 1.5 billion of six month EFSF bills the following day, with no signs of a shortfall in demand for the Fund's paper. European finance ministers meet in Brussels this afternoon (23rd January) to begin two days of discussions. A final deal on Greece's debt restructuring is yet to be agreed, with the ultimate success of efforts to reduce the country's indebtedness resting on the participation rate amongst current bond holders. Questions also remain over Greece's second bailout from the international community, which contains the cash portion of the proposed bond exchange.

Data published last week shows that Chinese real GDP grew by 8.9% year-on-year in the fourth quarter, ahead of consensus forecasts for growth of 8.7%. Industrial production and retail sales similarly exceeded expectations, whilst fixed asset investment disappointed slightly. HSBC's Chinese manufacturing index remained below 50 for the third month in a row, at 48.8. The prospect of some policy loosening by authorities in the world's second largest economy may be behind the recent rise in market sentiment. The People's Bank of China has allowed the country's five biggest banks to increase lending by up to 5% year-on-year in the first quarter. The Bank is also set to push back the implementation of stricter capital requirements, and is considering lowering the risk weightings of loans to small and medium sized companies.

Voters in Taiwan returned Ma Ying-jeou for his second term as president on Saturday 14 January. Mr. Ying-jeou had campaigned on his record of forging closer links with China. The news was welcomed by investors, with local investment banks upgrading their rating of the country. Markets in China and Taiwan will be closed this week as part of New Year celebrations.

The NAHB Housing Market index rose to 25 in January, the highest reading since June 2007 and fourth consecutive monthly increase, implying some modest improvement in the US housing market. Elsewhere, Germany's economy is expected to have contracted by 0.25% in the fourth quarter, according to the country's Federal Statistics Office. Germany's ZEW sentiment survey of current conditions beat expectations in January, at 28.4 versus 24.0 forecast. Expectations of economic growth, another component of the survey, similarly surprised on the upside.

Global property securities gained 4.0%, marginally behind broader equity markets, with indirect property investments in Asia advancing ahead of other regions. The Rogers International Commodity index added 1.1% last week, whilst oil fell by 1.7%. Any attempt by Iran to close the Strait of Hormuz could be successfully countered within a month, according to a report from the Center for Strategic and Budgetary Assessments in Washington. A decision is expected this week from European foreign ministers over imposing sanctions on Iran.

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

Returns to 20 January 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 20 Jan 2012	Currency returns: Last month	Currency returns: YTD 2012
Equities					
United States	S&P 500 NR	USD	2.1	1.0	4.7
United Kingdom	FTSE All Share TR	GBP	1.9	0.8	3.5
Continental Europe	MSCI Europe ex UK NR	EUR	3.4	1.2	5.0
Japan	Topix TR	JPY	2.8	0.1	3.7
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	3.2	-0.9	7.0
Global	MSCI World NR	USD	2.9	-0.1	4.5
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	5.2	-9.7	9.2
Emerging Asia	MSCI EM Asia NR	USD	3.9	0.7	8.1
Emerging Latin America	MSCI EM Latin America NR	USD	5.4	-1.6	11.0
BRICs	MSCI BRIC NR	USD	5.0	-2.2	11.6
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	4.4	-1.2	8.6
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.8	1.0	-0.6
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.6	0.1	0.3
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.5	2.1	0.3
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.7	2.7	1.8
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.0	2.0	-0.9
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.3	2.1	0.4
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.1	4.0	0.4
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.3	2.6	1.3
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.6	2.9	4.0
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.1	0.7	0.0
Australian Government	JP Morgan Australia GBI TR	AUD	0.4	0.9	-0.4
Global Government Bonds	JP Morgan Global GBI	USD	0.2	1.0	-0.4
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.4	0.6	0.0
Global Convertible Bonds	UBS Global Convertible Bond	USD	2.1	-0.7	4.2
Emerging Market Bonds	JP Morgan EMBI +	USD	1.0	1.3	0.2

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

Returns to 20 January 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 20 Jan 2012	Last month	YTD 2012
Property					
US Property Securities	MSCI US REIT TR	**USD**	2.7	4.5	3.4
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	5.8	-5.1	6.8
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	5.2	0.5	3.6
Australian Property Securities	FTSE EPRA/NAREIT	**AUD**	-1.6	-2.6	5.2
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	4.7	-1.9	10.2
Global Property Securities	FTSE EPRA/NAREIT Developed CR	**USD**	4.0	0.9	5.9
Currencies					
Euro		**USD**	2.0	-3.6	-0.5
UK Pound Sterling		**USD**	1.6	-1.2	-0.1
Japanese Yen		**USD**	-0.2	0.9	-0.2
Australian Dollar		**USD**	1.7	-0.2	2.0
South African Rand		**USD**	2.6	0.3	1.5
Swiss Franc		**USD**	2.2	-2.7	0.1
New Zealand Dollar		**USD**	1.6	0.3	3.1
Commodities					
Commodities	RICI TR	**USD**	1.1	-1.8	1.8
Agricultural Commodities	RICI Agriculture TR	**USD**	2.2	2.5	0.0
Oil	ICE Crude Oil CR	**USD**	-1.7	-2.5	3.5
Gold	Gold Index	**USD**	1.1	-12.3	8.0

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

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