Weekly Review

Week ending 21st September 2012

Equity markets fell back last week, as the positive sentiment created by recent central bank intervention began to ease. Developed market equities declined by 0.7%, with shares in the UK falling by 1.1% in sterling terms. Emerging markets fell in line with their developed counterparts over the week, as some likely profit taking from investors weighed on shares in Eastern Europe. Government bond prices in the US, the Eurozone and the UK alternatively rose in local currency terms.

Economic data is expected to take a backseat as the latest bout of central bank liquidity works its way through the system. Growth remains a function of confidence, and as such investors may opt to wait and see what effects the latest measures have before turning bearish on the current rally. The Eurozone's Composite Purchasing Managers Index underperformed economists' forecasts in September, falling to 45.9, whilst the latest trade data showed exports and imports contracting by 2% and 1.2% respectively in July. Portugal's Finance Minister, Vitor Gaspar, stated confidently that the country will be able to make a full return to private capital markets in 2014. Mr. Gaspar's comments followed the largest anti-austerity protests to date in Lisbon last Saturday. In Greece, talks between the Troika and the Greek government saw planned spending cuts of EUR 9.5 billion successfully signed off, leaving a further EUR 2 billion in cuts still to be agreed.

In the US, data from manufacturers in New York showed overall activity declining by more than expected in September. The Federal Reserve Bank of New York's general economic index fell to -10.41, its lowest level since April 2009, with reduced order books, restrained business investment and cooling household spending all contributing to the fall. The US housing market, however, continued to post strong results, with existing home sales and housing starts rising by 7.8% and 2.3% respectively in August.

In Asia, latest reports continue to focus on tensions between Japan and China, following Tokyo's decision to buy the disputed Senkaku (known as Diaoyu in China) islands from a private owner. Anti Japanese riots in China have forced Japanese manufacturers such as Nissan and Sharp to close their factories. Japan's decision to push its claim on the islands comes at a politically sensitive time, following last week's anniversary of Japan's invasion of north-east China in 1931. China has responded by mooting plans for economic sanctions. Meanwhile, the Bank of Japan took its lead from central bankers in Europe and the US in raising its asset purchasing target by JPY 10 trillion on Tuesday evening. The JPY 55 trillion programme, aimed at stimulating the economy, will now be extended to the end of 2013, after exports declined for the third consecutive month in August.

In China, HSBC's flash purchasing managers' index came in higher than expected, at 47.8 (note that readings below 50 represent a contraction in activity levels). The government continues to push its economic reforms programme, announcing plans to bolster growth in 15 major cities. Beijing also held talks with Ukrainian officials regarding a loan-for-crops agreement, which would see China import grain from the country in exchange for USD 3 billion in credit lines.

Turning to commodity markets, oil hit a six week low on Thursday, following an increase in US stocks and Saudi Arabia's decision to offer extra oil to its customers in order to offset the effects of lower supply from Iran. The Rogers International Commodity Index (RICI), which tracks a broad index of commodities futures, declined by 3.7%. Property shares fell by 2.1% over the week, but remain the best performing asset class year to date in 2012.

Previewing the week ahead, Spain and France will present their 2013 budgets on Thursday and Friday respectively, whilst investors await the results of Spain's bank stress tests.

Source: Lipper Hindsight / Bloomberg. Returns in US dollars unless otherwise stated. September 2012.

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Returns to 21 September 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 21 September 2012	Month to date	YTD 2012
Developed Market Equities					
United States	S&P 500 NR	USD	-0.4%	3.9%	17.4%
United Kingdom	FTSE All Share TR	GBP	-1.1%	2.9%	10.2%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.2%	4.5%	16.4%
Japan	Topix TR	JPY	-0.1%	3.4%	5.2%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.3%	4.5%	18.3%
Global	MSCI World NR	USD	-0.7%	4.7%	15.2%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	-3.8%	7.6%	20.0%
Emerging Asia	MSCI EM Asia NR	USD	0.0%	6.7%	13.4%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.6%	5.8%	6.1%
BRICs	MSCI BRIC NR	USD	-0.8%	7.4%	8.4%
South Africa	FTSE JSE All Share TR	USD	-1.2%	5.2%	13.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-0.7%	6.4%	12.4%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.5%	-0.9%	1.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.7%	0.4%	6.4%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.9%	0.0%	7.9%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.0%	2.0%	12.7%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.9%	-1.6%	2.0%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	1.0%	0.1%	10.1%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	0.9%	7.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.5%	0.6%	10.1%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.2%	2.8%	20.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	0.1%	1.7%
Australian Government	JP Morgan Australia GBI TR	AUD	0.1%	-0.7%	5.0%
Global Government Bonds	JP Morgan Global GBI	USD	0.1%	0.8%	2.9%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.0%	1.1%	4.3%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.3%	3.0%	11.2%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.0%	1.0%	13.9%

Source: Lipper Hindsight, September 2012.

Returns to 21 September 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 21 September 2012	Month to date	YTD 2012
Property					
US Property Securities	MSCI US REIT NR	USD	-3.3%	-0.4%	15.8%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-2.9%	-0.6%	20.8%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.1%	1.7%	18.6%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-0.7%	1.4%	24.7%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-0.6%	5.6%	31.7%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-2.1%	2.2%	22.3%
Currencies					
Euro		USD	-1.2%	3.0%	0.1%
UK Pound Sterling		USD	0.1%	2.3%	4.6%
Japanese Yen		USD	0.2%	0.2%	-1.6%
Australian Dollar		USD	-1.0%	1.3%	2.1%
South African Rand		USD	-0.4%	2.3%	-2.1%
Swiss Franc		USD	-0.8%	2.1%	0.3%
Chinese Yuan		USD	0.1%	0.7%	-0.2%
Commodities & Alternatives					
Commodities	RICI TR	USD	-3.7%	0.3%	5.5%
Agricultural Commodities	RICI Agriculture TR	USD	-3.5%	-1.8%	8.9%
Oil	ICE Crude Oil CR	USD	-6.9%	-3.9%	1.0%
Gold	Gold Index	USD	0.5%	8.2%	16.6%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.2%*	0.5%*	2.8%*

* *Estimate*

Source: Lipper Hindsight, September 2012.

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