

# Market Weekly Review

## Week ending 22 November 2013

Emerging market equities outperformed developed market equities over the week, with gains of 0.4%. Returns from fixed income securities were mixed, with global government bonds (-0.1%), US treasuries (-0.1%) and UK Gilts (-0.4% in sterling terms) all falling back, whilst emerging market bonds (+0.1%) and global convertible bonds (+0.2%) ended the week higher. Global property securities fell back by 1.8%, whilst commodities added 0.6%, helped by a rise in agricultural commodities (+0.6%) and oil (+0.2%).

In the US, the minutes of the latest Federal Open Market Committee's (FOMC) meeting on 29-30 October, stated that quantitative easing (QE) could be scaled back from its current rate of \$85 billion of asset purchases per month at "one of its next few meetings". The minutes, released on Wednesday, emphasised the Fed's desire for a shift of focus from bond buying towards forward guidance. According to the minutes, policymakers see a "moderate" pace of growth in the US economy, but any decision over tapering remains "data dependent". The US could begin scaling back its asset purchase programme as soon as its next meeting on 17-18 December, if economic conditions warrant the decision.

Janet Yellen, Barack Obama's nomination for the next head of the US Federal Reserve, was approved by the US Senate Banking Committee on Thursday. She now only requires approval from the Democrat-controlled Senate before taking over from Ben Bernanke as Chairman of the Federal Reserve in January.

US inflation, as measured by the Consumer Price Index (CPI), fell for the first time in six months, down by 0.1% in October following a sharp fall in oil prices. In the 12 months to the end of October, consumer prices increased by only 1.0%, the smallest gain since 2009 and well below the 2.0% target rate for inflation set by the Federal Reserve.

On the other side of the Atlantic, official GDP figures from Germany's Federal Statistical Office revealed that output grew by 0.3% in the third quarter, helped by a strong rise in domestic demand, which grew by 0.7%. An increase in investment also contributed to growth, with capital investment rising by 1.6% from last quarter. German business confidence, as measured by the Ifo survey of business confidence, also picked up in November, climbing to its highest level since April 2012.

In Greece, the government submitted its 2014 budget to officials from the troika (the European Commission, International Monetary Fund and the European Central Bank) last week. The report forecasts that Greece's economy will grow by 0.6% next year, bringing an end to six years of recession, and estimates bigger surpluses both this year and in 2014 of at least EUR 812 million and EUR 2.96 billion respectively. Officials from the troika, who will determine whether Greece will be granted access to the next tranche of bailout funds, will return to Athens early in December when the draft budget for 2014 will be voted upon by Greece's parliament.

In the UK, borrowing (excluding the cost of interventions such as bank bailouts) fell by GBP 160 million to GBP 8.08 billion in the 12 months to the end of October. A treasury spokesperson pointed to the numbers as evidence that "Britain's hard work is paying off" and that the "government's long term economic plan is working". UK car production also grew at its fastest pace so far this year, according to the Society of Motor Manufacturers and Traders (SMMT).

Finally in Asia, Japan's annual exports grew at their fastest pace in three years, up by 18.6% (16.5% expected) to 6.1 trillion yen in the 12 months to October. Meanwhile in China, the flash Purchasing Manager Index (PMI) number for November fell to a weaker than expected level of 50.4, the first time the index has fallen in five months.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 22 Nov 2013	Month to date	YTD 2013	12 months
<b>Developed Market Equities</b>						
United States	S&P 500 NR	USD	0.4%	2.9%	28.3%	29.3%
United Kingdom	MSCI UK NR	GBP	-0.2%	-0.6%	17.0%	17.7%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.1%	0.3%	20.2%	22.4%
Japan	Topix TR	JPY	0.8%	4.5%	47.8%*	62.8%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-1.9%	-2.7%	7.0%	9.6%
Australia	S&P / ASX 200 TR	AUD	-1.2%	-1.0%	19.6%	23.6%
Global	MSCI World NR	USD	0.1%	1.4%	23.6%	25.9%
<b>Emerging Market Equities</b>						
Emerging Europe	MSCI EM Europe NR	USD	1.0%	-2.2%	-0.4%	6.0%
Emerging Asia	MSCI EM Asia NR	USD	0.8%	-1.7%	1.4%	4.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.4%	-3.9%	-10.7%	-4.9%
BRICs	MSCI BRIC NR	USD	1.8%	-1.0%	-1.5%	3.4%
MENA countries	Dow Jones MENA TR	USD	0.3%	1.9%	21.9%	24.5%
South Africa	MSCI EM South Africa NR USD	USD	-0.1%	-4.5%	-22.4%	-10.2%
India	Nifty Fifty TR	USD	-0.4%*	-6.0%	-10.1%	-10.4%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.4%	-2.4%	-2.1%	2.7%
<b>Bonds</b>						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.1%	-0.6%	-2.5%	-3.0%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.5%*	-1.3%*	-7.9%*	-8.6%*
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.1%	-0.5%	-1.6%	-1.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3%	0.1%	6.5%	8.1%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.4%	-1.1%	-3.1%	-3.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.4%	-1.0%	1.5%	1.7%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.0%	0.1%	2.6%	3.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.1%	-0.1%	2.5%	3.5%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.6%	0.1%	11.7%	15.9%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	-0.1%	2.6%	2.2%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.3%	-0.9%	-0.9%	-1.2%
Global Government Bonds	JP Morgan Global GBI	USD	-0.2%	-1.3%	-3.6%	-4.6%
Global Bonds	Citigroup World Broad Investment Grade (WBI) TR	USD	-0.1%	-0.9%	-1.7%	-1.9%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.2%	0.6%	16.1%	18.3%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.1%	-2.1%	-8.4%	-7.6%

\* Estimate

Source: Bloomberg, November 2013

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<b>Property</b>						
US Property Securities	MSCI US REIT NR	USD	-2.2%	-4.4%	2.2%	5.8%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-2.6%	-2.3%	4.9%	6.3%
Asia Property Securities	S&P Asia Property 40 NR	USD	-1.4%	-1.1%	7.6%	14.1%
Global Property Securities	S&P Global Property USD TR	USD	-1.8%	-3.2%	4.5%	8.8%
<b>Currencies</b>						
Euro		USD	0.5%	-0.2%	2.8%	4.4%
UK Pound Sterling		USD	0.7%	1.2%	-0.2%	1.3%
Japanese Yen		USD	-1.1%	-2.9%	-14.3%	-18.5%
Australian Dollar		USD	-2.0%	-2.9%	-11.7%	-11.9%
South African Rand		USD	0.9%	-0.2%	-15.9%	-11.5%
Swiss Franc		USD	0.9%	0.0%	1.0%	2.4%
Chinese Yuan		USD	0.0%	0.0%	2.3%	2.2%
<b>Commodities &amp; Alternatives</b>						
Commodities	RICI TR	USD	0.6%	-0.8%	-5.7%	-6.5%
Agricultural Commodities	RICI Agriculture TR	USD	0.5%	-0.4%	-10.7%	-13.4%
Oil	ICE Crude Oil CR	USD	0.2%	-0.6%	-1.6%	-1.8%
Gold	Gold Spot	USD	-3.6%	-6.0%	-25.8%	-27.5%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.1%*	0.0%*	5.5%*	6.5%*

\* Estimate

Source: Bloomberg, November 2013

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