

Market Weekly Review

Week ending 23 February 2014

- Global equities rally for third consecutive week
- Bank of Japan offers boost to Japanese equities
- Forward looking indicators trending downwards in China
- Euro area PMI declines in February
- US data underwhelms
- Violence prompts ousting of Ukrainian President

Developed market equities rallied for the third consecutive week, up by 0.6%, to edge into positive territory for the year (+0.1% YTD). Japan was the best performing of the majors last week, with gains of 3.3% in yen terms. Meanwhile stocks in emerging markets added 0.2%. In fixed income markets, global government bonds declined by 0.1%, while convertible bonds and dollar-denominated emerging market debt produced gains of 0.7% and 0.6% respectively. Commodities added 1.8%, led by agricultural commodities, to maintain their lead over other asset classes at the start of the new year.

Japanese equities received a timely boost following the Bank of Japan's monthly policy meeting, with stock prices rallying by over 2% on both Tuesday and Friday last week. The central bank kept the target level for Japan's monetary base on hold, while electing to double the size of two lending facilities. The Japanese yen fell back below 102, having tested the 100 mark at the start of the month.

Investors have been concerned by reports from China about underperforming retail investment products, with the second Trust rescue in as many weeks involving the Jilin Songhuajiang River No. 77 Trust. With the combined size of these Trusts totalling less than USD 700 million, questions have been raised about the need for intervention by China's administration. The answer may be to do with fears of contagion and the potential freezing up of China's credit markets should sentiment towards the country's shadow banking industry suffer a blow. Meanwhile, China's HSBC flash manufacturing Purchasing Managers' Index (PMI), released overnight on Thursday, dampened hopes of a pickup in activity levels, falling to 48.3 from 49.5 in January, and continuing the steady downward trend post October's high of 50.9.

In Europe, February's euro area manufacturing PMI fell to 53 from 54 previously. Nonetheless, spreads on peripheral government bonds and lower quality credit continued to compress over the week, with investors apparently happy to move into riskier issues in search of higher yields. Germany's ZEW survey on the outlook for economic growth underperformed economists' expectations at 55.7 versus 61.5 expected. Today's inflation readings will be of keen interest to investors given the steady decline in euro area inflation in recent months.

The New York Fed Empire Manufacturing survey fell to 4.5 from 12.5 previously, with signs of weakness across most of the key subcomponents, including new orders, shipments and employment. The National Association of House Builders monthly survey on the state of the housing market fell to 46 from 56 the previous month, although the data may still be being affected by the extreme cold snap in the States. US Housing Starts, released on Wednesday, also underperformed at 880,000 Starts in January versus 950,000 expected. The US Markit PMI provided a boost to sentiment, however, surpassing the market's expectations on Thursday.

Antigovernment protests ended in violence in Thailand, Venezuela and Ukraine last week. In Thailand, the death toll after four months of political unrest has risen to 19, with demonstrators refusing to

negotiate with the government of Prime Minister Suthep Thaugsuban. Violence in Ukraine's capital Kiev prompted the ousting of President Viktor Yanukovich on Saturday, three months after his decision to reject a landmark deal with the European Union brought protesters out onto the streets.

Finally, in corporate news, social networking company Facebook announced the USD 19 billion acquisition of start-up WhatsApp on Wednesday. Facebook's valuation of WhatsApp makes the mobile messaging company bigger than half the companies on the S&P 500.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 21 Feb 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-0.1%	3.2%	-0.4%	23.0%
United Kingdom	MSCI UK NR	GBP	2.8%	5.4%	1.6%	11.0%
Continental Europe	MSCI Europe ex UK NR	EUR	0.3%	3.9%	2.3%	19.4%
Japan	Topix TR	JPY	3.3%	0.1%	-6.1%*	27.7%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	0.9%	3.7%	-1.6%	-1.8%
Australia	S&P/ASX 200 TR	AUD	1.8%	5.1%	2.0%	10.8%
Global	MSCI World NR	USD	0.6%	4.0%	0.1%	20.5%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-1.1%	4.2%	-5.3%	-8.6%
Emerging Asia	MSCI EM Asia NR	USD	0.8%	2.1%	-2.8%	-1.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.1%	1.9%	-7.8%	-20.8%
BRICs	MSCI BRIC NR	USD	0.2%	1.9%	-5.9%	-9.0%
MENA countries	Dow Jones MENA TR	USD	1.3%	3.7%	7.9%	31.6%
South Africa	MSCI EM South Africa NR USD	USD	0.1%	7.9%	-8.4%	-20.1%
India	Nifty Fifty TR	USD	1.3%	1.8%	-2.7%	-4.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.2%	2.5%	-4.1%	-6.7%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.0%	-0.1%	1.5%	-1.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.2%	-0.4%	1.7%	-7.0%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	0.3%	2.2%	0.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.5%	1.3%	2.0%	7.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.1%	-0.4%	1.8%	-1.3%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2%	-0.3%	2.0%	2.8%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.2%	0.2%	2.5%	5.0%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	0.4%	1.7%	4.1%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.8%	3.1%	1.5%	16.8%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.1%	0.1%	0.9%	1.9%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.2%	-0.7%	0.5%	0.4%
Global Government Bonds	JP Morgan Global GBI	USD	-0.1%	0.5%	2.2%	0.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.1%	0.8%	1.8%	1.5%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	0.7%	3.0%	2.8%	14.6%
Emerging Market Bonds	JP Morgan EMBI+	USD	0.6%	2.0%	0.3%	-5.9%

* Estimate

Source: Bloomberg

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Property						
US Property Securities	MSCI US REIT NR	USD	0.5%	3.4%	7.8%	4.1%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	1.8%	4.6%	5.0%	-0.7%
Asia Property Securities	S&P Asia Property 40 NR	USD	1.2%	0.5%	-6.0%	-3.4%
Global Property Securities	S&P Global Property USD TR	USD	1.0%	3.4%	2.4%	1.9%
Currencies						
Euro		USD	0.4%	1.9%	0.0%	5.3%
UK Pound Sterling		USD	-0.8%	1.1%	0.4%	9.6%
Japanese Yen		USD	-0.7%	-0.4%	2.7%	-9.7%
Australian Dollar		USD	-0.6%	2.5%	0.7%	-12.1%
South African Rand		USD	-0.6%	1.7%	-4.0%	-17.4%
Swiss Franc		USD	0.6%	2.1%	0.6%	5.5%
Chinese Yuan		USD	-0.4%	-0.5%	-0.6%	2.2%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.8%	5.4%	4.1%	-0.3%
Agricultural Commodities	RICI Agriculture TR	USD	2.2%	5.7%	4.9%	-6.5%
Oil	ICE Crude Oil CR	USD	1.3%	1.9%	-1.3%	-2.3%
Gold	Gold Spot	USD	0.4%	6.4%	9.8%	-16.2%
Hedge funds	HFRX Global Hedge Fund	USD	0.2%*	0.8%*	0.6%*	4.8%*

* Estimate

Source: Bloomberg

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