



Weekly Review

Week ending 23rd April 2010

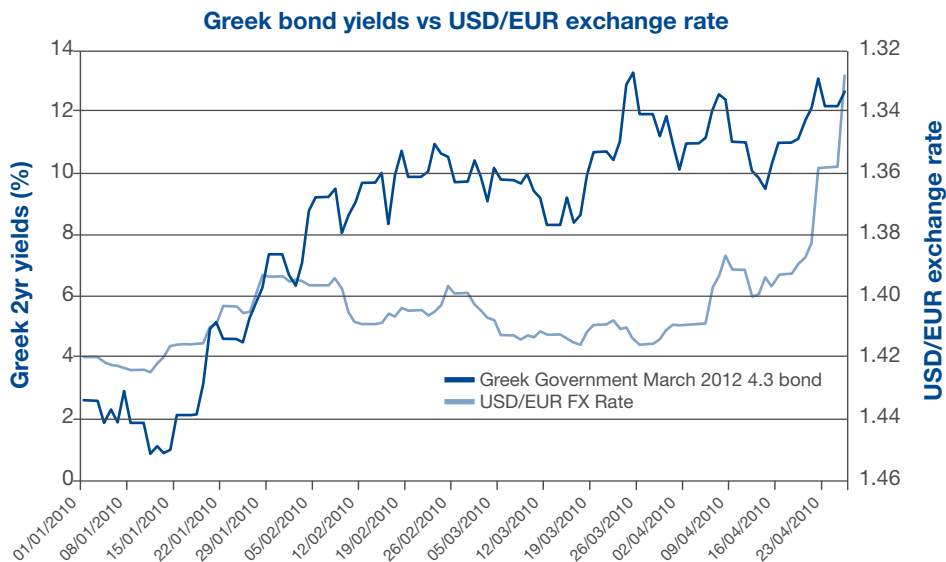
Last week saw a number of interesting developments that could play a significant role in financial markets around the globe in the year ahead. In the West there were further developments in Greece's perilous financial position, and we saw the United Kingdom's Financial Services Authority's decision to follow the United States' Security and Exchange Commission's example in investigating Goldman Sachs' involvement in CDO products. On the other side of the world the rating agency Fitch warned the Japanese government that the nation's public debt burden will continue to rise in the absence of "sustained economic recovery and fiscal consolidation"; this may put pressure on the nation's sovereign debt AA- rating. China added to the uneasy sentiment in markets when their housing minister stepped up measures to dampen the nation's property price rises. He announced tougher regulations on the sales of uncompleted apartments by developers, adding to the curbs on loans for third-home purchases, increased down payment requirements and higher mortgage rates which were all announced recently.

Developments in Greece dominated financial news in Europe as their government tried to finalise a deal with the IMF and their other European Community member countries so to avoid borrowing money in the open market where yields on euro denominated Greek government bonds recently hit fresh highs. It is clear that the Greek leaders would try their utmost not to restructure their debt payments, (essentially similar to defaulting) or to leave the European Monetary Union. This leaves assistance

from the IMF and their European partners as their only option. The graph below shows the movement of the euro against yields on Greek bonds as the euro slumped to an eleven month low against the US Dollar last week. The currency could experience further weakening if the Greek authorities do not strike a deal ahead of the due date for the repayment of a EUR8.5 billion, 10-year bond that matures on 19 May.

Equity markets were broadly weaker during the week, with the exception of the American bourses. The S&P 500 ended Friday 2% higher than the start of the week, whilst equity indices in Europe, the UK, Japan and broad emerging markets all ended in the red after strong initial surges earlier in the month. Both government and corporate investment grade bonds lost ground during the week as yields edged up towards Friday, with the additional yield on high yield bonds in Europe and the US rewarding investors with a small gain. High yield bonds have now gained 6.7% (in the US) and 11.1% (in Europe) in local currency terms for the year to date, showing that, at the end of last year, all the value was not realised yet in what turned out to be the big risk / reward trade of 2009.

The US Dollar gained against most currencies, but perhaps did so more on the weakness of the rest than structural strengthening of the greenback. Commodity markets remain uncertain, which very much reflects the divergence of views on the pace and sustainability of the global economic recovery.



Source: RMB Asset Management / Bloomberg / JP Morgan / Lipper Hindsight. April 2010.

Returns to 23 April 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	USD	2.1	4.1	9.6
United Kingdom	FTSE All Share TR	GBP	-0.1	1.4	7.9
Continental Europe	MSCI Europe ex UK NR	EUR	-0.3	0.8	4.4
Japan	Topix TR	JPY	-1.1	-0.1	8.7
Australia	S&P/ASX 300 TR	AUD	-2.0	0.2	1.4
Global	MSCI World NR	USD	0.3	2.2	5.5
Global emerging markets	MSCI World Emerging markets TR	USD	-0.7	1.5	4.0
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.3	0.2	1.3
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.0	1.1	1.6
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.2	0.9	3.2
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3	2.1	6.7
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.4	-0.7	0.4
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	-0.1	0.0	4.0
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.6	-0.6	1.5
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.0	0.6	3.9
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	0.1	2.0	11.1
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2	0.6	0.5
Australian Government	JP Morgan Australia GBI TR	AUD	0.1	0.2	0.9
Global Government bonds	JP Morgan Global GBI	USD	-1.1	-0.3	-1.4
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.9	-0.4	-1.1
Global Convertible bonds	UBS Global Convertible Bond	USD	0.1	1.6	4.4
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.2	1.2	4.9

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. April 2010.

Returns to 23 April 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	USD	7.1	8.1	18.6
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-0.3	0.4	-0.5
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-1.6	-2.2	4.1
Australian property securities	FTSE EPRA/NAREIT Australia TR	AUD	0.4	3.1	1.7
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-3.1	-0.7	0.2
Global Property securities	FTSE EPRA/NAREIT Developed CR	USD	1.1	2.6	5.7
Currencies					
Euro		USD	-1.1	-1.3	-6.9
Sterling		USD	-0.3	1.2	-4.9
Yen		USD	-2.1	-0.9	-1.2
Australian Dollar		USD	-0.6	0.4	2.5
Rand		USD	-0.6	-1.2	-1.0
Commodities					
Commodities	RICI TR	USD	0.7	3.3	1.0
Agricultural Commodities	RICI Agriculture TR	USD	0.3	3.8	-6.4
Oil	Brent Crude Index (ICE) CR	USD	-2.0	5.1	9.7
Gold	Gold index	USD	-1.0	2.2	1.3

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