Weekly Review

Week ending 23rd September 2011

Investors suffered another turbulent week, as the outlook for global growth deteriorated. The current confluence of macroeconomic headwinds has led to above average volatility, with market participants struggling to ascertain a fair value for many asset classes. Last week's share price falls were the biggest since the height of the financial crisis, with the global aggregate declining by 6.9% in US Dollar terms. All major equity markets were down over the period, whilst emerging markets fell by 11.8%.

Government bonds added 0.2% last week, with sovereign debt in the US, the UK and Australia gaining in excess of 1%. On Wednesday the Federal Open Market Committee announced plans to purchase USD 400 billion of longer-dated US Treasuries between now and June 2012. Shorter dated securities will be sold in order to purchase bonds with maturities of between six and 30 years, in a move aimed at reducing longer term borrowing costs in the US. The yield on the US 30 year Treasury duly fell to below 3% for the first time since the end of 2008. Equity markets sold off post the Federal Reserve's announcement, prompted by its downbeat assessment of the current health of the US economy. Principal repayments from the central bank's agency mortgage-backed securities book will be reinvested to support the mortgage market.

The IMF's latest World Economic Outlook report lowered growth expectations for almost all countries for the current year, as well as 2012. US 2011 growth was cut by 1.0% to 1.5%, with German growth downgraded by 1.6% for the current year. The Fund lowered its forecast for 2011 global growth to 4.0% from 4.3% in June, with growth rates expected to remain materially different between developed and developing economies.

The Group of Twenty (G20) broke from their annual World Bank-IMF meetings in Washington to issue reassurance to the market that they would do what is necessary to resolve Europe's debt crisis and to restore confidence. European Finance Ministers pledged to address the capital needs of the region's banks and to boost the size of the current bailout fund to as much as EUR 3 trillion. Despite assurances that the enlarged bailout facility will be in place by the time of the next G20 meeting in November, the ratification of July's proposed changes to the European Financial Stability Fund (EFSF) continues to present a challenge. Slovenia's government lost a vote of confidence on Tuesday evening by 51 votes to 36, but is still expected to proceed with a planned ballot on the expanded EFSF this week. Germany's parliament will vote on the changes on Thursday, with Chancellor Angela Merkel refuting claims that she will need cross-party support to achieve a majority.

The injection of new capital into Europe's banks may precipitate a default by Greece. Reports that the country's creditors are pushing for 100,000 public sector job cuts by 2015, as part of structural reforms, appeared untenable last week against a backdrop of widespread protests. Greece's Prime Minister is reported to be considering calling a referendum on the issue of the country's membership of the Eurozone.

Ratings agency Standard & Poor's lowered its rating for Italian government debt from A+ to A on Monday evening, whilst advising that the outlook for this new rating was also negative. Italian government bonds sold off the following day, although the limited moves suggested that the downgrade had been largely incorporated into existing prices. S&P highlighted the country's weakening growth prospects alongside a lack of political cohesion as being behind its decision. Italy has covered 77% of its 2011 funding needs, but is still required to raise more than EUR 85 billion before the end of the year.

Property securities underperformed broader equity markets last week, falling by 8.2%, with the US down by 8.9%. All major currencies other than the yen depreciated against the US Dollar, with the South African Rand falling by 10.3%. Commodities fell by 8.8% on the back of the deteriorating outlook for global growth, with copper losing 15.3% of its value from the start of the week. Gold fell for the third week in a row, and has declined by approximately 15% from its peak when incorporating today's moves.

Source: Momentum Global Investment Management Limited / Bloomberg. September 2011

Returns to 23 September 2011

Asset Class/Region	Index	Currency	Currency returns: Week ending 23 Sep 2011	Month to date	YTD 2011
Equities					
United States	S&P 500 NR	USD	-6.5	-6.7	-8.7
United Kingdom	FTSE All Share TR	GBP	-5.6	-6.0	-11.9
Continental Europe	MSCI Europe ex UK NR	EUR	-6.1	-10.7	-22.4
Japan	Topix TR	JPY	-3.1	-3.4	-16.1
Asia Pacific (ex Japan)	MSCI AC Asia Pacific (ex Japan) TR	USD	-10.4	-15.4	-19.5
Global	MSCI World NR	USD	-6.9	-9.5	-13.0
Global emerging markets	MSCI World Emerging Markets TR	USD	-11.8	-16.4	-23.6
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	1.4	2.1	9.5
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.2	0.9	12.1
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.6	0.8	12.1
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-1.4	-1.6	0.3
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.1	-1.6	0.3
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	0.1	0.6	5.0
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3	1.0	4.0
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.7	-1.1	0.2
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	-2.2	-4.2	-6.5
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.3	0.8	2.1
Australian Government	JP Morgan Australia GBI TR	AUD	1.1	1.7	11.4
Global Government bonds	JP Morgan Global GBI	USD	0.2	-0.6	8.0
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.2	-1.3	6.5
Global Convertible bonds	UBS Global Convertible Bond	USD	-3.8	-5.7	-8.0
Emerging Market Bonds	JP Morgan EMBI +	USD	-3.2	-4.4	3.5

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Returns to 23 September 2011

Asset Class/Region	Index	Currency	Currency returns: Week ending 23 Sep 2011	Currency returns: Month to date	Currency returns: YTD 2011
Property					
US Property securities	MSCI US REIT TR	**USD**	-8.9	-9.7	-5.0
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-6.7	-9.5	-8.6
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-6.6	-12.2	-14.2
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	-5.1	-7.3	-8.1
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**EUR**	-7.4	-13.5	-20.5
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	-8.2	-12.0	-11.8
Currencies					
Euro		**USD**	-1.9	-6.1	0.8
UK Pound Sterling		**USD**	-2.3	-5.2	-1.4
Japanese Yen		**USD**	0.8	0.3	6.4
Australian Dollar		**USD**	-5.5	-8.5	-4.4
South African Rand		**USD**	-10.3	-15.4	-20.0
Swiss Franc		**USD**	-3.1	10.7	3.2
New Zealand Dollar		**USD**	-6.2	-8.8	-0.3
Commodities					
Commodities	RICI TR	**USD**	-8.8	-12.2	-9.3
Agricultural Commodities	RICI Agriculture TR	**USD**	-6.8	-12.2	-11.6
Oil	Brent Crude Index (ICE) CR	**USD**	-7.2	-5.5	14.2
Gold	Gold index	**USD**	-5.9	-6.9	19.7

Source: Momentum Global Investment Management Limited / Bloomberg. September 2011

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