

# Weekly Review

Week ending 23<sup>rd</sup> November 2012

Global equity markets rebounded strongly last week, with the S&P 500 index rallying by 3.6%; its best one-week return since June. The Topix index added 3.3% in yen terms during a shortened week for Japanese markets due to Friday's Labor Thanksgiving Day, whilst stocks in the UK enjoyed their biggest rise of the year, up by 3.7% in sterling terms. In total, the global aggregate gained 4.1% in US dollar terms over the week, after the dollar reporting currency continued to weaken versus a broad basket of major currencies. Since the end of June, the dollar index – which tracks the movement of key US dollar cross rates as published by over 500 banks – has fallen by approximately 2%. Global government bonds fell modestly over the week, down by 0.1%, whilst elsewhere commodities (1.9%) and listed property securities (2.7%) helped themselves to gains.

The Japanese yen has broken from its recent weakening cycle versus the US dollar in the past few days, after some less dovish comments from opposition leader Shinzo Abe appeared in the press, suggesting that he would not intervene to weaken the yen if elected next month. Japanese exports fell by 6.5% year-on-year in October, versus expectations for a more modest contraction of 4.9%. Meanwhile exports to China, Japan's largest trading partner, fell by 11.6%, after last month's boycott of Japanese goods in response to the territorial dispute over the Senkaku islands. China's HSBC Flash Manufacturing Purchasing Managers Index (PMI) rose by 0.9 to 50.4 in November, the index's first plus 50 print in 13 months. At the same time the output sub-index rose to 51.3; its highest reading since October 2011. The government's own survey results will be released at the start of December.

As noted before, housing data remains a clear point of strength for the US economy. Sales of previously owned houses rose by 2.1% in October, ahead of expectations, to bring the total number of homes sold over the past 12 months to 4.8 million. Confidence amongst US homebuilders is at a six-year high according to the

National Association of Home Builders/Wells Fargo index, which rose ahead of expectations in October. Overall, US consumer confidence was marginally weaker in October, at 82.7 versus 84.5 expected according to the University of Michigan's survey, with jobless claims remaining elevated on the back of Tropical Storm Sandy.

Initial readings of data from manufacturers in the Eurozone showed a slight improvement in conditions in November, as the regional PMI rose to 46.2 versus 45.4 in October. France's domestic PMI rose to 44.7 from 43.7 previously, whilst Germany registered 46.8 up from 46.0 in October. Data is still subject to revision at this stage, whilst the service sector took the sheen off the results, after falling to 45.7 from 46.0 previously.

Moody's downgraded France's credit rating on Monday evening from Aaa to Aa1 (outlook negative), based on the country's long term growth outlook, its continued loss of competitiveness and uncertainty over the government's fiscal policy. There are now just nine triple-A rated sovereigns left in Continental Europe according to Moody's – namely Austria, Denmark, Finland, Germany, Luxembourg, the Netherlands, Norway, Sweden and Switzerland.

Finally, no agreement was reached at Tuesday's Eurogroup meeting over ways to fill Greece's funding gap. Focus now shifts to policymakers' next meeting on 26 November. The immediate concern for Greece will be two maturing Treasury-notes becoming due on 14 and 21 December. A 15-page document prepared ahead of last week's Eurogroup meeting included a number of measures designed to help improve Greece's debt position. Importantly, the report appeared to rule out the chances of the country cutting its debt to 120% of GDP by 2020, without haircuts on official sector loans.

**Returns to 23 November 2012**

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 23 November 2012	Month to date	YTD 2012
<b>Developed Market Equities</b>					
United States	S&P 500 NR	USD	3.6%	0.0%	13.6%
United Kingdom	FTSE All Share TR	GBP	3.7%	0.8%	10.2%
Continental Europe	MSCI Europe ex UK NR	EUR	4.6%	1.8%	16.1%
Japan	Topix TR	JPY	3.3%*	4.6%*	9.0%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	3.0%	-0.2%	19.5%
Global	MSCI World NR	USD	4.1%	0.4%	12.7%
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	3.4%	-0.3%	15.9%
Emerging Asia	MSCI EM Asia NR	USD	2.7%	0.8%	14.5%
Emerging Latin America	MSCI EM Latin America NR	USD	2.9%	-1.0%	2.7%
BRICs	MSCI BRIC NR	USD	2.9%	-0.3%	8.0%
South Africa	FTSE JSE All Share TR	USD	3.1%	0.0%	11.0%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	2.7%	0.1%	11.5%
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.5%	0.2%	2.3%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.7%	-0.4%	7.1%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.4%	-0.5%	9.5%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.7%	0.0%	13.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.8%	0.1%	2.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.4%	0.7%	12.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.1%	0.6%	8.8%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.1%	0.6%	12.2%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.7%	1.2%	23.7%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	0.1%	1.9%
Australian Government	JP Morgan Australia GBI TR	AUD	-1.2%	-0.7%	5.2%
Global Government Bonds	JP Morgan Global GBI	USD	-0.1%	-0.7%	1.8%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.2%	-0.4%	3.9%
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.9%	0.6%	10.8%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.4%*	0.7%*	15.8%*

Source: Lipper Hindsight, November 2012.

## Returns to 23 November 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 23 November 2012	Month to date	YTD 2012
<b>Property</b>					
US Property Securities	MSCI US REIT NR	USD	2.6%	-0.6%	12.3%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	3.3%	-0.2%	25.0%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	2.7%	-1.8%	20.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	1.4%	-1.1%	29.5%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	2.0%	2.1%	38.7%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	2.7%	0.3%	23.0%
<b>Currencies</b>					
Euro		USD	2.0%	0.0%	-0.2%
UK Pound Sterling		USD	1.0%	-0.6%	3.0%
Japanese Yen		USD	-1.3%	-3.0%	-6.6%
Australian Dollar		USD	1.3%	0.7%	1.9%
South African Rand		USD	0.2%	-1.9%	-9.0%
Swiss Franc		USD	2.0%	0.2%	0.6%
Chinese Yuan		USD	0.1%	0.1%	1.1%
<b>Commodities &amp; Alternatives</b>					
Commodities	RICI TR	USD	1.9%	1.3%	2.4%
Agricultural Commodities	RICI Agriculture TR	USD	1.4%	-1.7%	4.1%
Oil	ICE Crude Oil CR	USD	-0.2%	1.1%	2.8%
Gold	Gold Index	USD	0.6%*	0.3%*	12.6%
Hedge Funds	HFRX Global Hedge Fund	USD	0.3%*	-0.1%*	2.0%*

\* Estimate

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