

Market Weekly Review

Week ending 24 January 2014

- World leaders congregate in Davos
- Eurozone economy picks up in January
- Spain continues to grow in Q4
- UK unemployment edges closer to target
- US home sales rise in December
- Japanese monetary policy largely unchanged
- Chinese manufacturing PMI falls below 50

Global political and business leaders ascended to Davos, Switzerland, this week to discuss this year's themes of "competitiveness" and "responsible capitalism" at the World Economic Forum.

Speaking on the topic of Europe at the forum, Christine Lagarde, Head of the International Monetary Fund (IMF), said that deflation remained a real risk to economic recovery in the region, with Eurozone inflation at 0.8%, "way below" the 2% target set by the European Central Bank (ECB). Mario Draghi, head of the ECB, however, was more upbeat, talking of a "dramatic improvement" over the last two years and the decreased risks for core Eurozone and periphery countries.

Data released on Thursday supported Draghi's comments as Markit's Flash Eurozone Composite Purchasing Managers' Index (PMI) for the Eurozone, which gauges business activity across the private sector and provides an indication of economic health, rose to 53.2 in January from 52.1 in December. Germany's manufacturing and services PMIs both improved last month, up 2.0 and 0.1 points to 56.3 and 53.6 points respectively. France's manufacturing and services sectors also improved over the month, but remained in contraction territory (below 50), as the composite PMI rose 1.2 points to 48.5.

In Spain, statistics from the Bank of Spain have revealed the country grew by 0.3% in Q4, marking the second consecutive quarter of positive growth but still leaving the country with negative growth of -1.2% for 2013.

In the UK the Bank of England told investors that it did not

intend to raise interest rates, despite unemployment falling close to the 7.0% target at which the bank said it would initially consider changing monetary policy. The jobless rate fell to 7.1% in the three months to November, from 7.4% and against 7.3% expected. The Office for National Statistics (ONS) said the number of people out of work fell by 167,000 to 2.32 million and the number of people seeking Jobseeker's Allowance fell by 24,000 to 1.25 million in December.

Public sector net borrowing excluding interventions improved in the UK, after falling by GBP 2.1 billion to GBP 12.1 billion in December. Government finance improved after a GBP 1.5 billion reduction in public spending and a GBP 1.3 billion increase in tax income in December.

In the US, equity markets fell back 2.6% after a set of relatively disappointing data. Initial jobless claims rose by 1,000 to a seasonally adjusted 326,000 in the week ending 17 January, whilst the Markit flash PMI fell to a three month low of 53.7, from 55.0 in December. Existing home sales, however, picked up in December, rising by 1% from November to a seasonally adjusted rate of 4.87 million.

In Asia, the Bank of Japan's monetary policy meeting concluded on Wednesday with no major changes to policy. Meanwhile Chinese manufacturing PMI fell in January to 49.6 from 50.5 in December, the first time the reading has fallen below 50 in six months.

Developed and emerging markets both fell by 2.3%, after Europe (-3.4%), the US (-2.6%) and the UK (-2.4%) all produced negative returns over the week. Fixed income securities were mixed with global, emerging market and convertible bonds returning 0.9%, -1.6% and -0.8% over the week respectively.

Global property securities fell back 1.0% whilst commodities returned 0.8%, helped by a 1.3% and 0.9% rise in the price of gold and oil respectively.

Market Weekly Review

Week ending 24 January 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 24 Jan 2014	Month to date	YTD 2014	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-2.6%	-3.1%	-3.1%	21.3%
United Kingdom	MSCI UK NR	GBP	-2.4%	-1.2%	-1.2%	9.8%
Continental Europe	MSCI Europe ex UK NR	EUR	-3.4%	-1.1%	-1.1%	16.4%
Japan	Topix TR	JPY	-2.5%	-2.9%*	-2.9%*	37.1%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-1.8%	-4.0%	-4.0%	-3.3%
Australia	S&P/ASX 200 TR	AUD	-1.2%	-2.1%	-2.1%	12.1%
Global	MSCI World NR	USD	-2.3%	-2.5%	-2.5%	17.5%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-3.0%	-6.2%	-6.2%	-13.6%
Emerging Asia	MSCI EM Asia NR	USD	-1.4%	-3.8%	-3.8%	-2.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-4.4%	-8.8%	-8.8%	-23.8%
BRICs	MSCI BRIC NR	USD	-2.9%	-6.2%	-6.2%	-13.2%
MENA countries	Dow Jones MENA TR	USD	1.1%	4.3%	4.3%	26.6%
South Africa	MSCI EM South Africa NR USD	USD	-5.2%	-11.8%	-11.8%	-25.3%
India	Nifty Fifty TR	USD	-1.6%	-1.9%	-1.9%	-10.6%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-2.3%	-5.2%	-5.2%	-8.9%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.5%	1.3%	1.3%	-1.2%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.4%	1.8%	1.8%	-6.9%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	1.4%	1.4%	0.8%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.3%	0.7%	0.7%	6.8%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.5%	1.8%	1.8%	-0.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.1%	2.1%	2.1%	3.9%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	1.4%	1.4%	4.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	1.0%	1.0%	4.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.7%	0.1%	0.1%	11.5%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.4%	0.9%	0.9%	2.8%
Australian Government	JP Morgan Australia GBI TR	AUD	0.3%	1.0%	1.0%	1.6%
Global Government Bonds	JP Morgan Global GBI	USD	1.1%	1.6%	1.6%	-1.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.9%	1.2%	1.2%	-0.1%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	-0.8%	0.0%	0.0%	10.5%
Emerging Market Bonds	JP Morgan EMBI+	USD	-1.6%	-1.1%	-1.1%	-7.3%

* Estimate

Source: Bloomberg

Market Weekly Review

Week ending 24 January 2014

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 24 Jan 2014	Month to date	YTD 2014	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.4%	2.4%	2.4%	0.1%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-1.6%	0.8%	0.8%	-2.3%
Asia Property Securities	S&P Asia Property 40 NR	USD	-1.9%	-3.3%	-3.3%	0.0%
Global Property Securities	S&P Global Property USD TR	USD	-1.0%	-0.3%	-0.3%	-0.1%
Currencies						
Euro		USD	1.0%	-0.5%	-0.5%	0.7%
UK Pound Sterling		USD	0.4%	-0.5%	-0.5%	3.9%
Japanese Yen		USD	2.0%	3.0%	3.0%	-10.3%
Australian Dollar		USD	-1.1%	-2.6%	-2.6%	-16.7%
South African Rand		USD	-2.0%	-5.4%	-5.4%	-19.2%
Swiss Franc		USD	1.7%	-0.2%	-0.2%	1.7%
Chinese Yuan		USD	0.0%	0.1%	0.1%	2.8%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.8%	-0.7%	-0.7%	-8.8%
Agricultural Commodities	RICI Agriculture TR	USD	0.0%	-1.0%	-1.0%	-14.4%
Oil	ICE Crude Oil CR	USD	0.9%	-3.2%	-3.2%	-6.0%
Gold	Gold Spot	USD	1.3%	5.3%	5.3%	-23.7%
Hedge funds	HFRX Global Hedge Fund	USD	-0.2%*	0.3%*	0.3%*	5.0%*

* Estimate

Source: Bloomberg

Important notes

This document is only intended for use by the original recipient, either a Momentum GIM client or prospective client, and does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London, EC4R 1EB.

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.

© Momentum Global Investment Management Limited 2014