Weekly Review

Week ending 25th January 2013

Leaders from across the world came together last week to attend the five day World Economic Forum in the Swiss mountain resort of Davos. Under the official theme of "Resilient Dynamism" George Osbourne, the British Chancellor of the Exchequer, said he would stick to his austerity drive despite the release of weaker than expected fourth quarter GDP figures for 2012, at -0.3% versus -0.1% expected. Similarly, in an updated version of its global growth forecast, the International Monetary Fund (IMF) predicted on Wednesday that the global economy would grow by 3.5% this year, down 0.1% from its forecast in October last year. Despite this revised outlook, flash manufacturing Purchasing Manager index (PMI) numbers released on Thursday were higher than expected for all regions except France, with the US and Europe posting particularly strong results at 56.1 (from 54.0 in December) and 47.5 (from 46.1 in December).

In Europe the first Eurogroup and Economic and Financial Affairs Council (ECOFIN) meeting of the year was held in Brussels last week. In Monday's Eurogroup meeting, the Dutch finance minister, Jeroen Dijsselbloem, was confirmed as the new president of the group, whilst officials agreed to release the next EUR 9.2 billion bailout payment to Greece. Banks in Europe will also have the choice to start paying back some of the 1 trillion euros of cheap money lent to them under the European Central Bank's (ECB) Long Term Refinancing Operations last year, of which analysts predict between EUR 100 billion to EUR 200 billion will be repaid by large banks mainly in northern Europe in the first quarter of this year. Elsewhere, Spain and Portugal both had successful bond auctions last week, with Spain's EUR 7 billion 10 year bond sale being over three times oversubscribed by investors and seen as "a clear indication of the Spanish economy's credibility" by the Spanish Economy Minister, Luis de Guidos.

Monday also saw the Bank of Japan start its two day monetary policy meeting where officials announced a formal 2% inflation target and a quantitative easing program due to begin in January 2014. The asset purchase program, which is forecast to be worth 13 trillion yen, along with coordinated action between the Government and the Bank of Japan, is expected to help "overcome early deflation" and strengthen competitiveness after over a decade of stagnant growth in the region. The new measures were voted through by a 7-2 majority, whilst overnight rate calls were held unchanged at zero to 0.1%. The Topix index ended the week up by 0.6% in yen terms, despite disappointing trade numbers showing Japan's trade deficit nearly tripling in 2012 to 6.9 trillion yen from 2.6 trillion yen in 2011.

In the US, equity markets performed strongly after being closed on Monday for Martin Luther King Day, to end the week up by 1.1%. Following President Obama's inauguration on Monday, a strong week of earnings figures (in which 75% and 68% of the companies who reported beat earnings per share and sales revenue expectations respectively) helped the S&P break through 1,500 for the first time since 2007. Discussions over the fiscal cliff also made progress, after the House of Representatives voted 285 to 144 in favor of temporarily extending the debt ceiling by four months to 19 May, after which the debt limit will automatically increase from USD 16.4 trillion to accommodate whatever additional borrowing the Treasury has made during that time.

Global equity markets continued their positive trend in 2013, adding 1.3% in US dollar terms, led by strong returns in the UK and Europe. Emerging markets underperformed their developed counterparts, down 1.1%, after Emerging Asia fell around 1.8% over the week. In fixed income markets, global government bonds declined by 0.2%, with European high yield and global convertible bonds returning 0.9% each. Elsewhere, global property securities added 0.9% last week, led by the US, and crude oil futures reversed the previous week's losses to end the week up by 2.3% on the IntercontinentalExchange (ICE).

Source: Bloomberg. Returns in US dollars unless otherwise stated. January 2013

Returns to 25 January 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 25 January 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	USD	1.1%	5.4%	5.4%
United Kingdom	FTSE All Share TR	GBP	2.0%	6.6%	6.6%
Continental Europe	MSCI Europe ex UK NR	EUR	1.4%	4.9%	4.9%
Japan	Topix TR	JPY	0.6%	6.7%*	6.7%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.8%	4.4%	4.4%
Global	MSCI World NR	USD	1.3%	5.1%	5.1%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	0.3%	5.4%	5.4%
Emerging Asia	MSCI EM Asia NR	USD	-1.8%	0.6%	0.6%
Emerging Latin America	MSCI EM Latin America NR	USD	0.0%	3.7%	3.7%
BRICs	MSCI BRIC NR	USD	-0.4%	3.6%	3.6%
South Africa	FTSE JSE All Share TR	USD	0.2%	-2.2%	-2.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.1%	1.3%	1.3%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.5%	-0.9%	-0.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.6%	-0.9%	-0.9%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.6%	-0.7%	-0.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	2.0%	2.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.4%	-1.8%	-1.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.4%	-0.4%	-0.4%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.3%	-0.4%	-0.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.5%	-0.8%	-0.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.9%	3.5%	3.5%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.3%	0.3%
Australian Government	JP Morgan Australia GBI TR	AUD	0.5%	0.0%	0.0%
Global Government Bonds	JP Morgan Global GBI	USD	-0.2%	-1.5%	-1.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.0%	-0.8%	-0.8%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.9%	2.9%	2.9%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.0%	-0.6%	-0.6%

Source: Bloomberg, January 2013

Returns to 25 January 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 25 January 2013	Currency returns: Month to date	Currency returns: YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	1.4%	4.8%	4.8%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.1%	2.0%	2.0%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.0%	-0.4%	-0.4%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.9%	3.6%	3.6%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	0.6%	2.9%	2.9%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.9%	3.3%	3.3%
Currencies					
Euro		USD	1.1%	2.1%	2.1%
UK Pound Sterling		USD	-0.4%	-2.7%	-2.7%
Japanese Yen		USD	-0.9%	-4.6%	-4.6%
Australian Dollar		USD	-0.8%	0.3%	0.3%
South African Rand		USD	-0.7%	-5.4%	-5.4%
Swiss Franc		USD	0.8%	-1.2%	-1.2%
Chinese Yuan		USD	-0.1%	0.1%	0.1%
Commodities & Alternatives					
Commodities	RICI TR	USD	0.0%	2.3%	2.3%
Agricultural Commodities	RICI Agriculture TR	USD	-0.4%	1.3%	1.3%
Oil	ICE Crude Oil CR	USD	2.3%	2.3%	2.3%
Gold	Gold Index	USD	-1.5%	-1.0%	-1.0%
Hedge Funds	HFRX Global Hedge Fund	USD	0.2%*	1.7%*	1.7%*

* *Estimate*

Source: Bloomberg, January 2013

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