FINANCIAL PARTNERS

Market Weekly Review

Week ending 25 October 2013

Global equity markets continued to rally last week, adding 0.6% in US dollar terms to bring year-to-date returns to 22.3%.

In the US, the S&P 500 rallied to an all time high of 1759.77 on Friday, despite weaker than expected data on payrolls, housing and consumer sentiment. Following 16 days of partial government shutdown, delayed payroll numbers for September revealed the US economy had added 148,000 new jobs over the month, which – whilst contributing to a 0.1% fall in the headline unemployment rate to 7.2% – remained below analysts' expectations for a gain of 180,000 new jobs. Existing home sales, as reported by the National Association of Realtors, declined by 1.9% to a seasonally adjusted annual rate of 5.3 million, whilst consumer sentiment fell to a 10 month low of 73.2. October's Flash Purchasing Managers' Index (PMI), a leading indicator for the strength of the US manufacturing sector, also disappointed last week, falling short of the 52.5 expected by economists and the previous month's reading of 52.8, to report at 51.1 for October.

In Europe, the two day EU leaders summit in Brussels at the end of last week, was overshadowed by allegations of spying by the US, with the US National Security Agency (NSA) standing accused of monitoring the calls of 35 leaders from around the world.

The preliminary Markit PMI survey also fell short of economists' expectations in the Eurozone, with the composite index falling to 51.5 in October from 52.2 in September. With the index still in growth territory, with a reading above 50, Markit described the expansion in the Eurozone as "broad-based", despite growth in Germany and France (the biggest economies in the region) both slowing in October.

Conditions in Spain, where the impact of the financial crisis continues to be felt acutely, showed signs of improvement, however, as unemployment and GDP growth for the third quarter picked up. Unemployment, as measured by the National Statistics Institute, fell slightly to 26.0% from 26.3% the previous quarter, whilst the Bank of Spain estimated that GDP grew by 0.1% between July and September, which – if confirmed – would mark the first time the country has grown in over two years. Business confidence in France also improved in October, after a survey released by statistical office INSEE on Wednesday showed confidence in the manufacturing sector climbing to 98 points in October (97 points in September), indicating a broadly stable business climate.

In the UK, economic output rose by 0.8% in the three months to the end of September, marking the fastest rate of GDP growth in three years. With growth in all three of the services, construction and manufacturing sectors, British Chancellor George Osborne said there was "real momentum" in the UK economic recovery and that the country "is on the path to prosperity". UK borrowing numbers, also released by the Office for National Statistics (ONS), showed public sector net borrowing (excluding the cost of interventions such as bank bailouts) to have fallen to GBP 11.1 billion in September, down from GBP 12.2 billion this time last year.

In Asia, Chinese preliminary PMI data bucked the trend, with the HSBC flash manufacturing PMI reporting at an eight month high of 50.9, 0.5% ahead of expectations. Speculation over a house price bubble in the region intensified, however, as latest home price data showed prices to have increased in 69 out of the 70 major cities, with prices rising by 16% and 17% over the year in Beijing and Shanghai respectively. In Japan, inflation remained positive for the fourth consecutive month in September, at 0.7%, as yen depreciation increased the price of imported gas and oil.

Emerging market equities generally underperformed their developed counterparts, with global emerging markets falling by 1.4% over the week. Fixed income securities performed relatively strongly over the week, with global government bonds, convertible bonds and emerging market bonds adding 0.6%, 0.3% and 0.4% in US dollars, respectively. Meanwhile the dollar continued to depreciate against most of the major currencies, including the Japanese yen. Finally, global property securities continued to move higher, up by 0.3% over the week, whilst commodities fell back by 1.5% following falls in oil (-2.0%) and agricultural commodities (-1.3%).

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

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 25 Oct 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.9%	4.7%	24.9%	26.5%
United Kingdom	FTSE All Share TR	GBP	1.6%	4.2%	17.5%	20.5%
Continental Europe	MSCI Europe ex UK NR	EUR	0.5%	3.7%	19.3%	24.9%
Japan	Topix TR	JPY	-2.3%	-1.3%	39.5%*	61.8%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.1%	4.6%	10.1%	14.8%
Australia	S&P / ASX 200 TR	AUD	1.2%	3.2%	20.0%	24.6%
Global	MSCI World NR	USD	0.6%	4.2%	22.3%	26.2%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-0.1%	6.2%	3.0%	10.1%
Emerging Asia	MSCI EM Asia NR	USD	-1.8%	3.4%	1.8%	8.2%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.9%	4.6%	-7.2%	-2.8%
BRICs	MSCI BRIC NR	USD	-2.5%	2.9%	-2.4%	3.2%
MENA countries	Dow Jones MENA TR	USD	1.7%	2.7%	20.3%	20.3%
South Africa	FTSE JSE All Share TR	USD	-1.5%	7.9%	-16.4%	-6.7%
India	Nifty Fifty TR	USD	-1.2%	9.3%	-6.2%	-3.0%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.4%	4.1%	-0.4%	5.8%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.4%	0.7%	-1.8%	-1.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.7%	1.0%	-6.4%	-6.6%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.4%	1.6%	-1.1%	-1.3%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.5%	2.2%	6.0%	8.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.8%	0.7%	-2.0%	-1.7%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.8%	1.6%	2.5%	4.0%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.4%	0.9%	2.0%	4.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2%	0.7%	2.1%	4.0%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.9%	3.7%	12.8%	19.6%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	0.6%	2.6%	2.5%
Australian Government	JP Morgan Australia GBI TR	AUD	0.6%	-0.3%	0.1%	-0.2%
Global Government Bonds	JP Morgan Global GBI	USD	0.6%	1.5%	-1.9%	-3.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.6%	1.5%	-0.2%	-0.4%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.3%	2.2%	15.3%	18.7%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.4%	3.0%	-6.1%	-3.7%

* Estimate

Source: Bloomberg, October 2013

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 25 Oct 2013	Month to date	YTD 2013	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	1.8%	7.5%	9.9%	13.3%
Australian Property Securities	S&P/ASX 200 Australia TR	AUD	-0.6%	2.2%	6.9%	6.8%
Asia Property Securities	S&P Asia Property NR USD	USD	-2.2%	-0.3%	8.2%	19.3%
Global Property Securities	S&P Global Property TR USD	USD	0.3%	4.6%	9.4%	15.6%
Currencies						
Euro		USD	0.8%	2.0%	4.6%	6.5%
UK Pound Sterling		USD	0.0%	-0.1%	-0.6%	0.2%
Japanese Yen		USD	0.4%	0.9%	-11.0%	-18.1%
Australian Dollar		USD	-1.0%	2.9%	-7.8%	-7.6%
South African Rand		USD	-0.4%	2.0%	-13.8%	-11.7%
Swiss Franc		USD	1.0%	1.4%	2.5%	4.3%
Chinese Yuan		USD	0.2%	0.6%	2.4%	2.5%
Commodities & Alternatives						
Commodities	RICI TR	USD	-1.5%	-0.7%	-3.9%	-3.0%
Agricultural Commodities	RICI Agriculture TR	USD	-1.3%	-0.4%	-8.4%	-11.9%
Oil	ICE Crude Oil CR	USD	-2.0%	-1.3%	-2.7%	-1.7%
Gold	Gold Spot	USD	2.6%	1.6%	-19.4%	-21.5%
Hedge Funds	HFRX Global Hedge Fund	USD	0.2%*	1.3%*	5.6%*	7.0%*

* Estimate

Source: Bloomberg, October 2013

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