

Weekly Review

Week ending 26th February 2010

With February now behind us this week's summary will focus on market performance for the full month. Asset class returns displayed a modest amount of divergence over the month, particularly when comparing the US and UK to Europe. Looking at equities, the S&P 500 and FTSE All Share gained 3.0% and 3.4% respectively in local currency terms, while continental European equities posted a loss of -0.4%. This resulted in the MSCI World Index gaining 1.4% in US Dollar terms and outperforming emerging markets which gained 0.4%. Concerns surrounding the fiscal positions of peripheral euro-zone countries including Greece and Portugal may well have contributed to the poor relative performance of this region, and corporate earnings results may have been another contributor. The table below shows that continental European companies continue to lag their American counterparts in terms of both earnings and revenue results compared to consensus expectations. Only 54% of European DJ Stoxx 600 companies have reported so far compared to 92% for the S&P 500, but as it stands US companies are beating expectations on a fairly consistent basis, whilst the divide between companies beating and missing in Europe is much closer to being even. In terms of basic valuation metrics US companies are trading on a relatively undemanding current year price/earnings ratio of 14.2, although this is markedly higher than ratios of 12.4 and 12.0 for Continental Europe and the UK respectively.

Fixed income securities also produced mixed returns for the month with European government bonds returning 1.2%,

compared to 0.4% and -0.4% for the US and UK respectively. These returns were significantly influenced by a flight to quality in the last week of the month which saw most fixed income instruments posting positive returns. Most notably UK Gilts returned 1.5% for the week as the 10 year yield rallied by 20bps to end the month yielding 4.03%, while the equivalent US Treasury and German Bund yields also fell by 19bps and 18 bps respectively. Investment grade debt posted solid returns for February and more or less matched the return of government debt except in Europe where investment grade underperformed by 0.6%. Emerging market debt also rallied strongly in the last week of the month to produce a total return of 1.6% in US Dollar terms.

Within currencies the US Dollar continued its recent strong run with further appreciation versus the euro, Sterling and South African Rand. This increased the outperformance of US asset classes when viewing returns in US Dollar terms, particularly within equities. As was also the case in January the Japanese Yen remained one of the main exceptions to the rule and gained a further 2.0% versus the greenback in February.

Soft and hard commodities proved to be the standout asset class for the month. The Rogers International Commodity Index returned 5.4% for the month, led largely by 7.3% rise in the oil price, whilst the equivalent agricultural index returned 4.1%.

US and European Q4 EPS and Revenue vs. Consensus Estimates

		EPS				Revenue			
		Count	Percentage	Average Beat	Median Beat	Count	Percentage	Average Beat	Median Beat
S&P 500	Beats	351	76%	11.1%	7.3%	313	69%	5.3%	3.4%
	Misses	102	22%	-9.1%	-4.7%	141	31%	-6.0%	-2.1%
	In Line	8	2%	N/A	N/A	2	0%	N/A	N/A
	All	461	-	6.6%	4.4%	456	-	2.0%	1.6%
DJ Stoxx 600	Beats	171	53%	9.9%	6.9%	166	53%	5.0%	1.7%
	Misses	153	47%	-10.5%	-5.9%	149	47%	-1.9%	-1.0%
	In Line	1	0%	N/A	N/A	0	0%	N/A	N/A
	All	325	-	0.4%	0.7%	315	-	1.6%	0.0%

Source: Deutsche Bank AG/London. In calculating averages and median outliers that beat/miss consensus by +50%/-50% have been excluded.

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. February 2010.

Returns to 26 February 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	USD	-0.4	3.0	-0.7
United Kingdom	FTSE All Share TR	GBP	-0.1	3.4	-0.3
Continental Europe	MSCI Europe ex UK NR	EUR	-1.5	-0.4	-3.8
Japan	Topix TR	JPY	0.6	-0.7	-1.4
Australia	S&P/ASX 300 TR	AUD	0.4	2.0	-4.2
Global	MSCI World NR	USD	-0.1	1.4	-2.8
Global emerging markets	MSCI World Emerging markets TR	USD	0.3	0.4	-5.2
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	1.0	0.4	2.0
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.2	-1.2	0.4
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	1.3	0.4	2.0
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.5	0.1	1.4
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.5	-0.4	0.3
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	1.2	-0.3	2.0
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.8	1.2	1.6
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.7	0.6	2.2
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	0.8	0.2	3.7
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2	0.1	0.1
Australian Government	JP Morgan Australia GBI TR	AUD	0.6	0.2	1.6
Global Government bonds	JP Morgan Global GBI	USD	2.1	0.3	0.8
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	1.6	0.0	0.2
Global Convertible bonds	UBS Global Convertible Bond	USD	-0.1	0.3	-1.3
Emerging Market Bonds	JP Morgan EMBI +	USD	1.3	1.6	1.5

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. February 2010.

Returns to 26 February 2009

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	USD	0.9	5.5	-0.2
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-1.0	0.8	-6.2
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.6	-0.5	-0.5
Australian property securities	FTSE EPRA/NAREIT Australia TR	AUD	2.7	1.4	-1.4
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	USD	4.3	3.2	-3.8
Global Property securities	FTSE EPRA/NAREIT Developed CR	USD	2.1	2.7	-3.4
Currencies					
Euro		USD	1.0	-1.8	-4.9
Sterling		USD	-1.2	-5.0	-5.7
Yen		USD	3.5	2.0	4.8
Australian Dollar		USD	0.2	0.7	-0.4
Rand		USD	0.2	-1.6	-3.9
Commodities					
Commodities	RICI TR	USD	-0.5	5.4	-2.9
Agricultural Commodities	RICI Agriculture TR	USD	1.0	4.1	-3.8
Oil	Brent Crude Index (ICE) CR	USD	1.0	7.3	-0.4
Gold	Gold index	USD	-0.4	2.8	-1.5

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