

# Weekly Review

Week ending 26<sup>th</sup> April 2013

Equities in both developed (2.6%) and emerging markets (1.2%) rallied following their previous week's losses, with Continental Europe offering some of the best returns to investors, after shares added 3.7% in local currency terms. Asia Pacific (excluding Japan) rose by 2.9%, ahead of emerging Asia which gained 1.4% in US dollar terms.

Fixed income markets were also generally positive last week, with global government bonds, US treasuries and European government bonds returning 0.6%, 0.2% and 0.7% respectively in local currency terms. Global property securities rose by 0.3% over the period whilst commodities added 1.4% as oil futures (3.4%) and gold (4.1%) both moved higher.

The US economy grew by 2.5% on an annualised basis during the first three months of 2013, according to data from the US Commerce Department. Consumer spending, which represents approximately two thirds of total US gross domestic product (GDP), rose by 3.2% over the period, to mark its fastest rate of expansion since the last quarter of 2010. On the other hand, government spending cuts - implemented on 1 March this year - began to take effect, with new orders for defence goods falling by 29.3% in March, to leave defence spending at its lowest level since January 2006. The Flash Markit Purchasers' Manager Index (PMI), a measure of the strength of the manufacturing industry, also fell to 52 in April from 54.6 in March, marking its lowest level in six months.

In the UK, the Office for National Statistics reported that the economy grew in the first quarter of the year, thereby avoiding a 'triple-dip' recession. Output expanded by 0.3% from its level at the end of 2013, whilst UK GDP is now 0.6% higher than this time last year, marking the biggest year-on-year rise in output since the end of 2011. Government borrowing was down in the

last financial year, to leave public sector net debt at GBP 1.2 trillion (approximately 75% of total UK GDP). George Osborne, the British Chancellor, pointed to the data as evidence that the economy is "healing", despite "a tough [economic] backdrop". On Wednesday the Bank of England announced a one year extension to its Funding for Lending Scheme (FLS), whilst allowing non banks to participate for the first time, in an attempt to increase the availability of cheap loans for small businesses.

In Europe, a new Italian government was formed on Sunday to bring an end to two months of political stalemate, after centre left candidate, Enrico Letta, was sworn in as Prime Minister, forming a broad-based coalition with former Prime Minister Silvio Berlusconi.

In Spain, ministers announced "eight key reforms" to revive the economy on Friday, whilst at the same time warning that output is expected to contract by 1.3% in 2013, worse than the 0.5% contraction previously forecast. The Economy Ministry also said that the country's deficit will fall to 6.3% of GDP this year, more than 3 percent higher than the target set by the European Union (EU). The reform measures, which include a two year extension to the time it will take the government to reach its deficit target as set by the EU, came on the back of disappointing unemployment data released earlier in the week. Data from the National Statistics Office revealed that unemployment rose to 27.2% in the first quarter, with the number of people out of work rising above 6 million for the first time since records began.

French unemployment also rose for the 23rd consecutive month in March, up by 1.2% to 3.2 million, its highest level since 1997. German business confidence, as measured by IFO's Business Climate index fell for the second month in a row, down 2.3 points to 104.4.

## Returns to 26 April 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 26 April 2013	Month to date	YTD 2013
<b>Developed Market Equities</b>					
United States	S&P 500 NR	USD	1.8%	0.9%*	11.4%
United Kingdom	FTSE All Share TR	GBP	2.4%	0.5%*	10.9%
Continental Europe	MSCI Europe ex UK NR	EUR	3.7%	1.3%	6.9%
Japan	Topix TR	JPY	3.1%	12.2%	36.3%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	2.9%	1.8%	9.0%
Global	MSCI World NR	USD	2.6%	1.8%	9.7%
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	2.0%	-2.7%	-5.3%
Emerging Asia	MSCI EM Asia NR	USD	1.4%	0.0%	-1.3%
Emerging Latin America	MSCI EM Latin America NR	USD	0.0%	-2.6%	-1.7%
BRICs	MSCI BRIC NR	USD	1.5%	-0.7%	-3.7%
South Africa	FTSE JSE All Share TR	USD	3.3%	-0.2%*	-6.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	1.2%	-1.0%	-2.6%
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.2%	1.1%	0.9%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.9%	1.4%	0.9%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.4%	1.9%*	1.8%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.7%	1.4%*	4.3%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.0%	0.9%	1.7%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.4%	2.2%*	3.9%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.7%	2.1%	2.5%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.5%	1.2%*	1.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	3.6%*	2.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.2%	-0.5%	2.0%
Australian Government	JP Morgan Australia GBI TR	AUD	0.4%	1.5%	1.3%
Global Government Bonds	JP Morgan Global GBI	USD	0.6%	0.4%	-2.4%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.4%	0.9%	-1.1%
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.6%	1.5%	5.1%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.3%	2.9%*	-0.5%

Source: Bloomberg, April 2013

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Asset Class/Region	Index	Currency	Currency returns		
			Week ending 26 April 2013	Month to date	YTD 2013
<b>Property</b>					
US Property Securities	MSCI US REIT NR	USD	0.0%	4.6%	12.7%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	1.6%	6.0%	9.4%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	3.0%	3.7%	4.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-0.4%	7.1%	12.5%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-0.5%	6.7%	15.8%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.3%	5.5%	12.1%
<b>Currencies</b>					
Euro		USD	-0.2%	1.6%	-1.2%
UK Pound Sterling		USD	1.6%	1.8%	-4.8%
Japanese Yen		USD	1.5%	-3.9%	-11.6%
Australian Dollar		USD	0.0%	-1.3%	-1.1%
South African Rand		USD	1.4%	1.4%	-7.0%
Swiss Franc		USD	-1.0%	0.8%	-2.9%
Chinese Yuan		USD	0.2%	0.8%	1.2%
<b>Commodities &amp; Alternatives</b>					
Commodities	RICI TR	USD	1.4%	-4.5%*	-4.3%
Agricultural Commodities	RICI Agriculture TR	USD	-1.2%	-2.7%*	-4.2%
Oil	ICE Crude Oil CR	USD	3.4%	-6.6%*	-7.5%
Gold	Gold Index	USD	4.1%	-8.5%	-12.7%
Hedge Funds	HFRX Global Hedge Fund	USD	0.6%*	0.4%*	3.6%*

\* Estimate

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