Weekly Review

Week ending 26 July 2013

US equities ended the week unchanged despite a relatively positive set of data, including new home sales, durable goods and consumer confidence. Whilst existing home sales fell unexpectedly to 5.1 million (from 5.2 million in June), new home sales rose to a five year high of 497,000 units in June, marking the highest level since May 2008. US-made durable goods also surprised on the upside, as production grew by 4.2% in June helped by an increase in aircraft orders. Finally, consumer sentiment rose to its highest level in six years in July, as a result of improving property values and stock market performance. Consumer sentiment, as measured by the Thompson Reuters/University of Michigan index rose to 85.1 in July from 84.1 at the end of June.

Despite positive signs from the real economy, the International Monetary Fund (IMF) described the US recovery as being "tepid' in its regular assessment of the economy, and warned that government spending cuts were "weighing significantly on growth". The IMF was more upbeat in its forecasts for 2014, as they predicted economic growth to accelerate to 2.7% next year and unemployment to gradually fall over the year.

In the UK, Chancellor of the Exchequer George Osborne was positive about the British economy, describing it as "on the mend", after second quarter growth increased to 0.6% (seasonally adjusted), up from 0.3% in the first quarter. Growth in output from the construction, manufacturing, services and agriculture industries helped the rise, as reported by the Office of National Statistics on Thursday.

Flash Purchasing Manager Index (PMI) numbers - used as an indicator of business strength - were released last week, and generally came in ahead of expectations. The Markit Eurozone composite PMI rose to an 18 month high of 50.4, surpassing the all important 50-level for the first time since January last year. Germany and France also posted strong results, with their flash composites rising by 2.4 and 1.5 points to 52.8 and 48.8 respectively.

In Asia, China's State Council announced new measures to stabilise economic growth and "arouse the energy of the market". In an announcement late on Wednesday, the Council unveiled a three-tiered approach to stimulate the economy. These focused on tax breaks for small firms, the establishment of a Railway Development Fund to speed up the rate of railway construction, and steps to support export sectors, including (i) the stabilisation of the exchange rate, (ii) the reduction of levies on export and import businesses and (iii) the simplification of customs procedures. Elsewhere, in Japan core consumer price inflation (excluding fresh food) rose for the fourth month in a row in June, to its highest level since November 2008. Exports rose for the fourth consecutive month, up by 7.4% from this time last year, whilst exports to the EU registered their first rise in 21 months. Imports rose by 11.8% from a year earlier, resulting in a trade deficit of 180.8 billion yen.

Equities in both developed and emerging markets ended the week up, with emerging Asia (+2.1%) and Asia Pacific ex Japan (+1.8%) providing some of the best returns over the period. Equities in developed (Central and Western) Europe rose by 0.3% in local currency terms over the week, whilst emerging European markets fell, down by 2.6% in US dollar terms.

Global investment grade bonds added 0.5% over the week, whilst government bonds rose further, up by 0.8% in US dollar terms despite the weakening of the US dollar against other major currencies. Global property securities fell by 0.5%, after property companies in the US and the UK declined by 1.4% and 2.0% respectively in local currency terms. Finally, commodities fell by 2.0% over the period, as oil futures (-1.2%) and agricultural commodities (-2.7%) both moved lower.

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

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Week ending 26 July 2013

Returns to 26 July 2013

Asset Class/Region	Index	Currency	Currency returns: Week ending 26 July 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.0%	5.4%	19.6%	24.6%
United Kingdom	FTSE All Share TR	GBP	-1.0%	5.7%	14.7%	23.0%
Continental Europe	MSCI Europe ex UK NR	EUR	0.3%	4.9%	9.8%	20.8%
Japan	Topix TR	JPY	-3.7%	2.9%	37.2%*	62.1%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	2.1%	5.3%	0.4%	10.9%
Australia	S&P / ASX 200 TR	AUD	1.4%	5.0%	10.7%	23.6%
Global	MSCI World NR	USD	0.2%	5.8%	14.7%	23.9%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.6%	3.6%	-8.3%	4.7%
Emerging Asia	MSCI EM Asia NR	USD	1.8%	2.9%	-3.9%	8.4%
Emerging Latin America	MSCI EM Latin America NR	USD	1.5%	1.3%	-13.7%	-7.0%
BRICs	MSCI BRIC NR	USD	1.3%	3.6%	-9.4%	2.0%
Mena countries	Dow Jones MENA TR	USD	1.1%	5.0%	15.0%	17.9%
South Africa	FTSE JSE All Share TR	USD	0.7%	3.6%	-9.2%	2.1%
India	Nifty Fifty TR	USD	-2.0%	1.7%	-6.9%	7.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	1.2%	2.5%	-7.3%	3.4%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.2%	-0.1%	-2.6%	-3.1%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-1.0%	0.4%	-7.5%	-6.7%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.3%	1.0%	-2.4%	-0.5%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.6%	2.0%	3.4%	9.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.2%	0.8%	-2.4%	-3.7%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.1%	1.9%	0.5%	4.4%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.3%	0.6%	0.8%	5.9%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.3%	0.7%	0.8%	5.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.3%	4.0%	4.6%	25.2%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	0.2%	0.9%	0.9%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.3%	0.3%	0.0%	0.3%
Global Government Bonds	JP Morgan Global GBI	USD	0.8%	1.3$	-4.6%	-4.7%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.5%	1.3%	-3.1%	-1.3%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.5%	3.7%	9.3%	16.9%
Emerging Market Bonds	JP Morgan EMBI +	USD	-1.1%	1.6%	-7.9%	-2.7%

* *Estimate*

Source: Bloomberg, July 2013

Returns to 26 July 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 26 July 2013	Month to date	YTD 2013	Estimate12 months
Property						
US Property Securities	MSCI US REIT NR	**USD**	-1.4%	3.6%	9.5%	9.5%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-2.0%	6.8%	16.8%	26.2%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-0.6%	3.6%	3.1%	10.3%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	1.7%	1.5%	10.2%	18.4%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	0.9%	2.8%	2.9%	19.6%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	-0.5%	3.7%	6.2%	14.3%
Currencies						
Euro		**USD**	1.0%	2.1%	0.7%	7.9%
UK Pound Sterling		**USD**	0.8%	1.1%	-5.3%	-1.9%
Japanese Yen		**USD**	2.4%	0.9%	-11.8%	-20.5%
Australian Dollar		**USD**	1.0%	1.4%	-10.9%	-11.8%
South African Rand		**USD**	0.9%	1.2%	-13.3%	-15.3%
Swiss Franc		**USD**	1.4%	1.8%	-1.3%	5.2%
Chinese Yuan		**USD**	0.1%	0.1%	1.6%	3.8%
Commodities & Alternatives						
Commodities	RICI TR	**USD**	-2.0%	3.3%	-4.1%	-2.5%
Agricultural Commodities	RICI Agriculture TR	**USD**	-2.7%	-0.7%	-8.5%	-15.1%
Oil	ICE Crude Oil CR	**USD**	-1.2%	4.6%	-3.0%	0.9%
Gold	Gold Spot	**USD**	2.9%	8.0%	-20.4%	-17.4%
Hedge Funds	HFRX Global Hedge Fund	**USD**	-0.2%*	1.1%*	4.3%*	6.1%*

* *Estimate*

Source: Bloomberg, July 2013

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