

Market Weekly Review

Week ending 27 September 2013

US lawmakers failed to agree a new deal to extend the government's debt ceiling last week, pushing the country towards a partial government shutdown. Following a week of discussions, the Republican-controlled House of Representatives passed an amended version of the spending bill, which extended government funding to the 15th December but, importantly, delayed funding for President Obama's Affordable Care Act (commonly known as "Obamacare") for a year and revoked a related tax on medical devices. The amended bill, which passed with a majority of 231 to 192, is unlikely to pass through the Democrat-controlled Senate, with Senate majority leader Harry Reid vowing to reject the Republican bill, which will lead to a shutdown of the government tonight and leaving up to a third of its 2.1 million employees on unpaid leave until a resolution is agreed.

Staying with politics, Italy's front benches have been rocked by centre-right leader Silvio Berlusconi's call for five of his ministers to resign from the coalition, formed in the wake of February's divisive elections. During emergency talks with the President last night, Enrico Letta – Italy's centre-left Prime Minister – discussed alternatives to a political break-up and said an announcement would be made to parliament by the middle of this week.

Equities in Europe fell by 0.5% last week, following the release of underwhelming data from Purchasing Managers in Germany, France and the Eurozone. Flash Manufacturing Purchasing Managers' Indices (PMIs) for September, which give an indication of the strength of local manufacturing activity, fell to 51.3, 49.5 and 51.1, from last month's 51.8, 49.7 and 51.4 for Germany, France and the Eurozone respectively. Business confidence in Germany, however, was seen to rise for the fifth month in a row in September, after the Ifo institute's business climate index rose by 0.5 points to 108, its highest level since April 2012.

In the UK, the pound ended the week 0.8% higher against the US dollar at Friday's close, following comments from Bank of

England (BoE) Governor Mark Carney that further quantitative easing (QE) was not needed. In an interview with the Yorkshire Post, published on Friday, Carney said the economy had "strengthened and broadened" and said he did not see a case for further QE. House price data published by the Nationwide Building Society also supported the case for a strengthening economy, after annual house price growth rose to 5.0% in September versus 3.5% in August, marking the biggest year-on-year increase since July 2010. The price of residential homes in the US also rose by 12.4% over the year to the end of July, the biggest annual increase since February 2006, according to the S&P/Case-Shiller Home Price Index.

In Asia, Japanese consumer prices (excluding food costs) rose for a third month in a row in August, up by 0.8% from the same time last year. Higher energy costs contributed to the large rise in the Consumer Price Index (CPI), as a result of the country's increased dependence on energy imports following the closure of its nuclear reactors over the past two years. The weakening yen, which has fallen by nearly 20% in the twelve months to the end of August, also contributed to the rise in Japan's cost of living.

Equity markets were broadly negative last week, with emerging markets tending to underperform their developed counterparts. Whilst the US fell by 1.0% over the week, stocks in emerging Europe fell by 2.3% in US dollar terms. Fixed income markets in comparison fared better, with global government bonds, US Treasuries and UK Gilts adding 1.0%, 0.5% and 1.7% (in sterling terms) respectively.

Despite strong house price data from the US and the UK, global property securities fell back by 0.4% over the week, whilst commodity prices remained flat, after gold prices (0.8%) and oil futures (-1.1%) moved in opposite directions.

Market Weekly Review

Week ending 27 September 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 27 Sept 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-1.0%	3.7%	19.9%	19.3%
United Kingdom	FTSE All Share TR	GBP	-1.2%	1.8%	15.3%	19.7%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.5%	5.9%	15.8%	22.7%
Japan	Topix TR	JPY	0.5%	10.8%	44.2%*	68.3%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.4%	8.3%	6.6%	13.1%
Australia	S&P / ASX 200 TR	AUD	0.6%	3.9%	18.2%	26.4%
Global	MSCI World NR	USD	-0.4%	5.8%	18.2%	21.1%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-2.3%	10.4%	-2.2%	4.0%
Emerging Asia	MSCI EM Asia NR	USD	-1.0%	6.8%	-0.2%	5.8%
Emerging Latin America	MSCI EM Latin America NR	USD	-1.7%	9.7%	-10.4%	-6.5%
BRICs	MSCI BRIC NR	USD	-1.5%	9.7%	-3.9%	2.5%
Mena countries	Dow Jones MENA TR	USD	0.0%	2.9%	17.3%	16.3%
South Africa	FTSE JSE All Share TR	USD	-1.4%	7.8%	-2.7%	5.4%
India	Nifty Fifty TR	USD	-3.2%	13.0%	-13.0%	-13.0%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.3%	7.8%	-3.2%	2.2%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.5%	0.8%	-2.5%	-2.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.4%	1.4%	-7.3%	-6.6%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.5%	0.8%	-2.5%	-1.5%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.3%	1.1%	3.9%	7.3%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	1.7%	0.7%	-2.8%	-3.2%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	1.5%	0.9%	0.8%	3.0%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.4%	0.7%	0.9%	4.0%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.5%	0.7%	1.5%	4.5%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	4.0%	8.9%	18.9%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.6%	2.0%	1.9%
Australian Government	JP Morgan Australia GBI TR	AUD	0.4%	0.3%	0.1%	-0.6%
Global Government Bonds	JP Morgan Global GBI	USD	1.0%	1.7%	-3.4%	-5.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.8%	1.9%	-1.8%	-2.1%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.3%	4.5%	13.2%	16.6%
Emerging Market Bonds	JP Morgan EMBI +	USD	-1.0%	3.3%	-8.5%	-5.6%

* Estimate

Source: Bloomberg, September 2013

Market Weekly Review

Week ending 27 September 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 27 Sept 2013	Month to date	YTD 2013	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.9%	4.2%	3.4%	5.6%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.2%	4.3%	16.3%	25.4%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.5%	4.4%	3.6%	12.1%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-0.1%	1.6%	9.3%	16.1%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	0.1%	9.5%	8.6%	18.7%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-0.4%	6.7%	5.8%	11.9%
Currencies						
Euro		USD	0.0%	2.3%	2.5%	5.1%
UK Pound Sterling		USD	0.8%	4.1%	-0.7%	-0.2%
Japanese Yen		USD	1.2%	-0.1%	-11.7%	-20.6%
Australian Dollar		USD	-0.8%	4.7%	-10.4%	-10.2%
South African Rand		USD	-2.0%	1.9%	-16.0%	-17.6%
Swiss Franc		USD	0.5%	2.7%	1.1%	3.8%
Chinese Yuan		USD	0.0%	0.0%	1.8%	2.7%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.0%	-1.9%	-2.7%	-6.0%
Agricultural Commodities	RICI Agriculture TR	USD	1.2%	-0.1%	-7.5%	-12.8%
Oil	ICE Crude Oil CR	USD	-1.1%	-5.9%	-1.4%	-2.2%
Gold	Gold Spot	USD	0.8%	-4.2%	-20.2%	-24.6%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.1%*	1.1%*	4.5%*	5.3%*

* Estimate

Source: Bloomberg, September 2013

Important notes

This document is only intended for use by the original recipient, either a Momentum GIM client or prospective client, and does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London, EC4R 1EB.

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.

© Momentum Global Investment Management Limited 2013