

Weekly Review

Week ending 28th June 2013

Global equities added 0.9% last week, to claw back some of the ground lost in June. Over the month global equities fell by 2.5% in US dollar terms to cap their first negative month of the year. The recent period of market weakness – which has seen few financial assets escape unscathed – began during the third week of May. Before last week's late rally global equities had fallen by 7.7% from their peak. Year to date global equities have nonetheless added 8.4%, compared to returns of -5.8% for global government bonds, 2.4% for property securities and -7.2% for commodities.

Japan was again the best performing developed market last week, with gains of 3.2% in yen terms. The progress of Japanese equities is being aided by the depreciation of the yen, which is slowly moving back towards JPY 100 per US dollar (currently USDJPY 99.2). At the same time, the economy continues to outperform consensus forecasts, with better-than-expected consumer price growth (albeit still indicating falling prices/deflation), industrial production up by 2% month-on-month (versus 0.2% expected) and retail sales rising by 1.5% (versus 0.7% expected).

Stocks in emerging markets (EM) rallied sharply last week, up by 4.5%, with Latin America rising by 5.7%. Month to date EM has underperformed developed markets, with stocks falling by an average of 6.4% in US dollar terms. To date in 2013 the Middle East and North Africa (MENA) has been the best performing region within EM, with gains of 14.6%. Elsewhere regions including Latin America and Eastern Europe have seen stock prices fall by in excess of 10%.

Global government bonds fell by 0.6% last week to extend year to date losses to 5.8% in US dollar terms. Holders of US government bonds have lost circa 2.5% on a total return basis so far this year, whilst the picture is worse for UK gilt investors, who have seen the value of their investments decline by over 3% in sterling terms. Property securities rallied by 4.1% last week, led by companies listed in Asia (5.8%). Finally commodities declined by 0.7% over the period, with the price of gold falling by a further 4.8%. Year to date the precious metal has fallen by 26.3% and is now trading at its lowest level in almost three years.

US nominal growth was revised down on Wednesday to 3.3% year-on-year to the end of March; the lowest reading since the first quarter of 2010 and down from December's rate of 3.5%. US consumer confidence continues to rise however, recording a cyclically adjusted high of 81.4 in June compared to 76.2 the previous month. Orders of durable goods increased by 3.6% in May (versus consensus expectations of 3.0%), whilst home prices are reported to have risen by 12% over the 12 months to the end of April, according to data from Standard & Poor's/Case-Shiller, marking the fastest pace of growth since 2006.

In Asia, speculation surrounding China continues to cast a shadow over the global economy and EM in particular. Investors with a positive outlook on Chinese growth will have taken little comfort from the country's official manufacturing PMI (Purchasing Managers' Index), which registered 50.1 in June, the lowest reading in four months. HSBC's unofficial manufacturing PMI was revised down to 48.2 (previous 48.3), one point below May's final reading of 49.2. Over the weekend China's President Xi Jinping reaffirmed his government's commitment to the 'quality' of growth as well as the quantum. His comments echo central bank governor Zhou Xiaochuan, who is quoted as saying that growth remains in a "reasonable state" and that the country will continue to focus on prudent monetary policy and further financial market reforms.

European markets are ahead as at the time of writing, taking their lead from a positive Asian session earlier in the day (Japanese equities 1.3%; China 0.8%). On the data front, highlights to look out for this week include today's ISM manufacturing report in the US, before markets begin to look ahead to Thursday's monthly policy meeting at the European Central Bank and Friday's closely-watched US payrolls release.

Returns to 28 June 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 28 June 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.9%	-1.4%	13.5%	19.8%
United Kingdom	FTSE All Share TR	GBP	1.7%	-5.0%	8.5%	17.9%
Continental Europe	MSCI Europe ex UK NR	EUR	1.9%	-4.9%	4.7%	19.9%
Japan	Topix TR	JPY	3.2%	0.0%	33.3%*	50.6%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	1.3%	-5.9%	-4.6%	12.4%
Australia	S&P / ASX 200 NR	USD	1.5%	-2.3%	5.5%	22.8%
Global	MSCI World NR	USD	0.9%	-2.5%	8.4%	18.6%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	2.9%	-6.9%	-11.5%	3.2%
Emerging Asia	MSCI EM Asia NR	USD	4.0%	-5.9%	-6.6%	7.5%
India	Nifty Fifty NR	USD	5.7%	-9.0%	-14.8%	-7.0%
Emerging Latin America	MSCI EM Latin America NR	USD	3.2%	-8.1%	-12.6%	-0.3%
BRICs	MSCI BRIC NR	USD	-1.0%	-1.7%	9.5%	14.6%
Mena countries	Dow Jones MENA TR	USD	4.4%	-3.7%	-12.4%	0.0%
South Africa	FTSE JSE All Share TR	USD	2.6%	-7.1%	-8.5%	4.3%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	4.5%	-6.4%	-9.6%	2.9%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3%	-1.3%	-2.5%	-2.0%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	1.1%	-3.8%	-7.8%	-5.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.3%	-2.8%	-3.4%	1.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.1%	-2.6%	1.4%	9.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.0%	-2.4%	-3.2%	-2.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.5%	-3.8%	-1.4%	6.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.3%	-1.5%	0.1%	6.8%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	-1.6%	0.1%	7.5%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-1.1%	-1.8%	0.6%	19.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.4%	0.0%	0.6%	1.0%
Australian Government	JP Morgan Australia GBI TR	AUD	0.0%	-1.4%	-0.3%	0.1%
Global Government Bonds	JP Morgan Global GBI	USD	-0.6%	-0.7%	-5.8%	-5.0%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.4%	-1.0%	-4.4%	-1.7%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.6%	-1.6%	5.4%	13.7%
Emerging Market Bonds	JP Morgan EMBI +	USD	1.7%	-5.3%	-9.4%	0.1%

* Estimate

Source: Bloomberg, June 2013

Returns to 28 June 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 28 June 2013	Month to date	YTD 2013	Estimate 12 months
Property						
US Property Securities	MSCI US REIT NR	USD	4.1%	-2.1%	5.8%	7.8%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.8%	-4.3%	9.5%	24.5%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	1.9%	-7.0%	-0.5%	13.2%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	3.7%	-0.9%	8.5%	23.0%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	5.8%	-1.9%	0.1%	23.2%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	4.1%	-2.7%	2.4%	14.3%
Currencies						
Euro		USD	-0.8%	0.1%	-1.4%	2.7%
UK Pound Sterling		USD	-1.3%	0.1%	-6.4%	-3.2%
Japanese Yen		USD	-1.2%	1.4%	-12.5%	-19.5%
Australian Dollar		USD	-0.9%	-4.6%	-12.1%	-10.7%
South African Rand		USD	2.9%	2.1%	-14.3%	-17.3%
Swiss Franc		USD	-1.1%	1.1%	-3.1%	0.4%
Chinese Yuan		USD	-0.1%	0.0%	1.5%	3.5%
Commodities & Alternatives						
Commodities	RICI TR	USD	-0.7%	-2.3%	-7.2%	-0.2%
Agricultural Commodities	RICI Agriculture TR	USD	-3.0%	-4.2%	-7.9%	-6.1%
Oil	ICE Crude Oil CR	USD	-0.9%	0.6%	-7.3%	10.9%
Gold	Gold Index	USD	-4.8%	-11.0%	-26.3%	-22.7%
Hedge Funds	HFRX Global Hedge Fund	USD	0.2%*	-1.4%*	3.1%*	5.5%*

* Estimate

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