Market Weekly Review

Week ending 29 November 2013

Equity markets continued to grind higher last week, with developed markets up by 0.3% and emerging markets adding 0.9%. Stocks in emerging Europe diverged significantly from emerging Asia, with the former declining by 1.5% in US dollar terms while India's performance (+3.5%) helped investors in emerging Asia to gains of 1.9%. Global government bonds posted modest positive returns (+0.2%), while property securities and commodities both lost ground over the week.

We get a first look at November's full-month returns today, with global equities in positive territory for the ninth month this year (developed markets +1.8%). Credit outperformed government bonds, while nonetheless down for the month (US investment grade credit -0.2%; US Treasuries -0.4%), and commodities declined for the third successive month (-1.1%). For a full round up of last month's market moves please see our soon-to-be-published Viewpoint report.

Data from the US housing market was mixed last week, with pending home sales falling by 0.6% month-on-month in October (-2.2% year-on-year). Building permits, on the other hand, were ahead of expectations (974k versus 935k expected), and the Case-Shiller home price index rose by more than consensus (1.03% versus 0.9% month-on-month in September). The housing market plays a key role in the economy, both as a source of jobs and - in terms of house prices - as the largest component of homeowner balance sheets. A rising market tends to support both employment and consumption in the economy. Weak numbers from the property market naturally lead to questions about the level of mortgage rates, which are likely to rise in the event that the Federal Reserve begins to slow its asset purchase programme.

Surveys of manufacturing activity in Dallas, New York and Philadelphia have all undershot economists' forecasts in recent weeks. The Richmond Fed survey released on Tuesday was better-than-expected (13 versus 4), however, and the Chicago Purchasing Managers' Index was down less than expected (63.0 versus 60.0 expected). The paradox currently facing markets is that weak economic data releases appear to raise the likelihood of the Federal Reserve continuing to provide liquidity to the markets, which is seen as a positive for asset prices. On balance there has probably been sufficient positive economic news of late that tapering cannot be ruled out in December, although it would come as a major surprise to most market participants in the run up to the year end. All eyes will be on today's ISM report ahead of Friday's all important nonfarm payrolls number.

Black Friday kicked off the holiday shopping season following Thursday's Thanksgiving holiday in the US. Retailers earn a significant portion of their annual revenues at this time of year, and hence December will be an important test of consumer confidence and spending power. Early reports have so far suggested that sales on the high street grew only moderately from this time last year.

The Bank of England took steps last week to cool the UK housing market, by removing mortgage lending from its 'Funding for Lending' scheme and demanding banks set aside more capital against their mortgage books. The Bank's decision to (moderately) tighten monetary policy is an interesting development, with the UK economy appearing to pick up speed in recent months.

Core inflation in Japan moved into positive territory for the first time in three years in October, at 0.3% year-on-year. Inflation excluding volatile items such as food and energy has risen steadily since Prime Minister Shinzo Abe took office in December 2012. The East China Sea was a source of geopolitical tension last week, with the US, Japan and South Korea all reported to have made unannounced flights through China's newly declared 'air defence zone' in the past week. US Vice President Joe Biden is set to visit the region this week.

As we head towards the year end, valuations are certainly less compelling than they have been in recent years, although there are few obvious triggers for a large swing in current price trends outside of US monetary and fiscal policy.

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

Market Weekly Review

Week ending 29 November 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 29 Nov 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	0.1%	3.0%	28.4%	29.5%
United Kingdom	FTSE All Share TR	GBP	-0.3%	-0.9%	16.6%	17.3%
Continental Europe	MSCI Europe ex UK NR	EUR	0.8%	1.1%	21.2%	23.4%
Japan	Topix TR	JPY	0.8%	5.4%	49.0%*	64.2%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.1%	-2.8%	6.9%	9.6%
Australia	S&P / ASX 200 TR	AUD	-0.3%	-1.3%	19.3%	23.3%
Global	MSCI World NR	USD	0.3%	1.8%	24.1%	26.4%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	-1.5%	-3.7%	-1.9%	4.4%
Emerging Asia	MSCI EM Asia NR	USD	1.9%	0.2%	3.3%	6.9%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.6%	-4.4%	-11.2%	-5.4%
BRICs	MSCI BRIC NR	USD	0.1%	-0.9%	-1.5%	3.5%
MENA countries	Dow Jones MENA TR	USD	0.1%	2.0%	22.0%	24.6%
South Africa	FTSE JSE All Share TR	USD	-0.5%	-5.0%	-22.8%	-10.7%
India	Nifty Fifty TR	USD	3.5%	-2.7%	-7.0%	-7.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	0.9%	-1.5%	-1.2%	3.7%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	-0.4%	-2.3%	-2.8%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.2%	-1.2%	-7.9%	-8.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.3%	-0.2%	-1.4%	-1.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	0.5%	6.9%	8.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.1%	-0.9%	-2.9%	-3.4%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2%	-0.8%	1.7%	1.9%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.2%	0.3%	2.8%	3.6%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.3%	0.2%	2.8%	3.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.0%	1.2%	12.9%	17.1%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	0.1%	2.8%	2.4%
Australian Government	JP Morgan Australia GBI TR	AUD	0.5%	-0.4%	-0.5%	-0.7%
Global Government Bonds	JP Morgan Global GBI	USD	0.2%	-1.1%	-3.5%	-4.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.2%	-0.7%	-1.5%	-1.7%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.4%	1.0%	16.5%	18.8%
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.4%*	-2.5%*	-8.8%*	-8.0%*

* Estimate

Source: Bloomberg, November 2013

Market Weekly Review

Week ending 29 November 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 29 Nov 2013	Month to date	YTD 2013	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-1.0%	-5.3%	1.2%	4.8%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-0.5%	-2.8%	4.4%	5.7%
Asia Property Securities	S&P Asia Property 40 NR	USD	-0.3%	-1.4%	7.2%	13.7%
Global Property Securities	S&P Global Property USD TR	USD	-0.4%	-3.5%	4.1%	8.4%
Currencies						
Euro		USD	0.2%	0.1%	3.0%	4.7%
UK Pound Sterling		USD	0.9%	2.0%	0.7%	2.2%
Japanese Yen		USD	-1.2%	-4.0%	-15.3%	-19.5%
Australian Dollar		USD	-0.8%	-3.7%	-12.4%	-12.7%
South African Rand		USD	-1.0%	-1.2%	-16.7%	-12.4%
Swiss Franc		USD	0.1%	0.1%	1.0%	2.4%
Chinese Yuan		USD	0.0%	0.0%	2.3%	2.2%
Commodities & Alternatives						
Commodities	RICI TR	USD	-0.3%	-1.1%	-6.0%	-6.8%
Agricultural Commodities	RICI Agriculture TR	USD	1.1%	0.7%	-9.7%	-12.4%
Oil	ICE Crude Oil CR	USD	2.1%	1.5%	0.4%	0.2%
Gold	Gold Spot	USD	0.8%	-5.3%	-25.2%	-26.9%
Hedge Funds	HFRX Global Hedge Fund	USD	0.2%*	0.3%*	5.9%*	6.9%*

* Estimate

Source: Bloomberg, November 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.