Weekly Review

Week ending 30th March 2012

Despite some modest selling by investors in recent weeks, equity markets rounded off their strongest first quarter since 1998 on Friday, having added 11.6% since the start of the year in US dollar terms. Since closing above 1,400 on 15 March, the S&P 500 has traded within a narrow range of between 1,417 and 1,393 points, thus arresting the index's otherwise steady upwards progress in 2012. The market's apparent anchoring around 1,400 has coincided with a slowdown in the data momentum from the start of the year, a theme which will be discussed in more detail in this month's Viewpoint publication. Global equity markets gained 0.4% last week after rallying strongly on Friday, with the Topix Index adding 1.3% in yen terms whilst shares in the US rose by 0.8%. Emerging markets were flat over the same period, despite falls in Eastern Europe and the BRIC economies. Global government bonds added 0.4% to bring year to date returns to -0.9%. Whilst government bonds in core developed markets recorded gains, emerging market bonds declined by 0.1% over the week in US dollar terms.

Both the International Monetary Fund (IMF) and Standard & Poor's have questioned the viability of Greece's restructuring, raising the prospect of further intervention in the future. Elsewhere in Europe, western neighbours Portugal and Spain continue to attract scrutiny from investors: Portuguese 10 year government bond yields have been above 10% for the past nine months, implying a lack of faith in Lisbon's creditworthiness, even though the country has sufficient funds to meet its obligations until 2013 (by virtue of its bailout from the European Union (EU) and the IMF). In Spain, central bank officials dealt a blow to the government by confirming that the economy is likely to have entered a new recessionary phase in the first quarter of 2012. The Spanish equity market is the only major European market to have lost ground to date in 2012.

Data from purchasing managers in both Europe's services and manufacturing sectors disappointed compared to economists' forecasts in March, with Germany's manufacturing index dipping below par at 50, indicating a drop in announced activity levels by survey respondents. Confidence, however, remains high. German business confidence rose to an eight month high in March, according to the Ifo Institute's Business Climate Index. Italian consumer confidence similarly exceeded economists' forecasts in March, at 96.8 versus 93.5 expected, whilst French consumer confidence rose by the most in almost five years. Sentiment was given a boost on Friday, as EU finance ministers announced plans to add EUR 200 billion to the region's existing bailout facilities.

The final revision of US fourth quarter GDP left output growth unchanged at 3.0% year-on-year, in line with market consensus. The latest data on US unemployment showed weekly jobless claims rising marginally ahead of expectations, at 359,000 versus consensus forecasts of 350,000. The Kansas City Fed Manufacturing Index extended the run of data disappointments by regional surveys in the US, whilst on Friday the Chicago Purchasing Managers' Index (PMI) similarly underwhelmed, a result that is likely to weigh on expectations ahead of today's ISM reading.

Global property securities outperformed broader equity markets with gains of 1.2% last week in US dollar terms. A corruption probe was launched into Sun Hung Kai Properties, Hong Kong's largest property company, on Thursday, prompting a 13% slide in the company's share price during Friday's trading. Chairmen Thomas and Raymond Kwok were arrested and released on bail by the Independent Commission Against Corruption; according to analysts in the region, the downside is likely to be limited from here, although any rebound will depend on the progress of the investigation.

Commodities fell by 1.2% last week, despite gains by agricultural commodities and oil. Beijing announced it had increased the cost of fuel, with the price of petrol rising by 7% and diesel up by 7.8%, in response to rising global oil prices. The news depressed investors' outlook for Chinese growth, in turn prompting falls in several commodities markets. Asia has underperformed other regions recently. In this regard, China's official PMI offered some timely relief, with the index rising ahead of expectations to 53.1, up from 51.0 previously.

Source: Momentum Global Investment Management / Bloomberg, March 2012.

Returns to 30 March 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 30 March 2012	Currency returns: Month to date	Currency returns: YTD 2012
Equities					
United States	S&P 500 NR	**USD**	0.8	3.2	12.4
United Kingdom	FTSE All Share TR	**GBP**	-1.2	-0.9	6.1
Continental Europe	MSCI Europe ex UK NR	**EUR**	-0.7	0.2	9.5
Japan	Topix TR	**JPY**	1.3	3.3	18.5
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	0.5	-2.8	11.3
Global	MSCI World NR	**USD**	0.4	1.3	11.6
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	-0.9	-4.3	19.3
Emerging Asia	MSCI EM Asia NR	**USD**	0.0	-3.2	13.3
Emerging Latin America	MSCI EM Latin America NR	**USD**	0.0	-3.2	14.6
BRICs	MSCI BRIC NR	**USD**	-0.5	-6.3	13.8
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	0.0	-3.3	14.1
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.1	-1.0	-1.3
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-0.3	-1.1	0.8
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.1	-1.0	2.1
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.1	-0.1	5.3
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.4	-0.8	-2.0
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.3	0.0	2.8
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3	0.2	3.5
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.2	0.9	5.7
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	0.0	1.3	12.7
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.2	0.1	0.3
Australian Government	JP Morgan Australia GBI TR	**AUD**	1.0	0.5	-0.5
Global Government Bonds	JP Morgan Global GBI	**USD**	0.4	-1.1	-0.9
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.4	-0.6	0.9
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	0.4	0.2	8.7
Emerging Market Bonds	JP Morgan EMBI +	**USD**	-0.1	-0.2	4.0

Source: Momentum Global Investment Management / Lipper Hindsight. March 2012.

Returns to 30 March 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 30 March 2012	Currency returns: Month to date	Currency returns: YTD 2012
Property					
US Property Securities	MSCI US REIT NR	**USD**	1.8	5.0	10.4
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-0.4	3.5	10.5
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	0.5	4.9	9.5
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	-0.6	-0.6	7.3
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	0.2	-4.7	16.5
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	1.2	1.2	12.9
Currencies					
Euro		**USD**	0.4	-0.5	2.6
UK Pound Sterling		**USD**	0.7	0.0	2.8
Japanese Yen		**USD**	0.1	-1.6	-6.5
Australian Dollar		**USD**	-0.9	-4.1	1.0
South African Rand		**USD**	0.6	-2.9	5.2
Swiss Franc		**USD**	0.5	-0.3	3.5
Chinese Yuan		**USD**	0.2	-0.1	-0.1
Commodities					
Commodities	RICI TR	**USD**	-1.2	-2.6	5.2
Agricultural Commodities	RICI Agriculture TR	**USD**	0.6	-0.8	1.9
Oil	ICE Crude Oil CR	**USD**	0.3	0.4	14.9
Gold	Gold Index	**USD**	-0.1	-6.1	8.6

Source: Momentum Global Investment Management / Lipper Hindsight. March 2012.

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