



# Market Weekly Review

## Week ending 30 March 2014

- Emerging market equities rally by 4.3%
- Listed property and commodities enjoy gains
- Italian and Spanish government bond yields plumb record lows
- ECB expected to unveil further stimulus measures on Thursday
- Roundup of the BRIC economies

Emerging market equities came to the fore last week, outperforming their developed market counterparts by 3.7% in US dollar terms. Indeed, last week marked the biggest outperformance by emerging market equities since October 2011; in the intervening period, developed markets have returned just shy of 40% compared to 3% for EM. Emerging market bonds also outperformed, with US dollar-denominated government debt returning 1.7% over the week compared to 0.1% for developed market government bonds.

Property securities rallied by 1.4% led by Asia (+3.4%). Meanwhile commodities returned 1.1% to maintain their lead over stocks and bonds in the first quarter, despite the gold price falling back below 1,300 dollars per ounce (-3.0%).

Peripheral Europe has been one of the best performing regions so far this year, with Italy's MIB index up by 13.4% in euro terms and Portuguese stocks up by 14.3%. Speculation that the European Central Bank will introduce further stimulus at its next meeting on Thursday helped drive yields on Italian and Spanish five year government bonds to record lows last week. The benchmark Italian five year government bond yield fell to 1.95% on Thursday, its lowest level since Bloomberg began collecting data in 1993. Greek 10 year government bond yields are now back in line with their level in 2010. This is despite the fact that Greece's accumulated national debt now stands at 160% of GDP compared to 130% four years ago (Eurostat), and the country continues to borrow 9% of GDP each year compared to 5% pre the financial crisis.

March's inflation report, due on April 16, is expected to show price growth in the euro area falling to 0.6%, the slowest rate since November 2009. The threat of deflation may prompt the ECB to introduce further stimulus, with Bundesbank President Jens Weidmann refusing to rule out the possibility of quantitative easing. Data from purchasing managers in the region declined slightly from February's level, after the flash composite PMI fell 0.1 points to 53.2. There was some good news for France, however, after the country's composite PMI moved above 50 for the first time in five months.

Stocks in the BRIC economies (Brazil, Russia, India and China) rallied by 5.0% last week, led by Brazil (+7.8%) and India (+4.9%). Russian equities bounced back by 4.1% in US dollar terms but remain down by over 17% for the year as a result of fears over the impact of possible sanctions on Russia's economy. Last week's G8 meeting in Sochi was cancelled following Russia's annexation of Crimea; the next meeting, now expected to exclude Russia, will be held in Brussels during the summer. While the International Monetary Fund is forecasting growth of 7.3% in China this year, more than double the rate of the US, the Shanghai Composite index is trading with a price-to-earnings ratio of 10 times compared to 17 times for the S&P 500. Today there is a reasonable level of scepticism regarding China's growth prospects. Furthermore, growth need not necessarily translate into corporate profits, but this is an example of why we believe there is reasonable value in GEM stocks today. Finally, in Brazil, ratings agency Standard & Poor's (S&P) downgraded the government's credit rating to BBB- from BBB on Monday evening. The decision follows slowing economic growth in Latin America's largest economy and the government's deteriorating fiscal position ahead of this summer's football World Cup.

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 28 March 2014	Month to date	YTD 2014	12 months
<b>Developed Market Equities</b>						
United States	S&P 500 NR	USD	-0.5%	0.0%	0.9%	20.1%*
United Kingdom	MSCI UK NR	GBP	0.9%	-2.4%	-1.2%	6.6%
Continental Europe	MSCI Europe ex UK NR	EUR	1.8%	-0.1%	3.1%	19.3%
Japan	Topix TR	JPY	4.5%*	-1.2%	-8.0%*	17.0%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	3.1%	1.1%	0.3%	1.7%
Australia	S&P/ASX 200 TR	AUD	0.6%	-0.2%	1.6%	12.9%*
Global	MSCI World NR	USD	0.6%	-0.6%	0.5%	18.2%
<b>Emerging Market Equities</b>						
Emerging Europe	MSCI EM Europe NR	USD	4.8%	-2.0%	-9.1%	-10.8%
Emerging Asia	MSCI EM Asia NR	USD	3.6%	0.6%	-1.0%	2.3%
Emerging Latin America	MSCI EM Latin America NR	USD	5.5%	7.4%	-1.0%	-15.0%
BRICs	MSCI BRIC NR	USD	5.0%	1.6%	-4.1%	-4.7%
MENA countries	Dow Jones MENA TR	USD	1.3%	3.3%	12.3%	34.9%
South Africa	MSCI EM South Africa NR USD	USD	10.1%	8.0%	3.6%	-6.1%
India	Nifty Fifty TR	USD	4.9%	10.1%	9.9%	8.6%*
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	4.3%	2.0%	-1.4%	-2.4%
<b>Bonds</b>						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.2%	-0.3%	1.7%	-1.5%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.3%	-0.4%	2.3%	-6.7%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.5%	0.1%	3.0%	1.5%*
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.2%	0.1%	2.9%	7.4%*
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.1%	0.0%	2.4%	-2.6%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.0%	-0.1%	2.5%	1.7%*
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.6%	0.9%	3.8%	5.7%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.4%	0.5%	2.4%	4.2%*
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.0%	0.2%	2.7%	19.6%*
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.2%	-0.2%	0.9%	0.6%
Australian Government	JP Morgan Australia GBI TR	AUD	0.5%	-0.1%	1.3%	1.5%
Global Government Bonds	JP Morgan Global GBI	USD	0.1%	-0.2%	2.7%	0.9%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.2%	-0.1%	2.4%	2.4%
Global Convertible Bonds	UBS Global Focus Convertible Bond	USD	-0.2%*	-0.7%*	3.1%*	14.2%*
Emerging Market Bonds	JP Morgan EMBI+	USD	1.7%	1.1%	3.2%	-2.2%*

\* Estimate

Source: Bloomberg

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<b>Property</b>						
US Property Securities	MSCI US REIT NR	USD	0.3%	-0.4%	8.8%	2.2%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	-0.7%	-2.2%	1.5%	-1.3%*
Asia Property Securities	S&P Asia Property 40 NR	USD	3.4%	-0.5%	-7.6%	-6.8%
Global Property Securities	S&P Global Property USD TR	USD	1.4%	-0.2%	2.6%	-0.1%
<b>Currencies</b>						
Euro		USD	-0.3%	-0.4%	0.1%	7.3%
UK Pound Sterling		USD	0.9%	-0.6%	0.5%	9.5%
Japanese Yen		USD	-0.5%	-1.0%	2.4%	-8.4%
Australian Dollar		USD	1.8%	3.6%	3.7%	-11.2%
South African Rand		USD	3.1%	1.7%	-0.7%	-12.7%
Swiss Franc		USD	-0.5%	-0.7%	0.7%	7.1%
Chinese Yuan		USD	0.2%	-1.1%	-2.5%	0.0%
<b>Commodities &amp; Alternatives</b>						
Commodities	RICI TR	USD	1.1%	0.9%	5.0%	0.1%*
Agricultural Commodities	RICI Agriculture TR	USD	1.2%	5.3%	12.0%	1.0%*
Oil	ICE Crude Oil CR	USD	1.5%	-1.3%	-3.6%	-1.8%*
Gold	Gold Spot	USD	-3.0%	-2.3%	7.4%	-19.0%
Hedge funds	HFRX Global Hedge Fund	USD	-0.3%*	-0.7%*	0.6%*	4.1%*

\* Estimate

Source: Bloomberg

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