

# Market Weekly Review

## Week ending 30 August 2013

The last week of August saw global equity markets trend lower, falling by 2.3%, with uncertainty over the crisis in Syria at the forefront of international investors' minds.

In the US, equity markets ended the week down by 1.8%, despite the release of stronger than expected second quarter GDP figures on Thursday. Q2 US Gross Domestic Product was revised higher (2.5% versus 1.7% previously), helped by an increase in housing and business investment activity over the three months to the end of June. Consumer spending also showed signs of improvement in July, increasing by 0.1%. Separately, the final reading of August's US Consumer Sentiment Index saw the index fall from a four year high of 85.1 in July to 82.1. The index, compiled by Thomson Reuters in conjunction with the University of Michigan, reflected growing concerns over the impact that cuts to the Federal Reserve's asset purchase programme could have on the economy. Aside from this, jobless claims for the week ending 24 August were in line with consensus forecasts at 331 thousand versus 332 thousand expected, to keep the four week moving average at multi-year lows.

Equity markets in the UK were also weaker, falling back by 1.3% over the week and losing 2.2% over the month. This came despite business lobby group the British Chambers of Commerce (BCC) increasing its forecast for UK growth from 0.9% to 1.3% for 2013, and to 2.2% and 2.5% for 2014 and 2015 respectively. Whilst the BCC felt the British economy was picking up momentum, it warned of the challenges that lie ahead and urged the government and the MPC not to become complacent.

Elsewhere in Europe, unemployment remained stable, after figures for the Eurozone and the wider European Union (EU) held firm at 12.1% and 11% in August respectively. However, the austerity-stricken states of Greece and Spain continued to suffer, reporting the highest unemployment rates in the region at 26.3% and 27.6% respectively.

As with Western markets, Asia also retreated last week, with Japanese equities ending the week down despite the release

of encouraging economic data. Industrial production for July rose by a seasonally adjusted 3.2%, up from June's reading of -3.1%. Inflation numbers also rose in line with consensus, with the Consumer Price Index (CPI) increasing to 0.7% in July, marking the second consecutive month of positive year-over-year price growth, in a sign that Prime Minister Abe's economic policies may be paying off in the region. Data from China released earlier today was also positive on balance with the official manufacturing Purchasing Managers Index (PMI) series for August registering a 16 month high of 51, up from 50.3 in July.

In India, data released on Friday showed the economy expanding at its slowest pace since 2009 in the second quarter. GDP for the three months to the end of June grew by 4.4%, lower than expected and down from 4.8% in the first quarter. In contrast, in Brazil, growth was stronger than expected for the second quarter, up by 3.3% compared to this time last year, and 1.5% higher than during the first quarter of 2013. Earlier in the week, the central bank's monetary policy committee, the Copom, voted unanimously to raise the benchmark interest rate by a half point to 9%, in an attempt to help control inflation which currently stands at over 6%.

Emerging Asia and Australia were two of the few regions to avoid the selloff in equity markets last week, returning 1.2% and 0.4% respectively. MENA countries however, which include the troubled Syrian Arab Republic, were amongst the worst performing markets over the period, falling by 4.2%.

Fixed income markets were mixed across the board last week, as global and emerging market bonds fell by 0.2% and 0.4%, whilst US treasuries, UK gilts and European government bonds all performed positively with returns of 0.5%, 0.4% and 0.1% in their respective local currencies.

Finally, global property securities fell by 1.6%, whilst commodities rose by 0.5% helped by a strong rise in oil futures of 5.4%

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Asset Class/Region	Index	Currency	Currency returns			
			Week ending 30 Aug 2013	Month to date	YTD 2013	12 months
<b>Developed Market Equities</b>						
United States	S&P 500 NR	USD	-1.8%	-3.0%	15.7%	17.9%
United Kingdom	FTSE All Share TR	GBP	-1.3%	-2.2%	13.3%	18.9%
Continental Europe	MSCI Europe ex UK NR	EUR	-3.3%	-1.0%	9.3%	17.2%
Japan	Topix TR	JPY	-3.1%	-2.2%	30.1%*	54.6%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.7%	0.0%	-1.5%	8.5%
Australia	S&P / ASX 200 TR	AUD	0.4%	2.5%	13.7%	24.3%
Global	MSCI World NR	USD	-2.3%	-2.1%	11.7%	17.6%
<b>Emerging Market Equities</b>						
Emerging Europe	MSCI EM Europe NR	USD	-3.1%	-2.3%	-11.4%	-1.3%
Emerging Asia	MSCI EM Asia NR	USD	1.2%	-1.2%	-6.5%	6.3%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.0%	-3.1%	-18.3%	-11.5%
BRICs	MSCI BRIC NR	USD	-1.4%	-1.2%	-12.4%	-0.6%
Mena countries	Dow Jones MENA TR	USD	-4.2%	-1.7%	14.0%	13.2%
South Africa	FTSE JSE All Share TR	USD	-2.1%	-1.4%	-9.8%	0.4%
India	Nifty Fifty TR	USD	-3.6%	-12.8%	-23.0%	-12.4%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-0.3%	-1.7%	-10.2%	0.5%
<b>Bonds</b>						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.5%	-0.5%	-3.2%	-3.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.4%	-1.5%	-8.6%	-7.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.7%	-0.7%	-3.3%	-1.6%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3%	-0.6%	2.7%	7.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.4%	-1.1%	-3.5%	-4.6%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.5%	-0.7%	-0.1%	2.9%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	-0.5%	0.3%	4.6%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.3%	-0.2%	0.7%	4.6%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-1.5%	-0.3%	4.7%	19.3%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.4%	0.5%	1.4%	1.6%
Australian Government	JP Morgan Australia GBI TR	AUD	0.7%	-0.6%	-0.2%	-0.2%
Global Government Bonds	JP Morgan Global GBI	USD	-0.1%	-0.3%	-5.0%	-5.8%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.2%	-0.5%	-3.7%	-2.8%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-1.2%	-0.8%	8.4%	13.8%
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.4%	-2.9%	-11.5%	-7.3%

\* Estimate

Source: Bloomberg, August 2013

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<b>Property</b>						
US Property Securities	MSCI US REIT NR	USD	-1.9%	-6.9%	-0.8%	-0.6%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-1.8%	-5.8%	11.5%	19.2%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-2.4%	-3.3%	-0.7%	7.2%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.3%	0.0%	7.6%	15.6%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-0.6%	-0.5%	-0.8%	15.7%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-1.6%	-4.3%	-0.8%	6.6%
<b>Currencies</b>						
Euro		USD	-1.2%	-0.6%	0.2%	5.1%
UK Pound Sterling		USD	-0.4%	2.0%	-4.6%	-2.3%
Japanese Yen		USD	0.6%	-0.3%	-11.7%	-20.1%
Australian Dollar		USD	-1.4%	-0.9%	-14.4%	-13.8%
South African Rand		USD	-0.4%	-3.9%	-17.7%	-18.3%
Swiss Franc		USD	-0.9%	-0.4%	-1.5%	2.7%
Chinese Yuan		USD	0.0%	0.2%	1.8%	3.8%
<b>Commodities &amp; Alternatives</b>						
Commodities	RICI TR	USD	0.5%	3.4%	-0.8%	-3.8%
Agricultural Commodities	RICI Agriculture TR	USD	1.1%	1.5%	-7.4%	-15.0%
Oil	ICE Crude Oil CR	USD	5.4%	8.0%	4.7%	2.4%
Gold	Gold Spot	USD	-0.2%	5.3%	-16.7%	-17.5%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.4%*	-0.8%*	3.4%*	4.6%*

\* Estimate

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