

Weekly Review

Week ending 31st May 2013

Equities fell back in both developed (-1.4%) and emerging markets (-1.6%) last week, with Japan bearing the brunt of selling pressure from investors, as the Topix index declined by 4.9% in local currency terms. Stocks in Japan came under pressure on Thursday, before better-than-expected industrial production figures at the end of the week - along with hints from Japan's Public Pension Fund that it is considering increasing its allocation to Japanese equities - helped to push markets marginally higher on Friday. Last week's moves saw Japanese equities finish behind peer markets in May, for the first time since October 2012, and come on the back of the previous week's 4.7% fall. This followed on from Japanese industrial production grew by 1.7% in May, ahead of consensus expectations for growth of 0.6%, whilst inflation registered -0.7% year-on-year. The minutes of the Bank of Japan's meeting at the end of April revealed that monetary authorities intend to continue easing aggressively until inflation reaches the target level of 2%.

Fixed income markets followed equities down over the week, with global government bonds, US treasuries and European government bonds falling by 0.3%, 0.8% and 0.3% respectively in local currency terms. Global property securities fell by 4.1% over the period, whilst commodities lost a further 0.8% to bring year to date returns to -5.0%.

The European Commission met on Wednesday to discuss the effectiveness of ongoing austerity measures in the European Union (EU). Commission President Jose Manuel Barroso set the tone for proceedings by stating that "We need to reform, and reform now. The cost of inaction will be very high. There is no room for complacency." So far austerity programmes in France, Spain, the Netherlands, Poland, Portugal and Slovenia have all been

watered-down, with the latter four being granted additional time to reduce their budget deficits to below 3% of GDP at last week's meeting. Eurozone unemployment rose again in April, to record a new high of 12.2% (adjusted for seasonal variations in demand for labour), up from 12.1% in March. Youth unemployment, at 3.6 million or 24.4% of under-25 year olds, has continued to move steadily higher over the past two years.

In the US, data generally disappointed forecasters, after figures published last week showed lower-than-expected growth in consumer spending and a slight increase in initial jobless claims. US consumer spending, which accounts for approximately 70% of economic activity in the US, fell by 0.2% in April versus expectations for growth of 0.1%. The level of household incomes was unchanged in April, having risen in both February and March, whilst initial jobless claims for the week ending 25 May rose by 10,000 to 354,000. The Conference Board's US Consumer Confidence Index was moderately stronger, however, rising to 76.2% at the start of May, up from 69.0% the previous month.

In Asia, Chinese equities rose by 0.5% last week in renminbi terms, despite the decision by the International Monetary Fund to downgrade its growth forecast for the country on Wednesday. Growth forecasts for this year and 2014 were both cut to 7.75%, from 8.0% and 8.2% previously. Sentiment was bolstered, however, by the release of slightly better-than-expected manufacturing figures later in the week, after China's Purchasing Managers' Index registered 50.8 in May, marking the eighth consecutive month in which the index has come in above 50, a level indicating expansion.

Returns to 31 May 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 31 May 2013	Month to date	YTD 2013
Developed Market Equities					
United States	S&P 500 NR	USD	-1.1%	2.3%	15.1%
United Kingdom	FTSE All Share TR	GBP	-0.9%	2.9%	14.2%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.6%	1.9%	10.1%
Japan	Topix TR	JPY	-4.9%	-2.5%	33.3%*
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-2.2%	-9.0%	1.4%
Global	MSCI World NR	USD	-1.4%	0.0%	11.2%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	-3.6%	-1.7%	-4.9%
Emerging Asia	MSCI EM Asia NR	USD	-0.4%	-0.9%	-0.8%
Emerging Latin America	MSCI EM Latin America NR	USD	-4.0%	-6.9%	-6.4%
BRICs	MSCI BRIC NR	USD	-2.5%	-3.2%	-4.9%
South Africa	FTSE JSE All Share TR	USD	-2.7%	-3.6%	-9.0%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.6%	-2.6%	-3.4%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.8%	-2.0%	-1.2%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-1.7%	-4.7%	-4.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-1.1%	-2.3%	-0.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.8%	-0.6%	4.1%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.9%	-2.6%	-0.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-1.0%	-1.7%	2.5%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.3%	-1.3%	1.6%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.4%	-0.2%	1.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.2%	-1.5%	2.5%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.2%	-1.3%	0.6%
Australian Government	JP Morgan Australia GBI TR	AUD	0.0%	-0.6%	1.1%
Global Government Bonds	JP Morgan Global GBI	USD	-0.3%	-3.4%	-5.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.4%	-2.9%	-3.4%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.4%	1.2%	7.1%
Emerging Market Bonds	JP Morgan EMBI +	USD	-2.1%	-4.3%	-4.3%

* Estimate

Source: Bloomberg, May 2013

Returns to 31 May 2013

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 31 May 2013	Month to date	YTD 2013
Property					
US Property Securities	MSCI US REIT NR	USD	-5.2%	-6.0%	8.0%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-2.2%	3.8%	14.4%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-2.2%	0.6%	7.0%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-1.8%	-3.7%	9.5%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-3.5%	-12.7%	2.0%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-4.1%	-7.7%	5.2%
Currencies					
Euro		USD	0.5%	-1.3%	-1.5%
UK Pound Sterling		USD	0.5%	-2.1%	-6.5%
Japanese Yen		USD	0.8%	-3.1%	-13.7%
Australian Dollar		USD	-0.8%	-7.7%	-7.9%
South African Rand		USD	-5.1%	-11.1%	-16.1%
Swiss Franc		USD	0.6%	-2.7%	-4.2%
Chinese Yuan		USD	0.0%	0.5%	1.6%
Commodities & Alternatives					
Commodities	RICI TR	USD	-0.8%	-1.7%	-5.0%
Agricultural Commodities	RICI Agriculture TR	USD	0.1%	-2.1%	-3.9%
Oil	ICE Crude Oil CR	USD	0.2%	-1.5%	-7.9%
Gold	Gold Index	USD	0.1%	-6.0%	-17.2%
Hedge Funds	HFRX Global Hedge Fund	USD	0.0%*	0.9%*	4.7%*

* Estimate

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