



Weekly Review

Week ending 31st August 2012

The past does not repeat itself, but it does tend to rhyme: seven years to the day that Hurricane Katrina devastated New Orleans, Hurricane Isaac threatened to drop up to 20 inches of rain on Louisiana's largest city. Oil futures initially rose on fears of disruption to Gulf output, but fell back after Isaac was downgraded to a tropical depression. Elsewhere, global equities fell by 0.5% last week, with all major regions seeing modest falls. Property securities were down over the period, despite outperforming broader equities, whilst global bonds and commodities both rose by 0.5%. Friday brought August to a close, a month in which most traditional asset classes (excluding emerging market equities) enjoyed gains.

Major Asian bourses generally traded higher in today's early session, after Ben Bernanke emphasised that further quantitative easing remains an option for the US central bank during his closely watched address at Jackson Hole on Friday. The Federal Reserve Chairman drew listeners' attention to high and persistent unemployment in the world's largest economy, whilst stressing that public confidence in the central bank continues to anchor inflation expectations. Attention now shifts to the Federal Open Market Committee meeting on 12/13 September.

In Europe, investors await the ruling of a key German court on 12 September, regarding the constitutionality of the European Stability Mechanism (ESM) – the Eurozone's permanent bailout facility. On the same day Dutch voters will elect a new government, with the 'anti-austerity', 'anti-European bailouts' Left making most of the running at present. There remains a lack of consensus amongst European policymakers over how best to tackle the issue of rising government borrowing costs in the region. Despite meetings between German Chancellor Angela Merkel and Italian Prime Minister Mario Monti on Wednesday, both parties continue to hold different views on the matter. Mr. Monti's push for the ESM to receive a banking license was rejected by the German Chancellor on the grounds of its being unconstitutional under

existing EU treaties. On the other hand, hopes of bond buying from the central bank were lifted, after Mario Draghi raised the possibility that the ECB may need to explore options "beyond standard monetary policy tools" in order to fulfil its mandate to safeguard financial stability. Proposals for a banking union are being drawn up between the European Commission's President and the senior financial regulator Michel Barnier. Under the plans regulation of all 6,000 European banks would pass to a single ECB led 'supervisory board'. The final details of the plan are yet to be agreed and would still require the ratification of all 27 European Union heads of government.

Murcia became the third Spanish state alongside Catalonia and Valencia to draw on the central government's new EUR 18 billion fund, introduced by Prime Minister Mario Rajoy last month. Despite the combined funding requirements of these three states alone summing to EUR 11 billion, Mr. Rajoy remains reluctant to ask the European Union for support. Ratings agency Moody's is reported to be "monitoring developments (in Spain) very closely", and will continue its review of the countries credit status through to the end of September.

Consumer confidence in the Eurozone fell to a three year low in August, as unemployment rose again, to tip 18 million according to the latest figures. Rising energy costs also prompted an increase in the rate of consumer price growth, as inflation accelerated to 2.6% in August.

In the US, household debt fell by 0.5% during the second quarter, led by a drop in outstanding real estate related loans, according to a report from the Federal Reserve Bank of New York. Overall, consumer indebtedness was reported to have fallen by USD 53.0 billion from the first quarter to USD 11.4 trillion at the end of June. The stream of positive data was rounded off by an upward revision to second quarter US gross domestic product, up 0.2% to 1.7% on an annualised basis.

Returns to 31 August 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 31 Aug 2012	Month to date	YTD 2012
Developed Market Equities					
United States	S&P 500 NR	USD	-0.3%	2.2%	13.0%
United Kingdom	FTSE All Share TR	GBP	-1.0%	2.2%	7.0%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.4%	2.6%	11.4%
Japan	Topix TR	JPY	-3.3%	-0.6%	1.7%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-0.9%	0.2%	13.2%
Global	MSCI World NR	USD	-0.5%	2.5%	10.0%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	-1.7%	2.5%	11.5%
Emerging Asia	MSCI EM Asia NR	USD	-1.8%	-0.7%	6.3%
Emerging Latin America	MSCI EM Latin America NR	USD	-2.2%	-0.5%	0.3%
BRICs	MSCI BRIC NR	USD	-2.8%	-0.9%	0.9%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.8%	-0.3%	5.6%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.7%	-0.1%	2.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.5%	-0.4%	5.9%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.8%	0.2%	7.9%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.2%	1.2%	10.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.3%	-0.2%	3.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2%	0.8%	10.0%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.3%	0.7%	6.1%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	1.0%	9.4%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	2.6%	17.0%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1%	-0.2%	1.6%
Australian Government	JP Morgan Australia GBI TR	AUD	0.9%	0.4%	5.7%
Global Government Bonds	JP Morgan Global GBI	USD	0.6%	0.7%	2.1%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.5%	0.9%	3.2%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.1%	2.0%	8.0%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.4%	1.0%	12.7%

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

Returns to 31 August 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 31 Aug 2012	Month to date	YTD 2012
Property					
US Property Securities	MSCI US REIT NR	USD	0.6%	-0.2%	16.3%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.5%	1.1%	21.5%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-0.8%	-0.9%	16.6%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.1%	0.0%	23.0%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-1.3%	-0.3%	24.8%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-0.2%	0.2%	19.7%
Currencies					
Euro		USD	0.7%	2.3%	-2.9%
UK Pound Sterling		USD	0.4%	1.4%	2.2%
Japanese Yen		USD	0.4%	-0.3%	-1.7%
Australian Dollar		USD	-0.6%	-1.8%	0.8%
South African Rand		USD	-0.4%	-2.5%	-4.2%
Swiss Franc		USD	0.7%	2.4%	-1.8%
Chinese Yuan		USD	0.1%	0.2%	-0.9%
Commodities & Alternatives					
Commodities	RICI TR	USD	0.5%	4.8%	5.2%
Agricultural Commodities	RICI Agriculture TR	USD	0.9%	1.2%	11.0%
Oil	ICE Crude Oil CR	USD	-2.5%	6.4%	5.1%
Gold	Gold Index	USD	-1.1%	1.6%	7.7%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.1%*	0.3%*	2.1%*

* Estimate

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