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Weekly Review

Week ending 9th March 2012

Global equities fell by 0.4% last week in US dollar terms, despite modest gains by stocks in the US and Japan. Emerging markets declined by 1.8% over the same period, tempering their strong start to the year, which has seen these markets advance by 16.0%. All major EM regions lost ground in US dollar terms, with Asia offering the best returns to investors on a relative basis. Global government bonds continued to underperform equity markets, falling by 0.7% according to the JP Morgan Global Government Bond index.

Anticipation grew ahead of last week's deadline for Greece's bond exchange. Doubts over the final participation rate amongst creditors prompted some investors to take profits on their equity positions, Tuesday proving to be the worst day to date in 2012 for global stock markets. Private bond holders were given until 20.00hrs GMT on Thursday to decide whether to accept the government's deal, with Greece's finance minister suggesting that investors' chances of successfully 'holding-out' for the return of their capital in full was low. Greece's debt exchange marks the first restructuring event in an advanced economy in over 60 years. The final count revealed a participation rate of 85.8% amongst holders of Greek bonds subject to Greek law, rising to 95.7% with the application of collective action clauses which bind all holders to the terms of the deal. Meanwhile, the participation rate amongst holders of Greek bonds subject to foreign laws currently stands at 69%, with the offer deadline to be extended until 23 March.

The revised February purchasing managers' indices in Europe showed some deterioration from levels announced earlier in the month, whilst unemployment rose in the single currency block again in January to 10.7%. German retail sales declined by 1.6% month-on-month in February, versus forecasts for growth of 0.5%, with industrial orders also registering a surprise decline in January, down 2.7%.

Elsewhere in Japan, the government revealed its largest current account deficit since comparable data began in 1985, at JPY 437.3 billion in January; the first deficit reported by the country since January 2009. The figures were blamed on slower demand from China, alongside higher energy imports as a result of rising fuel prices and reduced domestic generation capacity.

Authorities in China have cut the country's growth target to 7.5%, down from 8% between 2005 and 2011. Chinese consumer prices grew at their slowest pace in 20 months during February, at 3.2%, leaving Beijing with room to loosen monetary policy. As noted in last Monday's commentary, monetary authorities in a number of major emerging market economies appear to be entering a loosening cycle, with the Reserve Bank of India electing once more to reduce the cash reserve ratio for the country's banks from 5.5% to 4.8% on Friday. Similarly, policymakers in Brazil surprised analysts last week by cutting the Selic rate by 75 basis points to 9.8%, bringing borrowing rates below 10% for only the second time in the central bank's history.

After last week's ISM manufacturing disappointment in the US, the non-manufacturing survey outperformed economists' forecasts, at 57.3 versus 56.0 expected. Factory orders similarly surprised on the upside, whilst nonetheless registering a decline of 1.0%. In currency markets, the US dollar rose to a ten month high versus the yen, following the announcement of the latest jobs growth figures in the US. US companies added 216,000 workers last month, bringing together the best six month period for employment gains since 2006.

Commodities fell by 0.7% last week, with agricultural commodities and gold falling by 2.1% and 1.1% respectively. Indian policymakers have this morning confirmed the introduction of a ban on exports of cotton, after appearing to backtrack on the measures following strong opposition from local farmers and Chinese importers over the weekend. As the world's second largest cotton producer, India's last export ban in 2010 pushed prices to record highs. Oil prices have already reached all time highs in EUR and GBP terms this year and rose again last week in US dollar terms, with Brent futures rising to USD 125.98, whilst West Texas Intermediary for delivery in April rose 70 cents to USD 107.4 per barrel.

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

Returns to 9 March 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 9 March 2012	Month to date	YTD 2012
Equities					
United States	S&P 500 NR	USD	0.1	0.4	9.3
United Kingdom	FTSE All Share TR	GBP	-0.2	0.5	7.7
Continental Europe	MSCI Europe ex UK NR	EUR	-0.5	0.5	9.8
Japan	Topix TR	JPY	1.3	1.5	16.5
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-2.3	-3.1	11.0
Global	MSCI World NR	USD	-0.4	-0.5	9.6
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	-2.5	-2.4	21.8
Emerging Asia	MSCI EM Asia NR	USD	-1.4	-1.8	14.9
Emerging Latin America	MSCI EM Latin America NR	USD	-3.0	-1.5	16.6
BRICs	MSCI BRIC NR	USD	-2.8	-2.6	18.3
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-1.8	-1.7	16.0
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-0.3	-0.3	-0.6
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.0	-0.2	1.7
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-0.7	-0.6	2.5
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.4	-0.3	-5.2
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.1	0.0	-1.2
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.1	0.2	3.0
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.1	0.6	5.4
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.2	0.6	5.4
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.0	0.6	11.9
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0	0.0	0.2
Australian Government	JP Morgan Australia GBI TR	AUD	0.6	0.0	-1.1
Global Government Bonds	JP Morgan Global GBI	USD	-0.7	-1.1	-1.0
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-0.5	-0.9	0.6
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.6	-0.6	7.8
Emerging Market Bonds	JP Morgan EMBI +	USD	0.1	0.8	5.1

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

Returns to 9 March 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 9 March 2012	Currency returns: Month to date	Currency returns: YTD 2012
Property					
US Property Securities	MSCI US REIT TR	USD	0.1	0.6	5.8
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	1.9	3.8	10.9
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.8	2.4	6.9
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-2.1	-1.5	6.3
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-1.6	-2.3	19.4
Global Property Securities	FTSE EPRA/NAREIT Developed CR	USD	-0.4	-0.4	11.1
Currencies					
Euro		USD	-0.6	-1.9	1.1
UK Pound Sterling		USD	-1.0	-1.8	1.0
Japanese Yen		USD	-1.0	-1.7	-6.6
Australian Dollar		USD	-1.3	-1.7	3.6
South African Rand		USD	0.2	-0.8	7.5
Swiss Franc		USD	-0.6	-2.0	1.8
Chinese Yuan		USD	-0.2	-0.3	-0.3
Commodities					
Commodities	RICI TR	USD	-0.7	-0.7	7.2
Agricultural Commodities	RICI Agriculture TR	USD	-2.1	-2.1	0.6
Oil	ICE Crude Oil CR	USD	1.1	2.0	16.8
Gold	Gold Index	USD	-1.1	-4.7	10.2

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

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