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# Weekly Review

Week ending 13<sup>th</sup> January 2012

Investor sentiment softened at the end of last week, as Standard and Poor's (S&P) announced its decision to downgrade nine Eurozone countries late on Friday evening. Earlier in the week, equity markets' strong start to the year had been supported by Fitch's affirmation of France's triple-A rating, despite warning that it may downgrade Italy as early as this month. S&P, however, reduced its rating of long term French government debt by one notch to AA+, negative outlook. Germany is now the only member of the euro area to receive the agency's highest triple-A rating, whilst from a global perspective the group of countries rated triple-A stable by S&P has shrunken to 11; namely Australia, Canada, Denmark, Germany, Hong Kong, Lichtenstein, Norway, Singapore, Sweden, Switzerland and the UK.

European Commissioner Olli Rehn advised last week that private sector involvement (PSI) in Greece's debt restructuring would be in line with the 50% haircut agreed at October's summit, despite reports hinting at the prospect of greater losses for investors. Hedge funds may be creating an obstacle to PSI talks in Greece. Funds have built up positions that stand to benefit in either the event of a hard-restructuring – triggering credit default swap contracts – or by managers successfully 'holding-out' whilst other investors enter into a voluntary exchange of existing bonds for new ones. Negotiations stalled on Friday last week, after parties failed to reach an agreement over the coupon rate to be applied on new Greek bonds.

Bund investors proved willing to lend money to the German government for a negative nominal yield for the first time in history last week. Investors paid more than the face value of six month treasury bills at Monday's auction, mirroring similar results in Switzerland and the Netherlands. Yields in the secondary market for Bunds have fallen below zero before.

Global equities finished the week up 0.8%, despite declining by 0.5% in weak trading on Friday. Emerging markets rose by 2.8%, led by stocks in emerging Asia and the BRIC quartet of countries.

Whilst equities have enjoyed strong gains to date in 2012, average trading volumes in the US are 22% lower than during the same period last year, implying a lack of conviction amongst some market participants. Global government bonds added 0.6% last week, whilst corporate investment grade debt posted gains in Europe and the US. The debt debate may soon be back on the agenda in the US, with the Obama administration set to ask Congress to raise the debt ceiling again this week.

On the data front, US retail sales fell by 0.2% last month, whilst the latest figures on initial jobless claims showed a rise to 399,000 claimants. Chinese annual export growth fell to 13.4% in December, down from 13.8% the previous month. Whilst in line with consensus expectations, December's figure nonetheless represents the second weakest print since November 2009. Imports grew by 11.8% versus 18.0% expected, and down from 22.1% in November. The weakness in Chinese trade data raised the prospects for some form of monetary easing in the near term, prompting gains by Asian equities last week.

Commodities fell 0.9% last week according to the Rogers Commodities Index. Crude oil fell by 0.2%, despite threats by Iran to block the Strait of Hormuz, a key shipping lane providing passage for almost one-fifth of total global trade in oil, as relations between Tehran and the West continue to sour.

In foreign exchange markets, the US dollar appreciated against the euro and the UK pound last week, whilst losing ground versus major Asian currencies. Swiss National Bank (SNB) Chairman Philipp Hildebrand resigned on Monday, in the wake of a scandal over foreign exchange deals entered into by his wife. Kashya Hildebrand benefitted from selling Swiss dollars into USD, one month before the SNB introduced a cap on the value of the Swiss Franc which prompted the CHFUSD currency pair to fall significantly. Husband and wife both deny any intentional wrongdoing.

## Returns to 13 January 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 13 Jan 2012	Last month	YTD 2012
<b>Equities</b>					
United States	S&P 500 NR	USD	0.9	1.0	2.6
United Kingdom	FTSE All Share TR	GBP	0.1	0.8	1.5
Continental Europe	MSCI Europe ex UK NR	EUR	1.2	1.2	1.6
Japan	Topix TR	JPY	0.7	0.1	0.8
Asia Pacific (ex Japan)	MSCI AC Asia Pacific (ex Japan) TR	USD	2.7	-0.9	3.7
Global	MSCI World NR	USD	0.8	-0.1	1.6
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	2.3	-9.7	3.8
Emerging Asia	MSCI EM Asia NR	USD	3.3	0.7	4.1
Emerging Latin America	MSCI EM Latin America NR	USD	2.8	-1.6	5.3
BRICs	MSCI BRIC NR	USD	4.1	-2.2	6.3
Global Emerging Market	MSCI EM (Emerging Markets) NR	USD	2.8	-1.2	4.0
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.6	1.0	0.2
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.3	0.1	0.9
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.9	2.1	0.8
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3	2.7	1.1
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.6	2.0	0.1
UK Corporate (Investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.5	2.1	0.7
Euro Government Bonds	Citigroup EMU GBI TR	EUR	1.7	4.0	0.5
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.6	2.6	1.0
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	1.1	2.9	2.3
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.1	0.7	0.1
Australian Government	JP Morgan Australia GBI TR	AUD	-0.3	0.9	-0.8
Global Government Bonds	JP Morgan Global GBI	USD	0.6	1.0	-0.6
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.5	0.6	-0.4
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.2	-0.7	2.0
Emerging Market Bonds	JP Morgan EMBI +	USD	-0.4	1.3	-0.8

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



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Asset Class/Region	Index	Currency	Currency returns		
			Week ending 13 Jan 2012	Last month	YTD 2012
<b>Property</b>					
US Property Securities	MSCI US REIT TR	USD	1.0	4.5	0.7
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	2.3	-5.1	0.9
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	2.3	0.5	-1.6
Australian Property Securities	FTSE EPRA/NAREIT	AUD	2.9	-2.6	7.0
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	3.0	-1.9	5.2
Global Property Securities	FTSE EPRA/NAREIT Developed CR	USD	1.9	0.9	1.7
<b>Currencies</b>					
Euro		USD	-0.4	-3.6	-2.4
UK Pound Sterling		USD	-0.8	-1.2	-1.6
Japanese Yen		USD	0.2	0.9	-0.1
Australian Dollar		USD	0.6	-0.2	0.3
South African Rand		USD	-0.1	0.3	-1.0
Swiss Franc		USD	0.1	-2.7	-2.1
New Zealand Dollar		USD	1.4	0.3	1.5
<b>Commodities</b>					
Commodities	RICI TR	USD	-0.9	-1.8	0.6
Agricultural Commodities	RICI Agriculture TR	USD	-1.3	2.5	-2.2
Oil	ICE Crude Oil CR	USD	-0.2	-2.5	5.3
Gold	Gold Index	USD	1.2	-12.3	6.8



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