

weekly review

Week ending 11 October 2013

global investment management

As the US government approaches its debt ceiling deadline this Thursday, the inability of policymakers to reach an agreement on the budget continues to weigh on investor sentiment, with S&P 500 futures in negative territory as at the time of writing.

Discussions in the Senate collapsed over the weekend after the Republicans failed to support a 'clean bill' to raise the debt limit. At the same time, Democratic Majority Leader, Harry Reid, refused to accept the Republican's "six-point fiscal plan", which called for changes to 'Obamacare', a delay to the medical devices tax and a cut to federal spending in return for a six month extension to the debt ceiling.

Away from budgetary affairs, President Barack Obama officially nominated Vice Chair Janet Yellen as the next leader of the Federal Reserve (Fed); a position which – if confirmed by the US Senate – would see her replace Chairman Ben Bernanke who is stepping down after eight years at the helm.

Finance ministers and central bankers from around the world met for the annual International Monetary Fund (IMF) and World Bank Summit on Thursday. Global leaders were keen to stress the severe impact a US default would have on markets, with head of the IMF, Christine Lagarde, warning of "massive disruption" which "would be at risk of tipping [the world] yet again into recession".

The IMF chose last week to release its latest World Economic Outlook report, which cut estimates for global growth to 2.9% (down 0.3%) and 3.6% (down 0.2%) for this year and next. Growth projections for the UK, on the other hand, were revised upwards to 1.4% for this year; 0.9% higher than earlier forecasts made in July. Other data from the UK was less positive, with industrial production and construction figures released by the Office for National Statistics

(ONS) falling by 1.1% and 0.1% in August respectively. The fall in industrial production, which represented the biggest monthly drop in nearly a year, was largely fuelled by a reduction in manufacturing output, which itself fell by 1.2% over the month. Later in the day, the nine-members of the Monetary Policy Committee voted to keep monetary policy in the UK on hold, in line with market expectations.

In Europe, German exports rose by 1.0% in August, whilst nonetheless behind market expectations for a rise of 1.5%. Imports rose by only 0.4%, leading to an increase in Germany's trade surplus to EUR 15.6 billion versus EUR 15.0 billion in July.

In Asia, trade data from China on Saturday disappointed investors, after export numbers for September fell by 0.3% year-on-year, against expectations for a 5.5% rise. Imports however beat expectations, up 7.4% over the year against 7.0% expected. Data from the Energy Information Administration (EIA) showed China overtaking the US as the biggest net importer of oil in September. Oil consumption exceeded production by 6.3 million barrels a day in China, compared to 6.1 million barrels in the US.

In Japan, minutes from the Bank of Japan's (BoJ) monetary policy meeting on the 4th and 5th September, revealed a unanimous vote by members to keep interest rates unchanged and the growth of the monetary base on hold at its current rate of JPY 60-70 trillion per annum.

Developed equity markets reversed some of their earlier losses to end the week up by 0.7% in US dollar terms. Emerging markets generally outperformed their developed counterparts, with Emerging Europe



(+2.3%) and India (+3.8%) providing some of the strongest returns over the week.

Despite seeing yields move significantly over the week, US treasuries ended the week flat, outperforming global government bonds, which returned -0.5% in US dollar terms due, largely, to a

stronger US dollar. Finally, global property securities returned 2.2% whilst commodities were flat, following mixed returns from gold (-2.9%) and oil (1.1%).

Source: Bloomberg. Returns in US dollars unless otherwise stated. October 2013

Asset class/region	Index	Currency	Currency returns			
			Week ending 11 October	Month to date	YTD 2013	12 months
Developed markets equities						
United States	S&P 500 NR	USD	0.8%	1.3%	20.8%	22.5%
United Kingdom	MSCI UK NR	GBP	0.6%	0.4%	13.3%	16.2%
Continental Europe	MSCI Europe ex UK NR	EUR	0.8%	1.1%	16.3%	21.8%
Japan	Topix TR	JPY	2.9%	0.3%	41.8% ^e	64.4%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.6%	1.5%	6.9%	11.4%
Australia	S&P/ASX 200 TR	AUD	0.4%	0.2%	16.5%	21.0%
Global	MSCI World NR	USD	0.7%	0.9%	18.4%	22.2%
Emerging markets equities						
Emerging Europe	MSCI EM Europe NR	USD	2.3%	4.1%	1.1%	8.0%
Emerging Asia	MSCI EM Asia NR	USD	1.5%	3.8%	2.1%	8.6%
Emerging Latin America	MSCI EM Latin America NR	USD	1.6%	3.4%	-8.3%	-4.0%
BRICs	MSCI BRIC NR	USD	1.8%	3.9%	-1.4%	4.2%
MENA countries	Dow Jones MENA TR	USD	0.2%	0.9%	18.1%	18.2%
South Africa	MSCI EM South Africa NR USD	USD	1.8%	4.0%	-19.5%	-10.1%
India	Nifty Fifty TR	USD	3.8%	9.2%	-6.3%	-3.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	1.6%	3.7%	-0.8%	5.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.0%	-0.2%	-2.6%	-2.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.2%	-0.2%	-7.4%	-7.6%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	0.3%	-2.4%	-2.6%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.3%	0.8%	4.5%	7.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.0%	-0.1%	-2.8%	-2.5%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	0.2%	0.3%	1.2%	2.6%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.0%	0.2%	1.2%	3.5%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	0.1%	1.5%	3.4%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.3%	1.2%	10.0%	16.7%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.1%	0.3%	2.3%	2.3%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.4%	-1.1%	-0.7%	-1.0%
Global Government Bonds	JP Morgan Global GBI	USD	-0.5%	0.0%	-3.3%	-4.5%
Global Government Bonds	JP Morgan Global GBI	USD	-0.5%	0.0%	-3.3%	-4.5%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-0.1%	0.5%	13.4%	16.7%
Emerging Market Bonds	JP Morgan EMBI+	USD	1.0%	1.3%	-7.7%	-5.3%

Source: Bloomberg, October 2013



Asset class/region	Index	Currency	Currency returns			
			Week ending 11 October	Month to date	YTD 2013	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	2.9%	2.7%	5.1%	8.3%
Australian Property Securities	S&P/ASX 200 A-REIT	AUD	0.4%	1.5%	6.1%	6.1%
Asia Property Securities	S&P Asia Property 40 NR	USD	2.3%	1.1%	9.7%	20.9%
Global Property Securities	S&P Global Property USD TR	USD	2.2%	1.8%	6.5%	12.5%
Currencies						
Euro		USD	-0.1%	0.1%	2.7%	4.5%
UK Pound Sterling		USD	-0.3%	-1.4%	-1.8%	-1.1%
Japanese Yen		USD	-1.1%	-0.4%	-12.0%	-19.1%
Australian Dollar		USD	0.3%	1.6%	-8.9%	-8.8%
South African Rand		USD	0.9%	1.4%	-14.4%	-12.3%
Swiss Franc		USD	-0.5%	-0.8%	0.4%	2.2%
Chinese Yuan		USD	0.0%	0.0%	1.8%	1.9%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.0%	0.4%	-2.8%	-1.9%
Agricultural Commodities	RICI Agriculture TR	USD	-0.5%	-0.1%	-8.2%	-11.7%
Oil	ICE Crude Oil CR	USD	1.1%	1.5%	0.0%	1.1%
Gold	Gold Spot	USD	-2.9%	-4.3%	-24.1%	-26.1%
Hedge funds	HFRX Global Hedge Fund	USD	-0.1% ^e	0.2% ^e	4.5% ^e	5.9% ^e

Source: Bloomberg, October 2013



For more information, please contact:

Natalie Mulcrone

Natalie.mulcrone@momentumgim.com

Tel: +44 (0)207 618 1802



Important notes

This document is only intended for use by the original recipient, either a Momentum GIM client or prospective client, and does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, EC4R 1EB

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.

© Momentum Global Investment Management Limited 2013