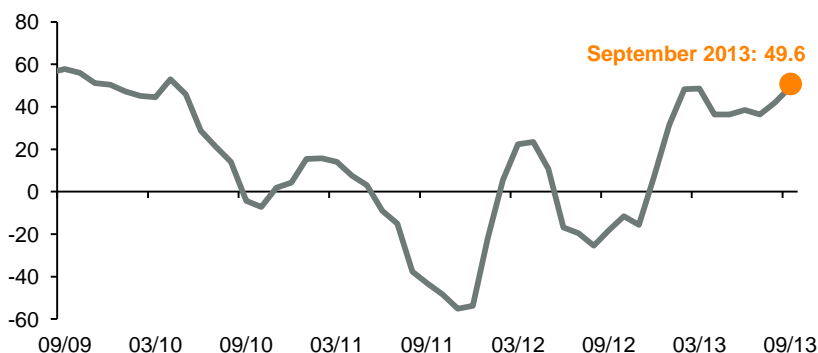


Thought of the week

The German election and potential wrangling over a new coalition government hasn't dented investor sentiment in the country. The ZEW indicator of economic sentiment rose to highest level since April 2010 in September. Germany is benefiting from the economic turnaround in the eurozone as a relatively higher proportion of Germany's exports are destined for countries within the single currency bloc compared to other eurozone nations. Post-election rhetoric coming from Germany regarding the pace of economic reform in peripheral countries will likely increase. However, Germany might be wise to progress domestic reforms to strengthen its economy and enhance productivity. Any economy that is heavily reliant on one sector unnecessarily exposes itself to economic shocks.

ZEW Indicator of economic sentiment



Source: FactSet

Week ahead

Day	Country	Event	Period	Survey	Prior
Mon	France	PMI Mfg. (Flash)	Sep	50.1	49.7
	Germany	PMI Mfg. (Flash)	Sep	52.0	51.8
	EMU	PMI Mfg. (Flash)	Sep	51.6	51.4
Tue	Germany	IFO Business Climate	Sep	108.0	107.5
	US	Consumer Confidence Index	Sep	80.5	81.5
Wed	US	New Home Sales	Aug	442k	394K
	US	Durable Goods Orders (m/m)	Aug	0.1%	-7.3%
Thurs	EMU	Money Supply (y/y)	Aug	2.3%	2.2%
	Japan	CPI (y/y)	Aug	0.7%	0.7%
	UK	GDP (q/q) (Final)	2Q	0.7%	0.7%
	US	Initial Jobless Claims	Sep	330k	309k
	US	GDP (q/q) (Final)	2Q	2.6%	2.5%
Fri	France	GDP (q/q) (Final)	2Q	0.5%	0.5%
	Germany	CPI (y/y) (Preliminary)	Sep	1.4%	1.7%
	US	Uni. Of Michigan Confidence	Sep	78.5	76.8

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	1.2	17.1	20.3
DAX	2.2	14.2	17.7
CAC 40	2.2	18.8	24.1
IBEX	2.6	16.5	20.2
FTSE MIB	2.4	13.4	17.4
FTSE 100	0.2	15.2	16.9
S&P 500	1.3	21.8	19.7
TOPIX	2.8	43.4	65.4
MSCI EM	1.6	2.8	8.2
MSCI China	1.6	3.0	18.1
MSCI Brazil	0.8	-2.0	-1.1
MSCI AC World	1.4	18.7	21.1
Energy	0.6	11.1	7.4
Materials	1.2	0.4	3.3
Industrials	2.0	23.5	30.3
Cons Discr	1.8	30.3	37.0
Cons Staples	1.6	17.2	18.0
Healthcare	1.1	27.9	29.4
Financials	1.8	20.4	29.6
Technology	1.3	16.3	12.1
Telecom Svc	0.2	17.1	13.0
Utilities	1.5	10.8	10.7
Value	1.2	18.6	21.9
Growth	1.7	18.7	20.3

Fund flows (\$bn)	w/e 13/09	w/e 06/09	4 wk ma
Equity	5.2	0.9	1.8
Fixed income	-2.8	-4.7	-5.3
Money market	20.0	-4.8	9.3

Note: All index returns are total returns in local currency. Fund flows are for US-domiciled funds only, excluding ETFs. *Term = index duration. †GDP q/q seasonally adjusted annual rate.

Bond spreads	Level		Change (bps)	
	20/09	Week ago	YTD/YE	Year ago
Global IG	139	-3	-9	-29
EMBI+ (USD)	317	-30	69	34
Global High Yld	466	-6	-36	-69

Bond yields (10 yr)

	Level	Change (bps)
UK	2.74	0
Germany	1.94	-4
USA	2.74	-15
Japan	0.70	-3
EMD* (local fx)	6.43	-29

Commodities

	Level	Change (%)
Brent \$/bbl	109	-3.2
Gold \$/oz	1,349	2.3
Copper \$/lb	3.33	3.8

Currency

	Level			
\$ per €	1.35	1.33	1.32	1.30
£ per €	0.84	0.84	0.81	0.80
\$ per £	1.60	1.59	1.63	1.62
¥ per €	135	132	114	101
¥ per \$	100	99	86	78
CHF per €	1.23	1.24	1.21	1.21

Volatility (%)

	Level
VIX	13

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	1.2	1.3	MSCI Europe	13.0
UK	2.9	2.7	FTSE 100	12.3
US	2.5	1.5	S&P 500	14.5
Japan	3.8	0.7	MSCI EM	10.7
China	8.4	2.6	MSCI World	14.2

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Unless otherwise stated, all data is as of 20/09/2013.

Economic releases: Bloomberg.

Equities: All data represents total returns for the stated period.

Fund flows: ICI.

Bond Yields: JPMorgan EMBI+ OAS over Treasuries ; Barclays Global Aggregate Corporate OAS; Barclays Global High Yield OAS; Government bond yields: Source: Tullett Prebon Information, UK Government Bonds 10 Year Note Generic Bid Yield; German Government Bonds 10 Year Debencher; Japan 10 Year Bond Benchmark; US Generic Government 10 Year Yield.

Commodities: WTI and Brent are the crude oil price in \$ per barrel, gold is \$ per troy ounce, copper is \$ per pound.

Rates: Bank of England Official Bank Rate; ECB Minimum Bid Refinancing Rate 1 Week; Federal Funds Target Rate; Bank of Japan Target Rate of Unsecured Overnight Call Rate; Bank of China 1 Year Best Lending Rate.

Macro: Headline CPI year on year percentage change; GDP growth quarter on quarter seasonally adjusted annualised rate.