

## Global Capital Markets Overview

December-16

### Major Fixed Income Indices

(%)

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPM EMBI Global Diversified	1.33	-4.09	5.02	4.04	-4.02		10.15	4.87
JPM GBI-EM Broad Diversified	1.26	-5.85	2.08	2.82	-5.15		8.71	-0.45
Bloomberg Barclays Global Aggregate	-0.46	-3.97	2.89	0.82	-7.07		2.09	-3.60
Bloomberg Barclays US Aggregate	0.14	-2.37	2.21	0.46	-2.98		2.65	-0.37

### Major Equity Indices

(%)

(USD, Net)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
MSCI AC World	2.16	0.76	0.99	5.30	1.19		7.86	7.61
MSCI World	2.39	1.44	1.01	4.87	1.86		7.51	7.89
MSCI North America	1.82	3.46	2.49	3.96	3.37		11.57	10.14
MSCI Pacific	0.46	-1.64	0.87	8.46	-1.03		4.18	8.28
MSCI Europe	5.24	-2.18	-2.69	5.40	-0.40		-0.40	2.16
MSCI Kokusai	2.53	1.83	1.01	4.52	2.05		8.02	7.74
MSCI Emerging	0.22	-4.60	0.66	9.03	-4.16		11.19	5.18
MSCI EM Latin America	0.87	-10.61	5.31	5.37	-0.88		31.04	9.99
MSCI EM Asia	-1.41	-3.33	0.30	10.51	-6.06		6.14	4.12
MSCI EM EMEA	7.21	-4.87	-1.27	5.67	1.83		19.94	6.23
MSCI EM Europe	9.30	-1.19	-3.90	4.45	9.40		25.51	9.81

### REIT&Commodities

(%)

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
TSE REIT INDEX	3.74	0.89	-2.04	-0.12	2.57		9.86	0.36
FTSE EPRA/NAREIT US	4.65	-1.97	6.36	-0.84	-3.46		7.55	1.82
CRB	1.73	1.67	13.01	-3.17	3.44		9.65	13.18
S&P GSCI	4.72	2.53	12.67	-4.15	5.76		11.37	14.22
WTI Crude Oil	8.78	5.51	25.83	-0.33	11.72		44.76	40.12
NY Golds	-1.39	-7.86	7.03	0.03	-12.41		8.95	-6.23

### Currency Returns (against the USD) Thomson Reuters Spot Rate (London 4pm)

(%)

	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPY	-2.08	-8.43	8.99	1.92	-13.30		2.93	-3.70
EUR	-0.68	-3.58	-2.41	1.22	-6.45		-3.17	-7.59
CHF	-0.11	-2.77	-1.47	0.47	-4.60		-1.61	-5.56
GBP	-1.33	2.13	-7.31	-2.51	-4.92		-16.29	-14.09
AUD	-2.30	-2.95	-2.70	2.86	-5.85		-0.88	-5.77
BRL	3.98	-5.76	11.83	-1.44	0.17		21.69	10.41

\*Fiscal year to date

Source:Datastream, Bloomberg Barclays

## <Global Capital Markets for December 2016>

### ■ Interest Rates

During December, as broadly expected, FRB raised Federal Funds Rate Target by 0.25 % by a unanimous vote since their meeting back in December 2015. ECB, BOJ and BOE maintained all the key rates unchanged, however, ECB decided to reduce their QE target from EUR80bln to EUR 60bln. Other central banks including the ones of Canada, Chile, Poland, Hungary, Turkey, India and Thailand maintained their policy rates. FRB members revised their projections on the future path of Target FF rates (so called "dot plot") upwards, i.e. from two hikes to three during 2017. Together with the OPEC agreement to reduce their production quota, "dot plot" set the tone for the month. Consequently, cash and futures money rates in most major currencies most notably in USD moved higher in December.

### ■ Currencies

At the beginning of December, the national referendum of Italy had a dampening effect on EUR. In addition, the expectation that ECB's monetary easing measures will continue reducing EURUSD. In the middle of December, FRB's rate hike and strong US economic indices moved USDJPY up to 118.66 yen. The chances of additional rate hike increased from two to three times a year, and it created a positive tone to USD. During Christmas holiday, quiet market promoted adjustment of positions.

### ■ Bond Markets

US yield curve went up this month along with the rate hike by FRB to 0.50-0.75% target and the forecast of the number of hikes going forward in tandem with good economic indices even though volatility in Treasury market subsided. German Bund was up and down due to ECB policy then to retreating financial uncertainty in Europe e.g. decision of Italian government to support Monte dei Paschi as well as a settlement of Deutsche Bank issue with US DOJ. European yields were mixed this month. US Treasury 10Yr was up 7bps to 2.46 % and German Bund 10Yr was almost flat but down by 1bps to 0.26%. Among European peripherals, Italy was down to 1.87%, Spain was also down to 1.42% while Greece was up to 6.97%. On the US spread sectors, Corporates were in good shape while Securitized were lagged especially CMBS, compared to Treasuries.

### ■ Equity Markets

In the first half of December global stock markets continued to rise on the expectation of US new president's stimulative economic policy. After FRB decided to raise the target range for the federal funds by 25bp, developed markets hovered at the highest level and emerging markets became soft by the concern that money flow might shift from emerging markets to US. In term of monthly returns in USD base developed markets gained 2.4% and emerging markets gained 0.3%. Japanese stock market continued to rise due to the depreciation of JPY to the level of 118 against USD and TOPIX went up by 3.3%.

As for sector return in developed markets, all 11 sectors rose. The best performer was telecom sector which lagged significantly last month and gained 6.0% in December. On the other hand, the worst performer was industrial sector which gained only 0.9%.

## Index

- Citigroup World Government Bond Index, Citigroup US High -Yield Market Index (Citigroup fixed income indices are developed, calculated and distributed by Citigroup Global Markets Inc.)
- Bloomberg Barclays Global Aggregate Index, Bloomberg Barclays US Aggregate Bond Index, Bloomberg Barclays US Aggregate 1-3 Year Index, Bloomberg Barclays Euro Aggregate Bond Index, Bloomberg Barclays US Mortgage Backed Securities (MBS) Index, Bloomberg Barclays World Government Inflation-Linked Bond (WGILB) Index, Bloomberg Barclays Global High Yield Index  
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- MSCI AC World, MSCI AC Asia , MSCI AC Asia ex Japan , MSCI Asia Pacific, MSCI Asia Pacific ex Japan, MSCI KOKUSAI, MSCI China A, MSCI World ,MSCI EAFE MSCI Emerging Markets, Index data is utilized under the permission for usage by MSCI Inc.
- TOPIX Dividend Index  
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- NOMURA-BPI Overall, NOMURA-BPI Overall, Short-term(1-3 years) , Mid-term(3-7 years), Long(7 years~)  
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- Russell/Nomura Japan Index  
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- Russell 2000 Growth Index  
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- FTSE All World, FTSE World, S&P500
- Credit Suisse Leveraged Loan Index, S&P European Leveraged Loan Index  
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