Global Capital Markets Overview

September-17

Major Fixed Income Indices (%)

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPM EMBI Global Diversified	0.01	1.77	2.24	2.63			8.99	4.93
JPM GBI-EM Broad Diversified	-0.58	1.66	3.40	3.14			13.03	6.64
Bloomberg Barclays Global Aggregate	-0.90	0.99	2.60	1.76			6.25	4.41
Bloomberg Barclays US Aggregate	-0.48	0.90	1.45	0.85			3.14	2.31

Major Equity Indices (%)

(USD, Net)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
MSCI AC World	1.93	0.38	4.27	5.18			17.25	9.68
MSCI World	2.24	0.14	4.03	4.84			16.01	9.06
MSCI North America	2.10	0.25	2.82	4.50			13.76	7.44
MSCI Pacific	0.99	0.05	3.92	3.87			15.41	7.94
MSCI Europe	3.30	0.06	7.37	6.45			22.79	14.29
MSCI Kokusai	2.27	0.16	3.92	4.92			16.18	9.03
MSCI Emerging	-0.40	2.23	6.27	7.89			27.78	14.66
MSCI EM Latin America	1.58	4.62	-1.74	15.07			26.71	13.07
MSCI EM Asia	-0.02	1.38	8.64	7.02			31.82	16.26
MSCI EM EMEA	-3.89	4.39	2.12	6.25			11.47	8.50
MSCI EM Europe	-1.35	6.57	2.38	10.39			14.58	13.02

REIT&Commodities (%)

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
TSE REIT INDEX	-1.53	-0.97	-3.85	-1.28			-8.25	-5.07
FTSE EPRA/NAREIT US	0.16	-0.43	1.33	0.72			2.27	2.06
CRB	1.32	-0.89	-5.76	5.03			-4.28	-1.02
S&P GSCI	3.32	-0.78	-5.46	7.22			-3.76	1.36
WTI Crude Oil	9.33	-5.88	-8.94	12.28			-3.87	2.24
NY Golds	-2.45	3.72	-0.30	3.25			10.91	2.93

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	-2.24	0.25	-0.88	-0.10			3.92	-0.97
EUR	-0.81	0.57	7.27	3.40			12.34	10.91
CHF	-0.98	0.82	4.67	-1.02			5.18	3.60
GBP	3.61	-2.15	3.80	2.84			8.58	6.75
AUD	-1.42	-0.70	0.81	1.87			8.56	2.69
BRL	-0.44	-0.68	-5.56	4.60			2.93	-1.22

*Fiscal year to date

Source:Datastream, Bloomberg

＜Global Capital Markets for September 2017＞

■Interest Rates

During September, all four major central banks held monetary policy meetings and maintained current policy rates unchanged. However, FOMC announced the implementation of balance sheet adjustment in October and also so-called “dot chart” revealed that 12 out of 16 FOMC participants see the rate hike(s) towards the end of this year. Also, following the unexpectedly high CPI number (+2.9%), BOE indicated that rate increase is likely to occur in three months. FOMC and BOE actions set the tone for money markets. Other central banks including the ones of Hungary, Poland, Czech, Turkey, Thailand, Malaysia, Philippines, Taiwan, Chile, Columbia, Mexico and South Africa maintained their policy rates unchanged. Central Banks of Indonesia, Peru and Brazil lowered their policy rates from 4.50% to 4.25%, 3.75% to 3.50% and 9.25% to 8.25% respectively. No major central bank raised their key rate during the month. Cash and futures money rates in major currencies were mixed for the month; JPY more or less unchanged across the curve, EUR higher in the long ends and USD/GBP substantially higher across the maturities.

■Currencies

In September, at the early part of the month, USD remained under pressure based on subdued long bond yields and possible impact of Hurricane Irma on US economy and hit the low of 107.32 against JPY on 9/8. After that, despite another Missile launch by DPRK over Japan (9/15), lower than expected Hurricane damages and proposed tax cut package of Trump administration improved the stock market sentiments and the renewed prospect of rate hike at December FOMC meeting and resulting higher bond yields moved USD gradually higher towards the month end. Political concerns in Euroland including German coalition and referendum on Catalonia independence supported USD advance. JPY closed the month substantially lower against USD at 112.51 (109,98) and against EUR at 132.92 (130.98).

■Bond Markets

In US, the yield was down due to geopolitical risk and influence by hurricane around the beginning of the month. After that, the yield was on uptrend because of the decrease of uncertainty on the US Public Debt Ceiling issue together with higher expectation of the rate hike and the tax reform. In Europe, the yield was up due to the expectation of the ECB’s policy change in October along with US yield increase. US Treasury 10Yr was increased by 22bps to 2.35% and German Bund 10Yr was also up by 10bps to 0.46%. European peripherals e.g., Italy, Spain and Greece were up a little to 2.11%, 1.60% and 5.66% respectively. On the US spread sectors, Corporate was robust and Securitized was almost neutral compared to Treasuries.

■Equity Markets

Despite North Korean nuclear test, global stock markets rose in September mainly in developed markets due to expectation for corporate tax cut in US, announcement of FOMC to shrink FRB’s balance sheet within market expectation and ECB’s decision to maintain accommodative monetary policy. In terms of monthly return in USD, developed markets gained 2.3% and emerging markets dropped by 0.4%. Japanese stock market gained 4.3% in TOPIX supported by the depreciation of JPY to the level of 112 against USD and soaring US stock market. As for sector return in developed markets, the best performer was energy sector which rose by 9.0% supported by rebound of oil price. The worst performer was utility sector which dropped by 2.4%.

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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- JPMorgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified), JPMorgan Emerging Local Markets Bond Index Plus (ELMI+), JPMorgan Government Bond Index - Emerging Markets Global Diversified (GBI-EM GD) , JPMorgan Government Bond Index - Emerging Markets Broad Diversified (GBI-EM BD)

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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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- Russell/Nomura Japan Index

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- Russell 2000 Growth Index

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- Eurekahedge Asian Hedge Fund Index, Eurekahedge Asian Hedge Fund Index(Asia ex-Japan Index) Index data is utilized under the permission for usage by Eurekahedge.
- FTSE All World, FTSE World, S&P500
- Credit Suisse Leveraged Loan Index, S&P European Leveraged Loan Index

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