

Global Capital Markets Overview

March-18

Major Fixed Income Indices

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPM EMBI Global Diversified	0.29	-1.99	2.24	2.63	1.16	-1.74	-1.74	4.30
JPM GBI-EM Broad Diversified	1.26	-1.10	3.40	3.14	0.78	4.19	4.19	11.97
Bloomberg Barclays Global Aggregate	1.06	-0.89	2.60	1.76	1.08	1.36	1.36	6.97
Bloomberg Barclays US Aggregate	0.64	-0.95	1.45	0.85	0.39	-1.46	-1.46	1.20

Major Equity Indices

(USD, Net)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
MSCI AC World	-2.14	-4.20	4.27	5.18	5.73	-0.96	-0.96	14.85
MSCI World	-2.18	-4.14	4.03	4.84	5.51	-1.28	-1.28	13.59
MSCI North America	-2.40	-3.92	2.82	4.50	6.27	-1.13	-1.13	12.89
MSCI Pacific	-2.78	-2.09	3.92	3.87	7.99	-0.68	-0.68	15.78
MSCI Europe	-1.20	-5.88	7.37	6.45	2.21	-1.98	-1.98	14.49
MSCI Kokusai	-2.19	-4.40	3.92	4.92	5.22	-1.49	-1.49	13.02
MSCI Emerging	-1.86	-4.61	6.27	7.89	7.44	1.42	1.42	24.93
MSCI EM Latin America	-0.96	-3.61	-1.74	15.07	-2.34	8.02	8.02	19.29
MSCI EM Asia	-1.36	-5.35	8.64	7.02	8.36	0.84	0.84	27.03
MSCI EM EMEA	-4.98	-1.77	2.12	6.25	11.72	-0.94	-0.94	20.08
MSCI EM Europe	-4.75	-2.74	2.38	10.39	5.20	2.06	2.06	21.34

REIT&Commodities

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
TSE REIT INDEX	-0.50	-1.96	-3.85	-1.28	1.58	2.68	2.68	-0.99
FTSE EPRA/NAREIT US	3.85	-7.32	1.33	0.72	1.60	-7.78	-7.78	-4.38
CRB	0.87	-1.62	-5.76	5.03	6.21	1.17	1.17	6.35
S&P GSCI	2.22	-3.34	-5.46	7.22	9.90	2.19	2.19	13.83
WTI Crude Oil	5.60	-5.23	-8.94	12.28	17.01	7.29	7.29	28.35
NY Golds	0.31	-1.66	-0.30	3.25	1.53	1.53	1.53	6.11

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	0.38	2.35	-0.88	-0.10	-0.17	6.03	6.03	4.82
EUR	1.05	-1.82	7.27	3.40	1.56	2.70	2.70	15.68
CHF	-1.00	-1.40	4.67	-1.02	-0.63	2.12	2.12	5.14
GBP	1.87	-3.04	3.80	2.84	0.88	3.72	3.72	11.69
AUD	-1.06	-3.64	0.81	1.87	-0.41	-1.58	-1.58	0.66
BRL	-1.78	-1.86	-5.56	4.60	-4.54	0.22	0.22	-5.50

*Fiscal year to date
Source:Datastream, Bloomberg

<Global Capital Markets for March 2018>

■ Interest Rates

During March 2018, all four major central banks, namely FRB, ECB, BOE and BOJ, held monetary policy meetings. ECB, BOJ and BOE maintained all monetary policy measures unchanged. For policy rates, BOJ voted 8 to 1 and BOE voted 7 to 2, and for asset purchases both voted unanimously. As generally anticipated, FOMC decided to raise FF target range by 0.25% to 1.50 – 1.75% unanimously. Despite the fact ECB deleted the line “stands ready to increase APP in terms of size and/or duration” from their statement, pessimistic comment by Draghi on inflation prospect made the market sentiment marginally dovish. For FOMC, so-called dot chart revealed that 2018 rate prospect stayed the same, which appeared to cool the hawkish market sentiment slightly. Other central banks including the ones of Hungary, Poland, Czech, Turkey, Indonesia, Malaysia, Thailand, Philippines, Canada, and Chile maintained their policy rates unchanged. Central Banks of Russia, South Africa and Peru lowered their policy rates from 7.50% to 7.25%, 6.75% to 6.50% and 3.00% to 2.75% respectively. Money rates in major currencies were mixed; USD higher in cash but marginally lower in longer-dated futures, EUR unchanged in cash and marginally lower in futures, GBP higher in cash but unchanged in the longer-dated futures and JPY marginally higher in cash and unchanged in futures.

■ Currencies

Throughout March, trade-related actions of Trump administration, development of diplomatic relationship with North Korea (DPRK), reshuffling and resignations of key personnel in US Administration including US Secretary of State and Chairman of National Economic Council and resulting stock and bond market movements made currency markets fairly volatile. For the early part of March, announcement of punitive tariff on steel and aluminum by President Trump brought JPY higher. From there, substantially stronger than expected US NFP and higher US bond yields drove JPY to the month low of 107.29 against USD on 3/13. Against the violations of intellectual rights, President Trump introduced punitive tariff against Chinese information and communication equipment. Concerns on “Trade War” brought equity markets and USD lower to the month low of 104.56 against JPY on 3/26. Towards the month end, top talk between China and DPRK in Beijing and US/DPRK top meeting closer to reality drove USD sharply higher. For March, JPY closed the month marginally higher against USD at 106.28 (106.68) and lost 0.7% against EUR at 130.97 (130.08).

■ Bond Markets

In US, the yield was down this month due to the uncertainty of Trump administration as well as the concern to the US-China trade friction. In Europe, the yield was also down due to the retreat of expectation for fiscal policy normalization. US Treasury 10Yr was down by 10bps to 2.76% and German Bund 10Yr was also down by 16bps to 0.49%. European peripherals e.g., Italy, Spain and Greece were all down to 1.79%, 1.16% and 4.32% respectively. On the US spread sectors, Corporates were down while Securitized were relatively resilient compared to Treasuries.

■ Equity Markets

Global stock markets declined in March due to fear of trade war between US and China after that Trump administration expressed to impose tariffs of 25% and 10% on steel and aluminum imports respectively. In terms of monthly return in USD, developed markets declined by 2.1% and emerging markets dropped by 1.8%. Japanese stock markets declined by 2.0% in TOPIX as global stock markets declined. As for sector return in developed markets, in the circumstance that defensive sectors were preferred, the best performer was Utility sector which gained 4.2%. The worst performer was Financial sector which dropped by 4.0%.

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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- 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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- 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, Swiss Re USD Cat Bond Performance Index
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