

Global Capital Markets Overview

January-18

Major Fixed Income Indices

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPM EMBI Global Diversified	-0.04	0.73	2.24	2.63	1.16	-0.04	-0.04	6.11
JPM GBI-EM Broad Diversified	4.04	1.73	3.40	3.14	0.78	4.04	4.04	11.82
Bloomberg Barclays Global Aggregate	1.19	0.35	2.60	1.76	1.08	1.19	1.19	6.79
Bloomberg Barclays US Aggregate	-1.15	0.46	1.45	0.85	0.39	-1.15	-1.15	1.52

Major Equity Indices

(USD, Net)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
MSCI AC World	5.64	1.61	4.27	5.18	5.73	5.64	5.64	22.50
MSCI World	5.28	1.35	4.03	4.84	5.51	5.28	5.28	21.14
MSCI North America	5.44	1.20	2.82	4.50	6.27	5.44	5.44	20.39
MSCI Pacific	4.34	1.69	3.92	3.87	7.99	4.34	4.34	21.63
MSCI Europe	5.40	1.51	7.37	6.45	2.21	5.40	5.40	23.12
MSCI Kokusai	5.35	1.42	3.92	4.92	5.22	5.35	5.35	20.86
MSCI Emerging	8.33	3.59	6.27	7.89	7.44	8.33	8.33	33.45
MSCI EM Latin America	13.15	4.44	-1.74	15.07	-2.34	13.15	13.15	24.95
MSCI EM Asia	8.01	2.79	8.64	7.02	8.36	8.01	8.01	36.07
MSCI EM EMEA	6.13	6.97	2.12	6.25	11.72	6.13	6.13	28.66
MSCI EM Europe	10.16	5.28	2.38	10.39	5.20	10.16	10.16	30.97

REIT&Commodities

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
TSE REIT INDEX	5.25	-0.01	-3.85	-1.28	1.58	5.25	5.25	1.49
FTSE EPRA/NAREIT US	-4.18	0.04	1.33	0.72	1.60	-4.18	-4.18	-0.65
CRB	1.94	2.59	-5.76	5.03	6.21	1.94	1.94	7.17
S&P GSCI	3.42	4.41	-5.46	7.22	9.90	3.42	3.42	15.20
WTI Crude Oil	7.21	5.33	-8.94	12.28	17.01	7.21	7.21	28.25
NY Golds	2.93	1.90	-0.30	3.25	1.53	2.93	2.93	7.57

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	3.21	-0.13	-0.88	-0.10	-0.17	3.21	3.21	2.02
EUR	3.53	0.79	7.27	3.40	1.56	3.53	3.53	16.61
CHF	4.61	0.95	4.67	-1.02	-0.63	4.61	4.61	7.70
GBP	5.01	-0.09	3.80	2.84	0.88	5.01	5.01	13.08
AUD	3.24	3.11	0.81	1.87	-0.41	3.24	3.24	5.59
BRL	3.97	-1.20	-5.56	4.60	-4.54	3.97	3.97	-1.97

*Fiscal year to date
Source:Datastream, Bloomberg

<Global Capital Markets for January 2018>

■ Interest Rates

During January 2018, three major central banks, namely FOMC, ECB and BOJ held monetary policy meetings. As expected, FOMC maintained the current FF target range of 1.25% - 1.50% unchanged by a unanimous vote and also appointed Jerome H. Powell as new FOMC Chair effective Feb 3. FOMC statement pointed out that "Market-based measures of inflation compensation have increased in recent months" and "Inflation on a 12-month basis is expected to move up this year". ECB maintained three key rates as well as APP unchanged with more or less the same statement. BOJ also maintained current monetary policy measures by a 8 to 1 vote for yield curve control and by a unanimous vote for asset purchases. Other central banks including the ones of Hungary, Poland, South Africa, Israel, Turkey, Indonesia and Korea maintained their policy rates unchanged. Central Banks of Columbia and Peru lowered their policy rates from 4.75% to 4.50% and 3.25% to 3.00% respectively, while Bank of Canada and Central Bank of Malaysia raised their policy rates from 1.00% to 1.25% and 3.00% to 3.25% respectively. Market appeared to have judged FOMC statement as hawkish, and this moved futures money rates higher in major currencies; USD substantially higher both in cash and futures markets notably in longer ends, GBP flat to slightly higher in short ends but substantially higher in the longer ends of futures, EUR and JPY mostly mixed across maturities.

■ Currencies

For the early part of January, record high US equity markets and higher Treasury yields as well as the strong NFP and hawkish FOMC minutes kept USD firm. At the middle of second week and thereafter, prospect for German coalition and market speculation on possible change of ECB forward guidance as early as March together with technical factors brought EUR to a 3-year high against USD. Concerns on the possible shutdown of US Government offices put further pressures on USD. Treasury Secretary Steven Mnuchin's comment endorsing a weaker USD brought USD further down to the month low of 1.2537 against EUR and 108.28 against JPY. For the month, JPY closed the month substantially higher against USD at 109.19 (112.69) and more or less unchanged against EUR at 135.54 (135.28).

■ Bond Markets

In US, the yield was up this month due to the expectation of higher inflation as well as of the early normalization of monetary policies in US, Europe and Japan. In Europe, the yield was also up due to robust commodity markets and the expectation of normalization of ECB's monetary policy. US Treasury 10Yr was up by 32bps to 2.73% and German Bund 10Yr was up by 27bps to 0.70%. European peripherals e.g., Italy and Spain were mixed up to 2.03% and down to 1.43% respectively. Greece was down to 3.47%. On the US spread sectors, Corporates and CMBS were robust while other Securitized were mixed compared to Treasuries.

■ Equity Markets

Global stock markets continued to rise in January on the back of expectation that corporate tax cut in US would make economy accelerate further. In terms of monthly return in USD, development markets gained by 5.3% and emerging markets rose strongly by 8.3%. Japanese stock market gained slightly 1.1% in TOPIX and was depressed by the appreciation of JPY to the level of 109 against USD. As for sector return in developed markets, macro sensitive sectors performed well. The best performer was Consumer Discretionary sector which rose by 8.0%. The worst performer was Utility sector which dropped by 1.0% and was the only dropped sector.

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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- 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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