Global Capital Markets Overview

August-18

Major Fixed Income Indices

(%)

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPM EMBI Global Diversified	-1.73	2.55	-3.54	0.78			-4.49	-2.79
JPM GBI-EM Broad Diversified	-5.19	1.65	-9.44	-3.63			-9.07	-12.72
Bloomberg Barclays Global Aggregate	0.10	-0.17	-2.78	-0.06			-1.52	-2.84
Bloomberg Barclays US Aggregate	0.64	0.02	-0.16	0.67			-0.96	0.51

Major Equity Indices

(%)

(USD, Net)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
MSCI AC World	0.79	3.02	0.53	3.82			3.38	4.38
MSCI World	1.24	3.12	1.73	4.40			4.85	6.21
MSCI North America	2.99	3.49	3.47	6.59			9.04	10.29
MSCI Pacific	-0.46	0.91	-1.35	0.45			-1.58	-0.90
MSCI Europe	-2.79	3.33	-1.27	0.44			-2.80	-0.84
MSCI Kokusai	1.33	3.38	2.19	4.76			5.45	7.05
MSCI Emerging	-2.70	2.20	-7.96	-0.57			-7.18	-8.48
MSCI EM Latin America	-8.37	9.22	-17.75	0.08			-11.08	-17.69
MSCI EM Asia	-0.82	0.70	-5.85	-0.14			-5.19	-5.97
MSCI EM EMEA	-7.72	4.77	-10.19	-3.32			-13.99	-13.17
MSCI EM Europe	-7.57	3.66	-10.22	-4.20			-12.22	-13.99

REIT&Commodities

(%)

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
TSE REIT INDEX	-0.32	0.52	5.37	0.20			8.41	5.58
FTSE EPRA/NAREIT US	2.74	0.62	10.24	3.37			5.10	13.96
CRB	-0.64	-2.75	3.06	-3.37			0.74	-0.42
S&P GSCI	1.08	-3.53	8.00	-2.49			7.61	5.31
WTI Crude Oil	0.21	-5.73	14.27	-5.53			15.83	7.95
NY Golds	-1.57	-2.33	-5.46	-3.86			-7.72	-9.11

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	0.75	-1.07	-3.98	-0.32			1.48	-4.29
EUR	-0.77	0.06	-5.17	-0.72			-3.31	-5.86
CHF	2.22	0.04	-3.69	2.26			0.57	-1.52
GBP	-1.24	-0.62	-5.77	-1.85			-4.08	-7.52
AUD	-3.20	0.32	-3.57	-2.88			-7.83	-6.36
BRL	-7.38	3.21	-14.75	-4.40			-18.32	-18.51

*Fiscal year to date

Source:Datastream, Bloomberg

＜Global Capital Markets for August 2018＞

■Interest Rates

During August, ECB and BOJ did not hold monetary policy meetings as scheduled. FOMC maintained Federal Funds target range unchanged at 1.75 - 2.00%, but suggested that rate change is likely at their September meeting. MPC of BOE decided to raise their Bank Rate from 0.50% to 0.75% by a unanimous vote. Despite those policy actions, FOMC minutes revealed the discussion on the “appropriate level of federal funds rate” over the longer run as well as the implication of inverted yield curve and this appears to have influenced the market perception of US rate path. During the month, Bank Indonesia and Reserve Bank of India raised their policy rates from 5.25% to 5.50% and from 6.25% to 6.50% respectively. Money rates in major currencies were mixed for the month; USD lower across the curve notably in longer-dated futures, EUR higher in cash but lower in longer-dated futures, GBP higher in cash but marginally lower in futures and JPY mostly unchanged both in cash and futures.

■Currencies

For August, USD trended higher towards the middle of month due mainly to the prospect of US rate hike in September, stronger US equity markets relative to declining other major markets, “Lira Crisis” caused by the tension between US and Turkey and the resulting concern on European financial institutions based on the sharp depreciation of Turkish Lira. From there, recovering EM currencies and equity markets and the resulting stronger European equity markets drove USD index lower. JPY closed the month marginally higher against USD at 111.03 (111.86) and gained 1.5% against EUR at 128.84 (130.79).

■Bond Markets

In US, the yield was down due to some concern over the US-China trade friction and the atcute drop of Turkish Lira. In Europe, the yield was also down due to concern on the fiscal management of Italy as well as the influence of plunged Turkish Lira to financial institutions in Europe. US Treasury 10Yr was down by 10bps to 2.86% and German Bund 10Yr was also down by 12bps to 0.33%. European peripherals were in uptrend e.g., Italy, Spain and Greece were up to 3.24%, 1.47% and 4.40%, respectively. On the US spread sectors, Securitized were neutral while Corporates were negative, especially Industries compared to Treasuries.

■Equity Markets

Global stock markets were soft in the first half in August reflecting the sharp fall of Turkish Lira. After Chairman of FRB made the dovish speech, global stock markets went up to the end of the month. In terms of monthly return in US dollar base, developed markets rose by 1.3% but US market were strong and many other markets lost. Emerging markets declined by 2.7% along with depreciation of emerging currencies. Japanese stock market dropped by 1.0% in TOPIX.
As for sector return in developed markets, the best performer was IT sector which gained 6.5%. The worst performer was Energy sector which lost by 3.4%.

Index

- FTSE World Government Bond Index, FTSE US High-Yield Market Index (FTSE fixed income indices are developed, calculated and distributed by London Stock Exchange Group)
- 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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- 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, Credit Suisse western european leveraged loan Index、S&P European Leveraged Loan Index, Swiss Re USD Cat Bond Performance Index

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