A Chinese fig leaf for US weakness

By Jan Dehn

Selling China has become a favourite way for the market to express negative sentiment about the global outlook, but the bodies are buried in the developed markets, not in China. The tensions between Iran and Saudi Arabia are unlikely to result in outright war, but both sides are likely to welcome some distractions on the foreign policy front while they adjust to lower oil prices. We also discuss Indonesian and Chinese FX reserves, inflation in Brazil, politics in Venezuela and talks between the government and holdout investors in Argentina. In the global section, we suggest that short-duration strategies could do well this year given likely volatility in the US Treasury market and high levels of risk aversion, which have pushed EM spreads wider than justified by fundamentals.

Emerging Markets	Next year forward PE/Yield	Spread over UST	P&L (5 business days)
MSCI EM	9.3	–	-6.79%
MSCI EM Small Cap	10.3	–	-4.67%
MSCI Frontier	8.2	–	-3.13%
MSCI Asia	10.1	–	-6.30%
Shanghai Composite	10.6	–	-9.97%
Hong Kong Hang Seng	5.9	–	-8.44%
MSCI EMEA	7.5	–	-7.24%
MSCI Latam	9.7	–	-8.41%
GBI-EM-GD	7.12%	–	-1.78%
ELMI+	5.34%	–	-1.71%
EM FX spot	–	–	-2.01%
EMBI GD	6.45%	431 bps	-0.24%
EMBI GD IG	5.08%	286 bps	0.10%
EMBI GD HY	8.63%	661 bps	-0.68%
CEMBI BD	6.42%	446 bps	0.07%
CEMBI BD IG	4.81%	285 bps	0.13%
CEMBI BD Non-IG	9.32%	735 bps	-0.03%

Global Backdrop	Next year forward PE/Yield/Price	Spread over UST	P&L (5 business days)
S&P500	13.8	–	-5.91%
1-3yr UST	0.96%	–	0.22%
3-5yr UST	1.59%	–	0.71%
7-10yr UST	2.15%	–	1.35%
10yr+ UST	2.94%	–	2.00%
10yr+ Germany	0.53%	–	1.55%
10yr+ Japan	0.23%	–	0.93%
US HY	9.43%	788 bps	-0.35%
European HY	5.94%	598 bps	-0.23%
Barclays Ag	–	227 bps	0.52%
VIX Index*	27.01	–	8.80%
DXY Index*	98.51	–	-0.36%
EURUSD	1.0899	–	0.63%
USDJPY	117.71	–	-1.45%
CRY Index*	168.58	–	-7.57%
Brent	33.0	–	-11.47%
Gold spot	1105	–	2.83%

Note: Additional benchmark performance data is provided at the end of this document. *See last page for index definitions.

Emerging Markets

Global financial markets have started 2016 on a very precarious note. At the root of this precariousness lies the fact that asset prices are far higher than justified by fundamentals in developed economies. Asset prices also happen to be far lower than justified by fundamentals in Emerging Markets (EM), but this is far less important for global sentiment for the simple reason that most institutional and retail investors have very little exposure to EM. The bodies are buried in the bond and stock markets of the developed world, where some 95% investors have their exposure.

The signs that developed markets are running out of steam after years of hyper-stimulatory monetary policies – and very little in the way of reforms or deleveraging – have been obvious for some time.[1] US stocks were down for the year in 2015 despite still very easy financial conditions and have dropped another 6% this year so far. Some 40% of European government bonds now trade with negative yield.

The response to this uncomfortable truth ought to be a massive portfolio re-allocation out of the exhausted QE (Quantitative Easing) markets and into the cheap non-QE markets, but sadly value is rarely a powerful driver of flows. A combination of perverse regulations, institutional disincentives, herd instincts and a lot of ignorance and prejudice about EM asset classes in particular make it far more difficult than it ought to be for capital simply to go where the risk-return trade-off is now more favourable, particularly if such a re-allocation involves crossing the entirely irrational apartheid-like ‘risky EM’ versus ‘risk free’ developed markets divide.

As if these challenges to rational asset allocation were not meaningful enough, members of the media and many bank analysts have only been too keen to blame all the malaise on China. The reason? China’s stock markets have delivered two limit-down days in 2016 and the currency is under pressure. The reason, therefore, must be in China, though no one has so far been able to point to fundamental reasons that justify such price action.

[1] We have written about this fact extensively in numerous publications, including: *‘The Mars Bar effect’*, Weekly Investor Research, 14 December 2015; *‘Nothing stays the same: EM’s dramatic external rebalancing’*, The Emerging View, November 2015; *‘How to get global growth back’*, Market Commentary, October 2015; and *‘The View from Kilimanjaro: EM FX in a QE world’*, The Emerging View, September 2015.

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This raises an interesting question: are punters right in blaming China for the weakness in global markets this year? Or is the causality actually the other way around? Could it be, for example, that markets are beginning to price in, say, a major US equity market correction or even a US recession and that the Chinese markets have merely become the favourite way to express these fears? At first sight this may seem illogical, but upon further reflection it is clear that the simple 'blame it on China' explanation for the weak global risk sentiment at the start of 2016 is pure nonsense.

For starters, how much China exposure do global investors actually have? The vast majority of investors outside of China – institutional as well as retail – have very little, if any direct exposure to onshore China. After all, China is not included in the mainstream benchmark indices yet nor do investors have meaningful quotas to access the Chinese domestic market. Of course, many investors are concerned that China could become a source of a negative growth shock for the world, the elusive 'China hard landing'.

However, China's fundamentals are not nearly as bad as the recent price action would suggest. The economy is likely to produce between 6% and 7% real GDP growth in 2016 and basic macroeconomic fundamentals remain among the strongest in the world. The volume of outstanding domestic credit is large, but so is the savings rate so banks are not particularly leveraged. Central government debt levels are small and China runs at USD 60bn current account surplus each month with reserves in excess of USD 3.3trn. Moreover, China is reforming more than most countries on planet earth put together. Reforms of this scale cause nervousness and temporarily weaken the economy, but the Chinese government has a formidable arsenal of tools at its disposal to support growth during the transition, including room to cut still high real interest rates, plenty of fiscal room and, now, a more flexible currency. Besides, China's longer-term growth outlook remains formidable, because the country has excellent infrastructure, is rapidly advancing technologically and with a saving rate of nearly 50% China has more room to expand consumption than nearly any other country.

The weakness in Chinese stocks and the pressure on the RMB therefore stand in sharp contrast to the fundamental picture that remains solid and indeed largely unchanged from the last couple of years. What, then, is driving Chinese markets? One driver is undoubtedly profit taking after Chinese stocks dramatically outperformed US stock markets in 2015.

But the more important reason is that the fundamental situation outside of China is getting worse, particularly in the US. This ought not to impact China greatly, but the severe restrictions that still apply to both domestic and foreign investors in China can result in serious market distortions and excessive price volatility in China's stock and currency markets precisely under conditions of worsening global risk appetite. In other words, not only are the causes of the negative sentiment not Chinese but the reaction in Chinese markets is exaggerated. All because of capital controls.

To see how this inefficiency comes about consider first how foreign investors typically trade China in response to negative global risk sentiment. Unable to freely access Chinese bonds in size due to limited quotas, lack of index inclusion and other administrative hurdles, foreigners respond to a worsening of global risk sentiment by immediately putting on hold efforts to enter China (it is still considered an EM country after all) and by putting on speculative bets against RMB in the CNH market. This happens because CNH is not only a liquid currency, but it is also one of the few markets that foreigners actually can trade freely. Now, ask this question: would foreigners have traded this way if they had complete and free access to China's markets? Hardly. They would certainly have had bond positions on too. The ongoing reform-induced slowdown in China is causing PBOC to slowly ease monetary policies, a bullish situation for bonds.[2] Chinese bonds returned 6.8% last year and 1% in USD terms, despite currency weakness. This is vastly better than most other EM local markets.[3] Over the last two years, China's five year bonds have returned 7.1% in USD terms compared to 4.1% for US five year Treasury notes. Capital controls are clearly confining foreigners to expressing sentiments via short positions in CNH instead of bonds. In turn, this contributes to excessive risk aversion and all the negative spill-over effects in other markets that typically accompany currency overshoots.

Capital controls have similarly perverse effects on domestic investors. Locals, particularly local retail investors, still have far too few means of rotating into fixed income in China. They are not oblivious to the negative sentiment coming from abroad, so they sell shares and try, as far as they can, to also put on the short CNH trade.[4] The existence of capital controls means that Chinese domestic investors are structurally under-allocated to foreign assets (just like foreigners are structurally under-allocated to China). Chinese investors tend to be far more knowledgeable about the outside world than foreigners are about China. This means that locals are keen to increase exposure to foreign assets in all states of the world, while foreigners only show interest when risk appetite is positive.

These conditions produce a situation where China's stock and currency markets have now become the world's favourite way to express negative global risk sentiment, even if the main underlying causes of negative sentiment lie outside of China, in the QE economies in fact.

[2] See *'Probably the best bond market in the world'*, The Emerging View, September 2014.
[3] Return calculated between 31 December 2014 and 8 January 2016.
[4] Note that the lack of domestic fixed income opportunities is now changing rapidly with the enormous efforts underway to increase the size of the tradable domestic bond market, for example via swaps of local government loans into bonds.

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China has become a fig-leaf for much bigger problems elsewhere. It is China's misfortune that the country happens to be going through reforms precisely at a time when markets are so fickle and beset with fears. The good news is that China is working hard to deepen the institutional investor base. Efforts in this regard will likely take centre stage in 2016, including efforts to qualify for index inclusion and further advances in the domestic fixed income markets. We therefore do not share the market's pessimism about China.

Investors should instead focus on matters closer to home, in the developed markets. Global markets are already beginning to price in a US recession. The poor response to strong payroll numbers in the US last week was telling. Our base case remains that the US avoids recession, but it is inescapable that after years of excessive monetary stimulus and complete neglect of reforms and rising debt levels the US economy is now genuinely struggling. Financial markets are no longer offer any value and several sectors in the US economy are genuinely struggling for a variety of reasons. A recession is by no means an impossibility.

So ask yourself this question: What happens if the US economy goes into recession? What can the policy makers actually do to help? A fiscal stimulus does not look as likely as in previous years. The Republican-dominated Congress would in effect put Hillary Clinton into the White House if they launched a big fiscal package to boost the economy in H2 2016. If fiscal is off the table, what can the Fed do? QE4 could provide a temporary boost to stocks, but it would hardly do anything to the economy. Many will also rightly ask, "Are we back pedalling? Didn't the US turn its back on asset purchases back in 2013? Why are we back here again?" The Fed could and would cut 25bps, but this too would hardly help the economy. The ugly truth is that the US only has one remaining easing option that could conceivably help the real economy, namely the currency.

Negative rates would be a clear signal that the Dollar has to go down. It would help the beleaguered shale and manufacturing sectors. It would also help to direct capital flows back to EM, where the growth dividend would be far larger than in the heavily indebted developed economies. The smaller fiscal deficit in the US means that the US no longer needs a strong Dollar to keep foreigners buying Treasuries. Sure, a change in Dollar policy would impart a lot of pain among global investors most of whom have piled into the US dollar over the past four years. Indeed, this is part of the problem, because the Dollar is now outright hurting the US economy.

The rising probability of a US recession, or, even in the absence of an outright recession, a major correction in the US stock markets is the principal underlying reason for the weakness in global sentiment at the start of 2016. A US recession would have two distinct and contrasting effects on EM. First, it would increase the pressure on EM by increasing risk aversion. The USD might rally a bit, but Treasury yields would certainly fall, especially at the short end. Second, the Fed would either print more money or go to negative rates or both. Either way, this would put downwards pressure on the Dollar. We think the net effect of the negative market sentiment and the Fed's policy response would be to create upside for local bonds in EM (weaker US dollar, lower Treasury yields).

- Iran-Saudi tensions: Markets are far too alarmist about the deterioration in Saudi-Iranian relations. Sure, the two countries do not like each other very much and they have competing interests, particularly in flash points such as Syria, Iraq and Yemen. But it is also the case that both countries have strong incentives to engage in some active foreign policy to detract attention from painful domestic economic developments. It is extremely unlikely that Saudi Arabia and Iran will escalate to the point of outright war. They are far more likely to pursue their regional objectives via proxy wars. Pakistan is now mediating and Saudi Arabian officials last week ruled out all-out war between the two countries. Iran stands on the threshold of a lowering of sanctions by the West, so also stands to gain nothing by attacking Saudi Arabia. The rise in tensions between Saudi Arabia and Iran creates opportunities for Turkey to resume its former role as mediator in the conflict, but to pursue this role Turkey must above all be seen as neutral. Sadly, Turkey is now an active participant in the conflict and appears to have considerable economic interests at stake too. The erosion of relations between Turkey and Russia also makes Turkey's role as mediator less effective. As long as President Erdogan deems Turkey's financial and ideological interests in the conflict to be more important than the opportunity to seize the role of arbiter in the single most important geopolitical conflict in the world the current tensions are likely to continue.

- Saudi Arabia: Concerns about Saudi Arabia's economic and political health are overblown and de-pegging risks are very small. With the recent approval of Saudi's new budget, the Kingdom has finally embarked on a meaningful fiscal adjustment in response to lower oil prices. This lowers the probability that Saudi Arabia will de-peg its currency for the US dollar. The fiscal adjustment may include a part privatisation of Aramco, the world's largest oil company. As discussed in this publication last week, this is good news. Demand management will help to soften domestic demand, which is the right thing to do when the national income has fallen so much. The fiscal adjustment will also keep a lid on stock markets for a while, but within this very adjustment lies the next opportunities. Property could also feel the pinch. One of the cornerstone predictions in the economic theory of temporary trade shocks is that commodity booms lead almost inevitably to property booms. The reason is that the investment of temporary windfalls will almost always involve both tradable and non-tradable capital goods, but while tradeable capital goods can be acquired in unlimited quantities at the same price from abroad via imports of non-tradeable capital goods – notably construction – are subject to

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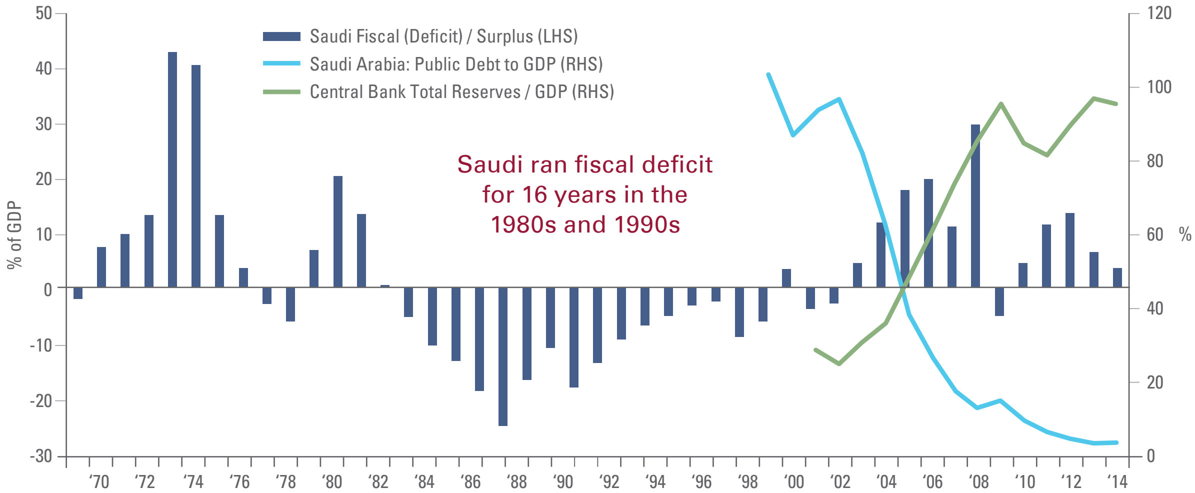
finite domestic supply. When oil prices decline property markets therefore soften. For these reasons the big opportunity now is in fixed income, including Dollar denominated bonds. The government could take advantage of this to issue Dollar denominated fixed income. How far will the Saudi Arabian economy have to adjust? Not as far as many believe. The economy – a diversified one with nearly 30 million people – is starting out from a position of very considerable strength. Even after a substantial fiscal deficit last year the Kingdom only has 5.8% debt to GDP and huge FX reserves. There is therefore meaningful room to make a gradual and orderly adjustment of domestic demand. It is worth remembering that Saudi Arabia was able to run deficits for no less than sixteen years in a row between the early 1980s and late 1990s the last time the oil prices went through a soft patch (see chart below). Current buffers – including low debt and high reserves – mean that Saudi Arabia has the means to manage the current transition. Ultimately, Saudi Arabia is a good example to illustrate a simple truth about terms of trade shocks. It is not the shocks themselves that matter; rather it is how well the country has prepared ahead of the shock and how well it responds afterwards. Saudi now ticks both of these boxes; 2016 will therefore be an opportunity in Saudi Arabia. The opening of the Saudi stock market is a very positive backdrop, but it is the value being created which is the attraction. As Saudi adjusts and oil stabilises the stock market will find a bottom against a backdrop of excellent technicals.

Fig 1: **Room to manoeuvre: Saudi public finances**



Source: SAMA March 2015.

- **Indonesia:** The central bank's FX reserves increased to USD 106bn at the end of 2015 from an inter-year low of USD 100bn. We think this information has signalling value beyond the positive implications for Indonesia itself. The increase in FX reserves is significant, because it has been accompanied by nearly a halving of Indonesia's current account deficit from a peak of 3.6% of GDP to 2.2% of GDP now. Many EM countries, like Indonesia, have experienced both capital outflows and currency weakness in the past couple of years, but the outflows are now weakening, while the improvements in the current account are beginning to have a positive impact on reserves. Only the pegged or quasi-pegged currencies in EM have not yet seen this adjustment.
- **China:** FX reserves dropped USD 108bn to USD 3.3trn as of the end of December. A big part of the decline in reserves was attributable to debt repayments by Chinese entities. Since the start of two-way FX volatility Chinese companies have closed their FX mismatches and begun to issue more in local currency. Net repayments in foreign currency debt – redeeming bonds abroad and not taking new loans – will cause temporary outflows, but will ultimately reduce external debt and be good for China's external balances. Inflation remains very subdued at 1.6% yoy in December.
- **Venezuela:** President Maduro reshuffled his cabinet. Luis Salas, an ideological sociologist, is now in charge of the economy. In general, the Maduro administration maintains a confrontational stance against the newly elected opposition-led National Assembly (NA). The country remains in an institutional crisis with the NA is refusing to acknowledge decisions by the overly politicised government controlled Supreme Court. For example, the NA swore in three deputies ruled ineligible by the Supreme Court. This clash of institutions could, in the worst case scenario, lead to broader unrest and eventually military intervention. The military would eventually favour the will of the majority of Venezuelans, so barring a sharp rise in oil prices time favours the opposition.

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• **Brazil:** Inflation may finally be turning for the better. At 0.96% mom, December's CPI number (called IPCA in Brazil) undershot expectations (1.05% mom) for the first time in a long time. Base effects and wage indexation have so far kept inflation sticky, but high real rates and dramatically shrinking domestic demand may now finally be putting downwards pressure on prices and this ought to be good for local bonds. Industrial production fell sharply in December (-2.4% mom).

• **Argentina:** Direct talks between the government and holdout investors will begin this week, according to local media reports. Having liberated the currency last year, the Macri administration will now give top priority to reaching an agreement with holdout investors that in turn would allow Argentina to return to global capital markets. Macroeconomic policy has been heavily distorted in favour of monetary policy and away from fiscal policy due to Argentina's inability to access global capital markets. A deal with holdout investors would enable to the government to turn to fiscal policy to help soften the impact on the economy of tightening monetary policy.

Snippets:

- **Colombia:** Inflation is too high for comfort at 6.77% yoy (the year-end print). Colombia has made great strides forward in reforming its economy, but it still has not completed its macro adjustment in response to lower oil prices.
- **Dominican Republic:** FDI flows keep coming. In 2015, FDI to the Dominican Republic picked up to 3.5% of GDP from 3.4% of GDP in 2014. Real GDP expanded at a pace of 7% in 2015 versus 7.3% in 2014.
- **El Salvador:** The trade deficit declined at a pace of 6.5% yoy in the January to November period. El Salvador is the most vulnerable of the ANCEAM Six countries, so this is positive news for the country.[5]
- **Honduras:** Remittances from foreign workers rose at a pace of 10.7% yoy in January to September period. They constitute nearly 20% of GDP, so this is highly supportive for Honduras.
- **India:** PMI rose to 51.6 in December following a 50.2 print in November. Projects under implementation rose to INR 1.7trn in Q3 from INR 1.4trn in Q2.
- **Malaysia:** The trade surplus in November 2015 was USD 2.4bn, slightly down from October (USD2.9bn), but higher than in September (USD 2.2bn). The trade surplus has narrowed over the past twelve months from USD 3.3bn in November 2014. Moody's changed the outlook on Malaysian sovereign debt to stable from positive.
- **Mexico:** Consumer confidence and manufacturing activity slowed in December. This may be related to the expected Fed hike and the slowdown in US manufacturing, but we still expect growth to be driven by steadily improving domestic demand in 2016.

Global backdrop

The US stock market is down 6% this year already and JPY is now beginning to appreciate. Both are clear signs of risk aversion within developed markets. This matters far more than risk aversion in EM, because positioning is so heavily skewed towards developed markets. The more negative sentiment in developed markets will impart nervousness on the EM complex as well. The violent action in the South African rand over the weekend is a case in point, given the lack of specific news to explain the move. In general, we expect prices to move far more than fundamentals, which look better in EM after several years of adjustment.

Emerging fundamental weakness in the developed economies should be a concern, because asset prices are so bloated after years of QE and because governments have very few means left to support the economy in the event of recession. Given this situation, it seems clear that the US Treasury market in particular will be a significant source of volatility this year. Not only does the market not agree with the Fed's 'dots', i.e. the FOMC's projections for rate hikes, but the economic outlook also does not appear to consistent with even the market's view of rate hikes. The result: volatility in the US yield curve. At the same time, the market remains highly risk averse, so spreads on EM assets are wider than justified by fundamentals. This combination of Treasury market volatility and excessively wide spreads suggests that strategies that enable investors to buy into cheap EM credit, while at the same time protecting themselves against Treasury market volatility by only taking exposure at the short end of the yield curve will continue to do very well this year.

In the week gone by, the December US labour market indicators were particularly strong, but there are good reasons to discount the strong payroll print somewhat. Seasonal effects, warm weather, changes in industry structure and the fact that so many other indicators have been distinctly poor recently wherefore payrolls (labour market indicators are often lagging) may deteriorate going forward militate against placing excessive confidence in the otherwise impressive 292K payrolls print. Growth in the US is continuing to slow. Real GDP

[5] See *'ANCEAM Six: Small and (almost) perfectly formed'*, The Emerging View, December 2015.

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Global backdrop

is now tracking just 0.8% in qoq annualised terms, which means that growth for the quarter is only a smidgen above zero. Services ISM and factory orders declined. The volume of rail traffic in the US has now declined over 5% each week for the past eleven weeks. US goods and services exports declined 0.9% in November. Imports also fell by an even larger amount (-1.7%). The December FOMC minutes were broadly in line with expectations, though the statement that the decision to hike was a 'close call' was deemed dovish in some quarters.

Elsewhere in the developed world German factory orders surprised to the upside, rising 1.5% mom versus 0.1% mom expected, but retail sales weakened. In the UK, Prime Minister David Cameron indicated that he hopes for a deal on British European Union (EU) membership by February, thus paving the way for a referendum on British EU membership by June of this year. The prospect of 'Brexit' will undoubtedly become a major driver of global market sentiment closer to the time, in our view.

Benchmark performance

Emerging Markets	Month to date	Year to date	1 year	3 years	5 years
MSCI EM	-6.79%	-6.79%	-20.84%	-9.14%	-5.81%
MSCI EM Small Cap	-4.67%	-4.67%	-11.23%	-3.98%	-3.95%
MSCI Frontier	-3.13%	-3.13%	-14.38%	2.37%	-0.56%
MSCI Asia	-6.30%	-6.30%	-14.82%	-3.06%	-1.40%
Shanghai Composite	-9.97%	-9.97%	-1.71%	14.85%	4.87%
Hong Kong Hang Seng	-8.44%	-8.44%	-24.17%	-5.43%	-3.92%
MSCI EMEA	-7.24%	-7.24%	-27.11%	-15.67%	-9.59%
MSCI Latam	-8.41%	-8.41%	-35.84%	-22.01%	-15.54%
GBI EM GD	-1.78%	-1.78%	-16.69%	-10.47%	-3.70%
ELMI+	-1.71%	-1.71%	-8.20%	-6.11%	-3.19%
EM FX Spot	-2.01%	-2.01%	-18.65%	-13.71%	-9.66%
EMBI GD	-0.24%	-0.24%	1.09%	0.92%	5.20%
EMBI GD IG	0.10%	0.10%	-1.08%	0.25%	4.55%
EMBI GD HY	-0.68%	-0.68%	4.14%	1.86%	6.19%
CEMBI BD	0.07%	0.07%	1.44%	1.69%	4.35%
CEMBI BD IG	0.13%	0.13%	1.07%	2.24%	4.90%
CEMBI BD Non-IG	-0.03%	-0.03%	2.20%	0.57%	3.39%

Global Backdrop	Month to date	Year to date	1 year	3 years	5 years
S&P500	-5.91%	-5.91%	-4.81%	11.98%	10.93%
1-3yr UST	0.22%	0.22%	0.53%	0.41%	0.64%
3-5yr UST	0.72%	0.72%	1.61%	1.40%	2.01%
7-10yr UST	1.35%	1.35%	2.14%	2.22%	5.19%
10yr+ UST	2.01%	2.01%	-1.92%	4.17%	9.42%
10yr+ Germany	1.56%	1.56%	0.14%	7.52%	9.30%
10yr+ Japan	0.94%	0.94%	1.78%	6.39%	5.42%
US HY	-0.35%	-0.35%	-5.38%	1.27%	5.06%
European HY	-0.23%	-0.23%	1.08%	5.83%	8.94%
Barclays Ag	0.52%	0.52%	-0.39%	2.61%	4.63%
VIX Index*	48.33%	48.33%	53.90%	102.17%	59.92%
DXY Index*	-0.13%	-0.13%	7.15%	23.81%	21.84%
CRY Index*	-4.30%	-4.30%	-25.27%	-43.17%	-49.14%
EURUSD	0.34%	0.34%	-7.90%	-18.32%	-15.99%
USDJPY	-2.09%	-2.09%	-0.54%	31.99%	41.41%
Brent	-11.61%	-11.61%	-34.24%	-70.22%	-66.24%
Gold spot	4.14%	4.14%	-10.40%	-33.55%	-20.02%

*VIX Index = Chicago Board Options Exchange SPX Volatility Index. *DXY Index = The Dollar Index. *CRY Index = Thomson Reuters / CoreCommodity CRM Commodity Index.

Source: Bloomberg, JP Morgan, Barclays, Merrill Lynch, Chicago Board Options Exchange, Thomson Reuters, MSCI, total returns.
Figures for more than one year are annualised other than in the case of currencies, commodities and the VIX, DXY and CRY which are shown as percentage change.

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