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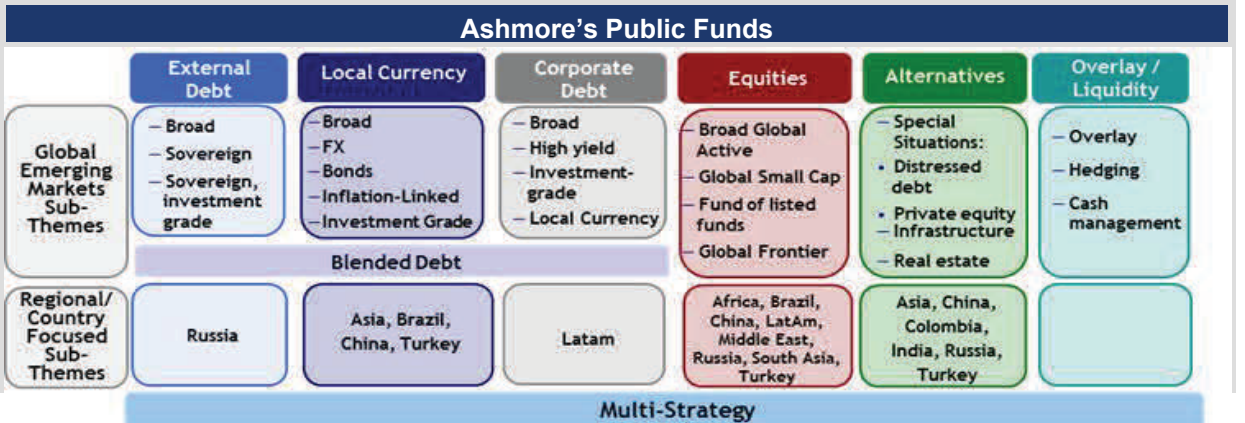
Summary: Happy Thanksgiving! Global market sentiment generally improved over the past week as news out of Europe and the US got slightly better at the margin. However, the HIDCs (Heavily Indebted Developed Countries) remain extremely vulnerable economically and face very tough challenges, so sentiment can quickly change again. Current drivers include Greece, Fed policy ahead of the December FOMC meeting, and the fiscal cliff issue. Year-end position squaring is further contributing to volatility. In this environment, the noise to signal ratio in market prices is high. Looking away from market prices, conditions improved in Emerging Markets where the economic data continues to show sequential improvement. All Emerging Market investment themes rallied in the past week.

Global: Global sentiment improved last week as markets became less worried about the main risks in the HIDCs, though sentiment remains fickle ahead of year-end. Fiscal cliff concerns faded somewhat and the market became more focused on the end of the Fed's Operation Twist, which will likely usher in more outright purchases of long bonds and MBS by the Fed at its December meeting. US stocks rose 2.8% and the VIX index dropped from 18.0 to 15.3 in the last week. US 10 year treasury yields rose from 1.60% to 1.68%. In Europe, policy makers continued to struggle to find a formula for sharing the cost of the next Greek restructuring. EURUSD strengthened on perceptions that tail risks continue to decline in the region (EURUSD traded higher from 1.2780 to 1.2860). France was downgraded by Moody's, with negative outlook. USDJPY rallied sharply, partly aided by stronger market sentiment, partly by rising political pressure on the Bank of Japan to adopt an aggressive inflation target; we do not believe that JPY weakness is likely to be sustained. Oil prices traded flat around \$110 a barrel amidst attempts at building a lasting cease fire between Israel and Hamas in Gaza. The key data points of the past week were mainly positive in the US and China. US housing starts and claims for unemployment benefit improved, but consumer confidence softened. Chinese PMI rose back above 50 for the first time in more than a year as expectations for further reforms following the change of leader continue to grow stronger. European PMIs were also marginally better than expected, but remain well below 50. Emerging Market equities rallied 1% over the past week, local currency government bonds rallied 45bps, Emerging Market FX forwards rose 27bps, Emerging Market sovereign bonds rallied 20bps, and corporate high yield bonds were up 4bps.

Latin America: In **Argentina**, conditions continued to deteriorate with respect to the holdout investors as Judge Griesa at the New York 2nd District Court confirmed an earlier order requiring Argentina to pay holdout investors from resources currently earmarked for performing bonds. **Chilean** growth was stronger than expected at 1.4% qoq annualized in Q3 2012. **Colombian** FARC rebels announced a ceasefire ahead of the second round of peace talks with the government in Cuba. The trade surplus improved to USD4.7bn in September from USD4.0bn in August. The **Mexican** Congress approved a reform increasing the efficiency of labour markets as growth in Q3 2012 came at 0.5% qoq.

Asia: In **China**, flash PMI rose 0.9 to 50.4 in November, the first +50 number in 13 months. **Malaysian** Q3 2012 GDP growth came at 5.2% yoy driven by domestic drivers. **Thailand's** economy expanded at a robust 3.0% yoy in Q3 2012. **Hong Kong** Q3 2012 came at 1.3% yoy, which means that Hong Kong avoided a technical recession following a contraction in Q2 2012. **South Korean** export data improved further.

Eastern Europe, Middle East: Hamas entered into a cease fire with **Israel** in Gaza. **Polish** inflation was in line with expectation at 1.9% yoy in October. **Russia's** central bank said it expects declining inflation in the next 6 to 12 months as industrial production slowed to 1.8% yoy in October from 2.0% yoy in September. **South African** consumer price inflation drifted higher to 5.6% yoy in October from 5.5% in September, mainly due to food prices. **Ukraine's** industrial production in October was less weak than expected.



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