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WEEKLY INVESTOR RESEARCH

Ashmore

Brazil's 2017 super-goldilocks constellation

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In the global backdrop section we offer an answer to the question of how far US yields can rise before the US economy gets hurt. This question is obviously key to fixed income investments, including the EM variety. The answer is that mortgage applications have already started to decline (by 1/3) and the US is unlikely to be able to generate the growth required to sustain current consumption levels even if yields go up by just 100bps. Meanwhile, there are many moving parts in EM. Brazil's parliament tried to pass a 'get out of jail' card for itself, but was rebuffed sharply by the Supreme Court. Zuma survived an attempt to remove him from the South African presidency and South Africa survived the threat of a downgrade to junk. Colombia's President Juan Manuel Santos wrote his name into the history books at Colombia's parliament approved the FARC peace deal. In addition, we cover Mexico's larger than life central bank governor's departure for Basel, PDVSA's (late) debt service and Turkey's preparation for constitutional reform. We also wish to remind investors that there is a difference between extending regulatory oversight and clamping down on capital account flows, even in China, while India racks up another +7% growth quarter.

Emerging Markets	Next year forward PE/Yield	Spread over UST	P&L (5 business days)
MSCI EM	11.7	–	-0.29%
MSCI EM Small Cap	11.9	–	-0.45%
MSCI Frontier	10.3	–	-0.30%
MSCI Asia	12.3	–	-0.04%
Shanghai Composite	13.5	–	-0.55%
Hong Kong Hang Seng	8.0	–	-0.09%
MSCI EMEA	9.5	–	-0.10%
MSCI Latam	13.8	–	-2.03%
GBI-EM-GD	6.90%	–	0.28%
ELMI+	3.81%	–	0.37%
EM FX spot	–	–	0.07%
EMBI GD	5.99%	359 bps	-0.40%
EMBI GD IG	4.63%	218 bps	-0.19%
EMBI GD HY	7.74%	542 bps	-0.62%
CEMBI BD	5.53%	328 bps	0.07%
CEMBI BD IG	4.51%	226 bps	-0.07%
CEMBI BD Non-IG	7.19%	495 bps	0.27%

Global Backdrop	Next year forward PE/Yield/Price	Spread over UST	P&L (5 business days)
S&P 500	16.5	–	-0.91%
1-3yr UST	1.13%	–	0.07%
3-5yr UST	1.86%	–	0.11%
7-10yr UST	2.42%	–	-0.11%
10yr+ UST	3.09%	–	-0.89%
10yr+ Germany	0.35%	–	-0.71%
10yr+ Japan	0.04%	–	0.06%
US HY	6.52%	450 bps	0.37%
European HY	4.10%	459 bps	0.18%
Barclays Ag	–	238 bps	0.05%
VIX Index*	13.12	–	-0.03%
DXY Index*	100.60	–	-0.73%
EURUSD	1.0707	–	0.88%
USDJPY	114.21	–	-1.99%
CRY Index*	192.90	–	5.14%
Brent	54.9	–	13.70%
Gold spot	1168	–	-2.21%

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

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- **Brazil:** Brazil's external balances continue to improve. The trade surplus increased from USD 2.3bn in October to USD 4.8bn in November (versus USD 1.2bn last November). The market had expected a smaller surplus of USD 3.0bn. Rising net exports will add positively to GDP growth, which also beat expectations in Q3 2016 by contracting -2.9% yoy versus -3.2% yoy expected. The economy is obviously still very weak, but this provides a very good backdrop for Brazilian fixed income. Inflation is steadily declining, while the central bank is cutting rates from extremely high levels. In fact, the central bank cut rates by 25bps to 13.75% last week. Real wages are falling at a speed of 2.1% yoy and core inflation is roughly 7.4% yoy, so Brazil has extremely high real yields. Moreover, Brazil is likely to resume positive real GDP growth in 2017. All these factors should usher in a 'super-goldilocks constellation' of falling inflation, rising growth, rising BRL and rate cuts in 2017. Besides, we expect the market-friendly PSDB party to win the 2018 election, so the outlook remains solid well into the medium term.

  Against this benign backdrop, we think investors should not be too wary about short-term political noise. Brazil's self-inflicted super recession and corruption-related problems will obviously not be resolved overnight. There will be ups and downs. Last week was a case in point. In a bid to protect themselves Brazilian congressmen attempted to water down an anti-corruption bill. This prompted a fierce response from the streets and then the Supreme Court pounced by formally launching charges of embezzlement against Senate President Renan Calheiros, who had authored the proposed changes to the anti-corruption bill. The market was not particularly impressed with this news, which arrived on the same day as a major sell-off in the long

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end of the US yield curve. The context here is that the Senate is just about to have a final vote (on 13 December) on a critical constitutional reform that limits public spending and dramatically improves the fiscal outlook for Brazil. The Lower House has already approved the bill and the Senate approved the first of two votes already, so the Calheiros business stoked fears that the reform would fall at the last hurdle.

We think such fears are overdone. In fact, the sense of crisis is an important catalyst of reform in Brazil. Besides, the PSDB party has very strong incentives to continue to support the reform agenda of President Michel Temer's PMDB party, so that all the difficult business is done before PSDB comes to power in 2018 (our base case). The discredited PT party of former presidents Lula and Dilma are trying to wreck reforms, but they are weak and unlikely to derail the reform process, in our view. PMDB, meanwhile, is unlikely to seek the presidency in 2018 and largely sustains a strong local powerbase.

In a side-development related to the corruption scandal in Brazil more than 60 company executives from important companies such as Odebrecht and Braskem signed plea-bargaining agreements with prosecutors that allow them to return to work. This is a sign that the Carwash cases are being handled more pragmatically, probably in recognition of the need to get the economy going again. Industrial confidence rose 0.5% mom in November, but industrial production is still weak (-1.1% mom sa in October).

- South Africa: S&P did not downgrade South Africa from investment grade (BBB-, negative outlook). This puts the alarmist EM headlines, such as Bloomberg's speculative story *"South Africa Junk Rating Might Be Hours Away and Last Years"* to shame. Neither did Fitch nor Moody's downgrade South Africa either. That is not to say that South Africa has no problems. However, it is important to distinguish between political noise that undermines the quality of macroeconomic management and noise that does not. South Africa's Treasury and the South African Reserve Bank continue to be managed by excellent people, while South Africa's institutions remain strong. The main problems exist within the ruling ANC party itself. The ANC's National Executive Committee (NEC) last week opted not to remove President Zuma from office, although this does not mean that he is out of the woods. Zuma's fate now rests with the six-man ruling committee of NEC, which will present recommendations about the president's future ahead of next year's ANC conference. Zuma is in a very weak position and may well be removed by his party before the next election scheduled for 2018. In other news, the trade deficit narrowed sharply to ZAR 4.4bn in October from ZAR 21.6bn in the same month last year. The main driver was sharply falling imports.

- Colombia: The Lower House of the Colombian congress last week approved the newly negotiated peace deal with the FARC rebel group. This followed approval in the Senate earlier. It is difficult to overstate the importance of this moment for Colombia's long-term outlook as fifty years of violence and drug-fuelled terrorism may now come to an end. In addition to the importance to Colombia as a nation the approval of the peace accord is a triumph for President Juan Manuel Santos, who, in our view, will go down in history as one of the most gifted Latin American politicians of all time. Santos's approval rating may have dropped in his second term, and his full legacy is unlikely to be recognised by contemporaries. The truth, however, is that Santos implemented more economic reforms in his first term than any other modern president, while the attainment of peace is the single most important political development in Colombia's modern history, eclipsing even former President Alvaro Uribe's successful destruction of the drug cartels in Cali and Medellin. Attention will now shift to passage of a fiscal reform required to make the fiscal balances consistent with lower oil prices. In other news, unemployment declined to 8.3% in October from 8.5% in September.

- Mexico: Agustin Carstens, a larger than life central banker of global repute, has resigned effective 1 July 2017 in order to take up a retirement job as head of the Bank of International Settlements in Switzerland. Mexico has a great stock of excellent and highly experienced senior civil servants that could easily step into Carstens' shoes, so we do not expect any deterioration in the quality of governance in Mexico at all. Personalities that could come into consideration include Miguel Messmacher, Manuel Ramos Francia, Alejandro Diaz de Leon, Alejandro Werner and others. These names should be familiar to seasoned EM investors. Meanwhile, credit to the private sector increased at a solid pace of 12.1% yoy in real terms in October, though moderating slightly from the 12.3% yoy pace in September.

- Venezuela: Venezuela may be booted out of Mercosur, a Latin American trade block. The economic impact would be minimal. The political impact would be greater, underlining the shift towards more market-friendly governments in South America and Venezuela's increasing political isolation. The demise of Maduro's fellow dictator Fidel Castro will have deepened Maduro's sense of isolation further, in our view. Meanwhile, Clearstream confirmed last week that PDVSA had paid the coupons on the 2035 bond. The coupon was delayed by logistical issues. The level of FX reserves rose by 8% to USD 11.75bn. Based on Venezuela's EMBI sovereign debt index Venezuelan sovereign and PDVSA bonds have returned 42.7% in Dollar-terms this year compared to 1% for US government bonds of the same duration.

- Turkey: Turkish politics is moving centre-stage again as the government prepares to submit to parliament a constitutional reform that would transform Turkey's presidency to an executive presidency. President Erdogan has deftly used the attempted coup against his government earlier this year to strengthen his own position and now wants to enshrine his gains in law. Currently the Turkish presidency has few formal statutory powers,

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although this has not prevented Erdogan from establishing himself as the undisputed strongman of Turkey. Under the new constitution, however, his powers would likely be significantly increased on a permanent basis. For investors, the news of the constitutional amendment should not surprise too much. Nevertheless, it has two implications: First, leading up to the referendum, which is likely to be scheduled for mid-2017 economic policy will take a backseat to political considerations in a bid to help preserve Erdogan's popularity. Second, after the referendum a window may emerge for the government to undertake reforms, provided Erdogan feels sufficiently strong. In other news, the trade deficit improved to USD 4.2bn in October from USD 4.4bn in September.

- China: China is bringing a raft of overseas financial economic activity within its overall regulatory umbrella. This should be viewed as broadly positive, though markets have as usual taken a very negative view on anything the Chinese government does in the financial sector space. In particular, the moves have been interpreted as thinly veiled controls intended to stop capital flight. The recent surge in the Dollar has certainly prompted the same Dollar euphoria in China as elsewhere, but the weakness of the RMB currency basket has been a consequence of weaker EUR and JPY as much as RMB specific pressure. The new regulations pertain to state-owned enterprises and other official entities, which have, until now, been free to speculate in FX markets with little or no regulatory oversight with the result that they have engaged in a number of dodgy deals. Government agencies have reiterated that there is no intention whatsoever to roll back capital account liberalisation in general. In other regulatory news, the State Council last week signalled that property rights protection will be further strengthened in China, which is a clear sign that the country continues its transition towards a market economy. Meanwhile, China's economic activity indicators were mixed. The Caixin PMI index, which reflects the activities of smaller and medium-sized businesses, eased down from 51.2 in October to 50.9 in November, but the official PMI rose to 51.7 from 51.2, a two year high.

- India: The kerfuffle caused by the de-monetisation of the Indian economy is beginning to have an impact on business sentiment as the PMI index for November declined to (a still strong) 52.3 from 54.4 in October. Global commotion unleashed by Donald Trump's election in the United States may also have had an impact. Regardless, we expect both effects to be transitory. India is well placed to weather temporary uncertainty. Indeed, prior to Trump and de-monetisation the Indian economy was growing faster than expected with Q3 2016 GDP growth coming in at 7.3% compared to 7.1% yoy in Q2 2016.

- Oil: OPEC cut production by 1.2m barrels per day. While OPEC only accounts for roughly 1/3 of global oil production the organisation was able to strike a deal that included both Russia (the world's largest producer) and Oman. This gave the deal added gravitas. Brent first futures rose from USD 46 per barrel to USD 54 per barrel on the news. In theory, this is of course bad news for the vast majority of EM countries, which import oil. However, in reality the impact on the oil importers is likely to be very small, since oil prices are still generally quite low. Hence, across EM as a whole the impact may in fact be positive since the marginal benefit to beleaguered EM oil exporters is probably far greater than the marginal cost for EM's largely comfortable oil importers.

Snippets:

- Argentina: A recent run of bad economic data continued with industrial production declining 8% yoy. The Macri administration desperately needs better economic performance ahead of mid-term elections next summer. This suggests that fiscal risks may be rising in the months ahead, but if Finance Minister Pray Gay is right in his pronouncement that the economic cycle has troughed the risks will decline rather than increase from here.
- Chile: The unemployment rate was 6.4% in the month of October versus 6.8% expected. Employment growth accelerated much faster than expected. Retail sales also picked up smartly (5.1% yoy in October versus 4.7% yoy expected).
- El Salvador: Growth accelerated to 2.1% yoy in September from 2.0% yoy in August, according to the IVAE monthly GDP indicator.
- Hong Kong: Retail sales were stronger than expected, rising 2.6% mom.
- Indonesia: PMI picked up to 49.7 in November from 48.7 in October and core inflation was unchanged at 3.2% yoy.
- Malaysia: Manufacturing PMI softened to 47.1 in November versus 47.2 in October. Malaysia's economy is adjusting to lower oil prices, but the main dampener on business confidence is alleged corruption at the senior level of the government in relation to 1MDB, a sovereign wealth fund, and intervention in FX markets, which has spooked foreign investors. The fiscal deficit reached MYR 37.5bn in October versus the full-year deficit target of MYR 38.7bn.
- Panama: Growth is accelerating in Panama. The September economic growth indicator IMAE was up 3.7% yoy, which was higher than the previous month (3.5% yoy).
- Peru: The rate of inflation moderated to 0.29% mom in November from 0.41% mom in October. This means that annual inflation is running at 3.35%, down by 6bps relative to last month. Consumer confidence moderated to 49 in November from 51 in October.
- Philippines: The fiscal deficit declined sharply to just PHP 2.3bn in October from PHP 75.3bn in September, mainly due to a 7% yoy decline in government spending.

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- **Russia:** The Russian economy is emerging from its oil price slump. Manufacturing PMIs rose to 53.6 in November from 52.4 in October, the fourth consecutive rise in PMIs.
- **South Korea:** CPI inflation was 1.3% yoy in November, unchanged from October. Exports in November rose faster than expected (2.7% yoy versus 1.6% yoy anticipated), but domestic industrial production weakened at a rate of 1.6% yoy, which may be related to ongoing political noise. President Park said she will resign in accordance with the timelines and wishes of Parliament.
- **Taiwan:** Manufacturing PMI rose to 54.7 in November from 52.7 in October. Taiwan's business cycle has been on a clear acceleration path this year.
- **Thailand:** November's inflation print was higher than expected. While core was unchanged at 0.7% yoy headline rose from 0.3% yoy in October to 0.6% yoy due to higher food and transport costs.

Global backdrop

The global backdrop continues to pose challenges to sentiment, mainly due to events that have nothing whatsoever to do with EM. In addition to the US election, the market will seek to create bearish momentum in Euroland following Renzi's referendum loss at the weekend, although a populist charge was halted in Austria. Still ahead are the ECB December meeting, the Fed hike on 14 December and the usual year-end position squaring. The fact that these events may adversely impact asset prices in EM without actually impacting them fundamentally means that they constitute an attractive entry point ahead of what looks likely to be another good year for EM.

From an EM perspective, the only really important development in the global backdrop since Donald Trump's election is the rise in US yields. So far, US 30-year bond yields have risen from an all-time low of 2.09% (which equates to a negative real yield) in July to 3.09% last week. This means that prices for long bonds are now down about 2.5% for the year having been up 15% ytd as recently as July. In other words, US long bonds have lost an astonishing 17.5% in price terms in just six months, far more than EM bonds, for example.

The key question for investors going into 2017 is: how far can US bond yields rise before the US economy takes a hit? The answer is not immediately obvious. After all, the economy changes over time, which means that past experience is not always a good guide to the future. There are also important lags between when markets move and when the economy suffers. Markets can therefore move far into overshooting territory before the pain becomes visible.

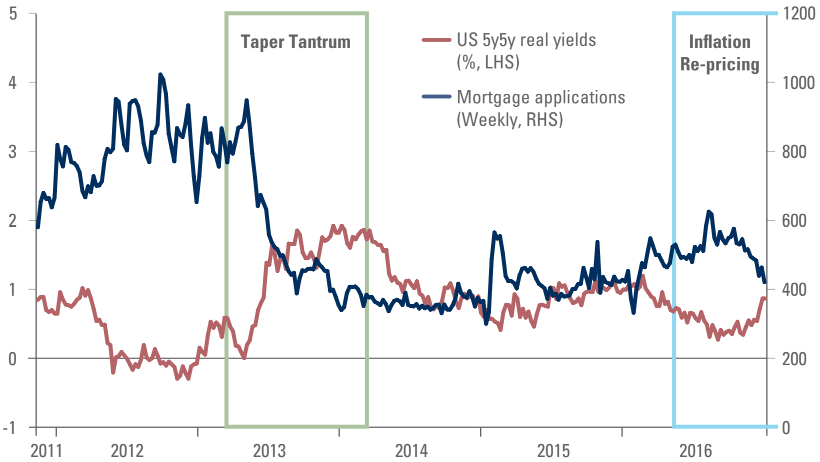
However, the starting point has to be that rising yields will have an effect on the real economy. Higher yields translate directly into higher debt service costs, which in turn compete for spending on consumption. Additionally, higher yields can lead to a reduction in the availability of credit.

The reaction of the US economy to the 2013 Taper Tantrum provided a useful indication of sensitivities. Recall that Bernanke's announcement that he would print money more slowly triggered an increase of 185bps rise in real 5y5y US yield, which soon precipitated a 65% collapse in mortgage applications that in turn made the Fed U-turn on tapering by September 2013.

Compared to the Taper Tantrum, the current US bond rout has so far 'only' seen real 5y5y yields rise by approximately 100bps, or just over half of the move in 2013. Hence, markets may well conceivably move a bit further.

This is dangerous, because there are already now signs that US bond markets are losing touch with economic reality. The chart below shows 5y5y real rates and US mortgage applications. The latter (in blue) has already fallen by 1/3 (from 622 to 417) this year in response higher real rates (in red). The economy is beginning to feel the pinch, even at these low absolute levels of yields.

Fig 1: **US 5y5y real yields and US weekly mortgage applications**



Source: Ashmore, Bloomberg, Mortgage Bankers Association.

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Global backdrop

Another way to illustrate the sensitivity of the US economy to higher real yields is to employ a bit of basic macroeconomic analysis. The table below illustrates how debt service costs in the US economy respond to changes in interest rates. The analysis starts with the observation that the current US debt stock is 330% of GDP (public and private) and that the average duration of this debt is approximately six years. The 6-year US Treasury yield is currently 2.1%. Armed with these pieces of information, it is possible to calculate the impact on debt service costs as US Treasury yields rise. Note, however, that most borrowers in the US face higher debt service costs than the US government, so the following analysis clearly errs on the side of under-stating the full impact of rising yields on debt service costs.

Fig 2: **Impact of higher interest rates on US debt service costs**

Scenerios	Yield	Debt Service Costs (% of GDP)	Required additional GDP growth (%)
Yield today	2.1%	6.9	–
+50bps	2.6%	8.5	1.7
+100bps	3.1%	10.2	3.3
+150bps	3.6%	11.8	5.0
+200bps	4.1%	13.5	6.6

Source: Ashmore, Bloomberg, US Treasury.

The results are quite eye-watering and should raise some important questions in the minds of investors. Firstly, the US economy is already spending 6.9% of GDP on servicing debt at the current very low yields. However, due to the enormity of the debt stock even modest increases in interest rates will quickly drive debt service costs dramatically higher. For example, if 6-year US Treasury yield rises by just 100bps the cost of servicing the US debt stock rises by a meaningful 3.3% of GDP (to 10.2% of GDP). Another way of saying that same thing is that the only way US consumption can remain stable at current levels if interest rates rise by 100bps is if the US economy grows 3.3% faster. A 200bps increase in the 6-year Treasury yield would require 6.6% higher nominal GDP growth to keep consumption flat.[1]

Not even the most optimistic Trump economic advisers expect real GDP growth rates to rise that much. Indeed, if anything one should expect real GDP to slow, since trade protection and greater fiscal deficits, which are hallmarks of Trump's proposed economic programme, tend to undermine rather than enhance trend growth.

The only half-way realistic way to generate enough nominal GDP growth to cover the rising cost of debt service is to let inflation rise. But if inflation is about to rise meaningfully why on earth is the Dollar is going up so fast? From this perspective, the recent rise in the Dollar simply does not appear to be rooted in economic reality. Besides, rising inflation would actually cause bond investors to demand an inflation premium, which in turn would push term yields even higher and therefore worsens the debt service problem even further.

The obvious solution to this problem would be that the Fed raise rates enough to crush inflation. However, this looks extremely challenging. Never before has the Fed allowed the US economy to approach full employment with just one hike on its books. Core CPI inflation is already above the Fed's 2% target and the Fed would need to hike more than 8 times just to get the Fed funds rate to neutral. This does not seem possible in the current environment without plunging the US economy into a deep recession. For that reason it seems prudent to expect US inflation to rise consistently throughout 2017, barring a recession.[2]

The big issue for 2017 is therefore the prospect of US Treasury volatility. Into this mix, the news that Treasury Secretary Mnuchin wants to issue more long-dated bonds is clearly not helpful. The really important question is how the US government can hope to contain long yields – harness the bond vigilantes if you wish – in case bear steepening begins to pose a serious risk to housing, stocks and growth.

We think the Fed/Treasury/Regulators have four possible tools at their disposal for managing the long end of the curve. One time honoured option is to lean further on pension funds and insurance companies to increase duration, aka financial repression. Another option is that the Fed swaps its maturing holdings of Treasuries bonds into longer-dated securities at artificially low yields (as it did in the 1950s). The Fed can also adopt outright Japan-like direct yield curve targeting. Finally, there is the option of engaging in Helicopter Money of some kind, possibly in connection with infrastructure investment at State level. Regardless of the specific tools employed the result will be suppression of long yields to protect markets and the wider economy. At a time of rising inflation this would not be bullish for real yields and certainly not for the Dollar either.

[1] The sensitivity of the US economy to higher yields will temporarily be dulled by the fact that some US debt is fixed rate debt. Fixed interest rates clearly protect borrowers against short-term changes in yields. However, since the duration of US debt is only 6 years about 55% of GDP worth of debt gets refinanced in markets every single year. In other words, it takes just two years to 'mark to market' 110% of GDP worth of debt. Hence, fixed rate debt buys time, but does not offer lasting protection against higher rates.

[2] Bear in mind that recessions are never closer than when the economy is at full employment, which means that recession risks are far higher than meets the eye.

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Global backdrop

Much is being made of the return of the 'Great Rotation', that is, investors are ditching bonds and buying stocks. This makes sense for investors who have no option but to remain within the universe of USD-denominated assets, even though US stocks are overvalued just like US bonds. Investors with global portfolios, however, should undertake a different type of 'Great Rotation'. Since 2008/2009 the big trade in global markets has been to go long QE markets and selling non-QE markets, basically jumping on the bandwagons created by the QE central banks. The QE trades are now tired and the recent Trump-extension of the US leg of the QE trade has, as illustrated above, only left markets looking even more stretched. We believe it is prudent to take some profits.

We think investors can do better than just buying expensive American stocks by rotating into the value that has been created in the non-QE world. The non-QE markets have become exceedingly cheap in the last few years. This is quite simply an excellent exit point for Dollar positions and a brilliant entry point for EM FX positions. But it is not just about currencies. EM real effective exchange rates are back to levels last seen in 2003, so their economies are very competitive, in fact they have not been as competitive as this since the very dawn of the last major EM local currency bond rally. In addition, EM inflation is declining, while the EM growth premium started picking up this year and looks set to continue to rise next year. The EM growth premium has historically been associated with stronger EM currencies. As far as sensitivity to US rate shocks is concerned EM local bond yields are already higher than when the Fed last had rates at 5.25%. Besides, EM local bonds have less than 5 years of duration and their big yield cushions offer excellent protection against underlying Treasury volatility. Finally, EM countries' overall debt burdens are meaningfully lower than those in developed economies, which means that the economic pain associated with higher yields is that much smaller. For these reasons, we expect EM bonds materially to outperform US bonds in a rising rate environment, as indeed they have done all year.

Benchmark performance

Emerging Markets	Month to date	Year to date	1 year	3 years	5 years
MSCI EM	-1.12%	9.96%	6.64%	-2.98%	0.40%
MSCI EM Small Cap	-1.28%	1.28%	0.59%	-1.62%	2.66%
MSCI Frontier	0.40%	0.41%	0.51%	-2.22%	4.18%
MSCI Asia	-0.91%	6.85%	4.90%	0.28%	4.46%
Shanghai Composite	-0.19%	-6.46%	-6.39%	16.32%	9.24%
Hong Kong Hang Seng	-0.58%	5.61%	1.52%	-1.72%	2.81%
MSCI EMEA	-0.45%	11.89%	4.61%	-8.35%	-3.47%
MSCI Latam	-3.46%	25.68%	19.90%	-8.55%	-6.93%
GBI EM GD	-0.64%	7.23%	4.45%	-4.88%	-2.26%
ELMI+	0.00%	3.04%	1.92%	-3.94%	-1.76%
EM FX Spot	-0.38%	-0.75%	-2.46%	-10.84%	-8.21%
EMBI GD	-0.46%	8.20%	6.77%	5.92%	5.65%
EMBI GD IG	-0.49%	5.88%	4.32%	4.92%	4.17%
EMBI GD HY	-0.43%	10.74%	9.49%	6.84%	7.65%
CEMBI BD	-0.15%	8.64%	7.35%	5.03%	5.81%
CEMBI BD IG	-0.18%	5.21%	4.47%	4.55%	5.08%
CEMBI BD Non-IG	-0.10%	14.50%	12.15%	5.48%	7.25%

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Benchmark performance

Global Backdrop	Month to date	Year to date	1 year	3 years	5 years
S&P 500	-0.31%	9.45%	7.73%	9.04%	14.40%
1-3yr UST	0.03%	1.02%	0.93%	0.57%	0.55%
3-5yr UST	0.09%	1.42%	1.15%	1.49%	1.20%
7-10yr UST	0.05%	1.22%	0.63%	3.42%	2.28%
10yr+ UST	-0.33%	1.06%	-0.42%	7.86%	3.08%
10yr+ Germany	-0.03%	8.95%	6.91%	10.79%	8.28%
10yr+ Japan	-0.33%	9.50%	11.31%	6.87%	6.24%
US HY	0.10%	15.12%	11.81%	4.23%	7.38%
European HY	0.06%	7.85%	5.48%	5.45%	11.02%
Barclays Ag	-0.06%	5.39%	4.34%	4.16%	4.95%
VIX Index*	-1.58%	-27.95%	-11.41%	-13.00%	-52.87%
DXY Index*	-0.89%	2.00%	2.28%	25.38%	28.04%
CRY Index*	1.89%	9.51%	5.27%	-30.52%	-38.37%
EURUSD	1.11%	-1.43%	-1.20%	-21.66%	-20.10%
USDJPY	0.22%	5.26%	8.02%	-10.87%	-31.86%
Brent	8.68%	47.13%	27.56%	-50.58%	-50.05%
Gold spot	-0.47%	10.04%	8.99%	-4.70%	-32.22%

*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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