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EM while you were out

By Jan Dehn

Emerging Markets local currency bond markets outperformed developed market bonds in 2016. EM currencies also outperformed the Dollar. Venezuelan sovereign bonds were the outstanding performer in 2016 with a return of 53.19% for the year. We expect further EM fixed income outperformance in 2017. The average improvement in Emerging Markets current account balances since QE began increased from 3.5% of GDP last year to a whopping 4.3% of GDP over the past twelve months. The volume of EM fixed income trading rose by 20% in Q3 compared to the same period last year with local currency bond trading rising fastest. The Russian-Turkish brokered ceasefire in Syria, whether it holds or not, is telling of shifts in the geo-political landscape that extend far beyond Syria itself. China accelerated reforms in a number of areas. Gloves come off in Argentina as politics heat up ahead of the 2017 mid-term election. Brazilian inflation is now falling very fast and the trade surplus is the largest since 1980. Colombia surprises by passing a key tax reform before year-end. Mexico's economy shows signs of beginning to benefit from its weaker currency. Saudi Arabia's budget points to greater stability in the year ahead. Park's problems in Korea spread to the national pension fund. In Venezuela, President Nicholas Maduro almost manages to unseat himself as he mismanages a currency exchange.

Emerging Markets	Next year forward PE/Yield	Spread over UST	P&L (5 business days)
MSCI EM	10.7	–	2.39%
MSCI EM Small Cap	10.4	–	1.67%
MSCI Frontier	9.3	–	1.59%
MSCI Asia	11.2	–	1.35%
Shanghai Composite	11.6	–	-0.21%
Hong Kong Hang Seng	7.2	–	0.68%
MSCI EMEA	9.2	–	3.62%
MSCI Latam	11.7	–	5.18%
GBI-EM-GD	6.79%	–	0.53%
ELMI+	4.63%	–	0.26%
EM FX spot	–	–	0.48%
EMBI GD	5.80%	335 bps	0.36%
EMBI GD IG	4.55%	206 bps	0.32%
EMBI GD HY	7.38%	502 bps	0.39%
CEMBI BD	5.44%	314 bps	0.26%
CEMBI BD IG	4.48%	218 bps	0.26%
CEMBI BD Non-IG	7.01%	472 bps	0.25%

Global Backdrop	Next year forward PE/Yield/Price	Spread over UST	P&L (5 business days)
S&P 500	16.8	–	-0.95%
1-3yr UST	1.21%	–	0.21%
3-5yr UST	1.95%	–	0.51%
7-10yr UST	2.47%	–	0.85%
10yr+ UST	3.08%	–	0.95%
10yr+ Germany	0.20%	–	0.02%
10yr+ Japan	0.05%	–	-0.02%
US HY	6.12%	409 bps	0.31%
European HY	3.48%	410 bps	0.13%
Barclays Ag	–	240 bps	0.57%
VIX Index*	14.04	–	2.61%
DXY Index*	102.75	–	-0.26%
EURUSD	1.0462	–	0.05%
USDJPY	117.68	–	0.21%
CRY Index*	192.51	–	2.20%
Brent	57.1	–	3.52%
Gold spot	1156	–	1.53%

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

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EM performance in 2016: Based on the conventional market benchmark indices, local currency government bonds in Emerging Markets (EM) returned 9.94% in Dollar-terms in 2016, while sovereign Dollar government and corporate bonds returned 10.15% and 9.65%, respectively. Standout performers included Venezuelan sovereign bonds with a Dollar-return of 53.19% followed by Ecuador with 41.16% and Zambia with 35.76%. EM fixed income dramatically outperformed US fixed income: US 5 year and 10 year bond returns were 1.33% and 1.04%, respectively. EM corporate high yield bonds returned 13.66% for the year. EM currencies also outperformed the US dollar by a modest 54bps, which meant that EM currencies also outperformed both EUR and JPY. The EM FX forwards index was up 3.54% versus the Dollar. We expect EM to continue to outperform developed markets in 2017 – for further details see *"2017 Emerging Markets Outlook"*, The Emerging View, 21 December 2017.

Current account balances: EM economies continued to rack up major improvements in their external balances in the course of 2016. According to the most recent data releases the average improvement in the current account position of the main EM countries has now reached a whopping 4.3% of GDP since EM currencies began to weaken versus the USD in 2010. The improvement at this point last year was 3.5% of GDP on average. There is of course considerable variation across countries and business cycles of EM

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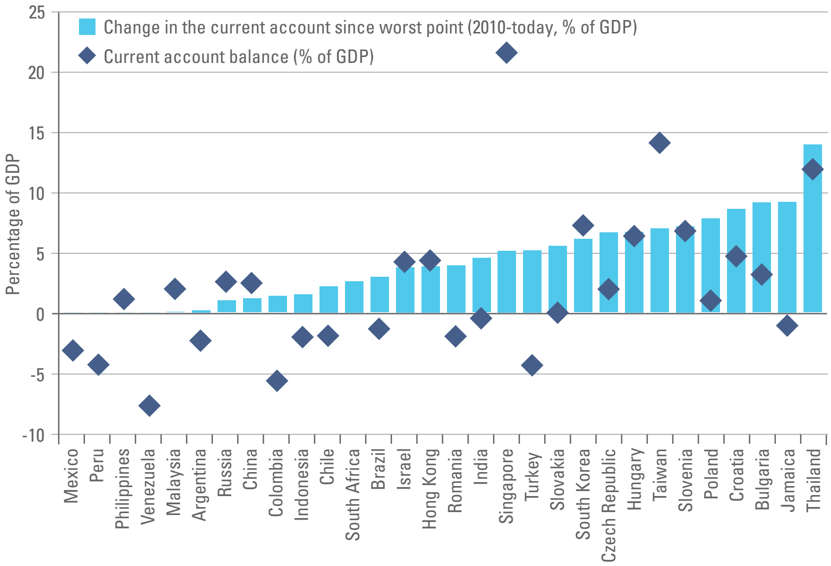
countries are not synchronised. The chart below therefore shows the change in the current account position since the worst point in the external balance cycle for the period of 2010 until today, for each individual country. The important points to note from this chart are that: (a) the vast majority of countries have shown improvement and (b) the average improvement is large. The strength of EM external balances warrants bullishness about EM currencies in 2017.

Fig 1: **Improvement in current account balances: Main EM countries (2010-today)**



Source: Ashmore, Bloomberg.

- **EM trade volumes:** The volume of EM debt trading as reported by major market makers rose by 20% in Q3 2016 compared to the same period in 2015. This is a positive sign for liquidity, in our view. The survey by EMTA, the Emerging Markets Traders Association, which Ashmore co-founded and co-chairs, shows that EM fixed income trading volumes rose to USD 1.4trn in Q3 2016 compared to USD 1.1trn in Q2 2015. Interestingly, trading in local market instruments account for 64% of total trade, which means local market trading volumes are rising at a quicker pace (24%) than the total (despite being underreported in the EMTA survey, which predominantly captures trading by Wall Street firms). We expect trading in local currency instruments to continue to grow more strongly in the years ahead.

- **Russia:** Geo-political forces behave a bit like the earth's tectonic plates; nothing happens for the longest time, but all the while powerful forces are building up beneath the earth's crust, which suddenly get released in major earthquake-like jolts. The Russian-Turkish brokered ceasefire in Syria may just be one of those geo-political shifts, which have implications far beyond Syria itself.

Firstly, the ceasefire brokered by Turkey and Russia stands in marked contrast to the countless failed attempts by the US and other Western powers. Since President Assad is a strong ally of Russia his victory at Aleppo now enables Russia to use Syria as a springboard to projecting power throughout the entire Middle East region. Russia and Turkey have been able to reach this point of influence on account of their growing economic power relative to Western economies. They are now in a position financially to engage unilaterally in military conflicts, while the ability and willingness of Western powers to engage militarily has been waning since the 2008/2009 economic crisis and misadventures in Iraq and Afghanistan. EM already makes up nearly 60% of global GDP and as the EM growth premium accelerates in the coming years we expect the trend of EM's growing geo-political influence to become more pronounced in the future.

Indeed, the strong alliance between Russia and Turkey – which survived the assassination of the Russian ambassador to Turkey before Christmas – has already had implications for the balance of power in the entire Middle East region, particularly with respect to Israel. Israel has suddenly re-emerged on the geo-political agenda. This is no accident. For a time the rise of ISIS shifted the geo-political focus in the Middle East away from the Israeli-Palestinian conflict towards the question of regime change in oil rich states in the region. This was because ISIS did not care about Israel, which it sees as a side-show. ISIS sought instead to gain a territorial foothold in weak parts of the region with a view to subsequently expand their reach to other oil-rich countries in the region. Thanks to the efforts of Russia the threat of ISIS is now fading.

ISIS's retreat means that the old geopolitical dynamics are now being resurrected. The US in particular has traditionally supported Israel as a counter-weight to Russian support for Iran. Iran, of course is one of the main beneficiaries of Assad's victory at Aleppo, because both Syria and Russia are strong allies of Iran.

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This begs the question why the Obama Administration abstained in a recent UN vote against Israeli settlements. The answer can be found in domestic US politics. Obama's abstention was specifically designed to create a dilemma for President-elect Donald Trump, who has publicly expressed admiration for Russia's Putin. Trump was forced to make a strong statement of support for Israel following the US abstention. This puts him into an awkward position with respect to his support for Putin on account of the latter's support for Israel's arch-enemy, Iran. A similar stunt was attempted by Obama, when he expelled Russian diplomats and imposed sanctions on a handful of other individuals in response to alleged Russian interference in the recent US presidential election. In this particular case Obama had hoped that Trump would be forced into the uncomfortable position where he will have to unwind the sanctions in the face of generally strong anti-Russian sentiment in the Republican-controlled Congress. In the end, Putin spared Trump's blushes by not reciprocating on the expulsion of diplomats.

Details aside, the bigger picture is that the US now appears to have no strategy towards the Middle East at all. Events are dictated on the ground by large EM countries, notably Russia, while the US appears behind the curve and is unable to focus on anything other than domestic political infighting.

China: Reforms continue on a number of fronts:

- China added eleven new currencies to its CNY currency basket of which eight are EM currencies.[1] The combined weights of the new currencies, which reflect Chinese international trade patterns, will be 21.09%. The re-weighting implies that the USD share of the basket declines to 22.4% from 26.4%. China is sensibly pursuing an active strategy to ensure that the Renminbi basket reflects underlying economic flows rather than the speculative financial flows, which are heavily concentrated in the narrow USDCNY and USDCNH crosses. China does not want – nor does its economy need – the economic disequilibrium that would be caused by pegging to an overvalued currency.
- China's central bank announced that the off-balance sheet wealth management businesses of Chinese banks will now be included within the People's Bank of China's macro-prudential analysis starting Q1 2017. Off-balance sheet bank lending is frequently cited as a potential source of a hard-landing in China, so far without any substantiation.
- Reforms of state-owned enterprises will be accelerated with new measures to attract private and foreign capital, restructuring loss-making parastatals and reducing debts of SOEs via debt-to-equity swaps.
- The pace of conversion of local government debt on bank balance sheets into tradable municipal bonds will be accelerated. In our view, this is imperative to raising consumption and stabilising the domestic financial markets. Chinese savers do not have access to bonds, so their savings are dominated by bull-market instruments such as stocks and property. This renders savings pools unnecessarily volatile, notably during periods of intense structural reform, such as now. By adding bonds to the savings portfolios the overall savings pools should become more stable and hence reduce the precautionary motive to save. This will in turn drive up consumption.
- Foreign financial institutions will be granted further access to the large and highly liquid interbank bond market. The new measures will enable institutional investors to access the domestic FX derivatives market to hedge FX risks and to trade interest rate derivatives in the domestic interbank market to hedge interest rate risks. Rules governing the repatriation of principal and returns as well as tax policy with regard to investment returns and interest income will also be clarified. Finally, trading hours will be extended and the scope of eligible foreign institutional investors will be increased.
- New measures are introduced to monitor flows out of China with a view to safeguarding against money laundering.

• Economic news: The run of positive data continued with industrial profits rising 14.5% yoy in November versus 9.8% yoy in October. The Caixin Manufacturing PMI was close to a four-year high at 51.9 in December and the official PMI was also in expansion territory at 51.4. Both indices pointed to solid domestic demand, but weakness on the export front. Standard Chartered Bank's index of small and medium enterprise confidence rose to 56.1 in December from 55.0 in November. China's current account surplus was USD 69.3bn in Q3, slightly down from USD 71.2bn in Q2.

• Argentina: The Macri administration re-opened an investigation into former President Cristina Kirchner's alleged role in a 1994 bombing of a Jewish centre in Buenos Aires. Macri's decision to investigate Kirchner followed a foiled attempt by Peronists – supported by Kirchner's faction – to derail the public finances with an irresponsible tax bill. These developments show that the political gloves are off with respect to the upcoming mid-term election in mid-2017. Based on past experience the mid-term election could determine whether Macri will serve out his term. Macri has so far refrained from overtly attacking the Peronists politically, perhaps in the hope that a new type of politics could take root in the country. However, this strategy has backfired. The economy has not yet taken off – the economy contracted 3.8% yoy in Q3 2016 – and Peronists have returned to their populist roots. This means that Macri now faces the upcoming mid-term election from a point of both political and economic weakness. His response, in addition to attacking Kirchner, has been to reshuffle the economic team. The reshuffle was received well in the markets. Finance Minister Alfonso Prat-Gay was replaced

[1] The eleven new currencies are: ZAR, KRW, AED, SAR, HUF, PLN, DKK, SEK, NOK, TRY, and MXN.

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by Nicholas Dujovne as Economy Minister and Luis Caputo will be Finance Minister. Unlike Prat-Gay, Dujovne is a long-standing ally of Macri, close to Central bank governor Federico Sturzenegger and a respected expert on fiscal matters. Immediately after his appointment Caputo announced that Argentina aims to tap financial markets again in early January. In positive news, the government announced that a total of USD 98bn of foreign assets has now been declared in response to an amnesty intended to broaden the tax base in future years. The assets declared amount to nearly 20% of Argentina's GDP. This therefore bodes well for the fiscal outlook going forward. The deadline for declaring assets is not until March 2017, so the figure may well rise even further. In another positive development, the trade balance returned to positive territory in November (a surplus of USD 100m versus a consensus expectation of a USD 300m deficit). The improvement in the trade balance in turn drove the current account deficit down to USD 3.0bn in 3Q16 compared to USD 4.2bn a year ago.

- Brazil: Brazilian inflation looks set to reach the central bank's target ceiling of 6.5% this year. December's IPCA-15 inflation index print was much lower than expected at 0.19% mom (the median expectation was 0.33% mom). This took yoy inflation print to 6.6% from 7.6% yoy in November. Meanwhile, the conditions continue to support expectations of further declines in inflation. The inflation report of the central bank also supported the view that the speed of rate cuts will be accelerated. Real rates in Brazil are still extremely high and unemployment was flat at 11.8% in December, but actually higher by 0.3% in seasonally adjusted terms. Even so, the economy is showing signs of life. Credit growth was positive in November for the first time in five months. The trade balance for 2016 was the strongest it has been since 1980, given a surplus of USD 4.4bn in December (the market only expected USD 3.75bn). The current account deficit in November 2016 was USD 878m compared to USD 2.9bn in November 2015. There is no doubt that Brazil needs growth, not least in order to turn around the public finances following a hefty public sector deficit of BRL 39bn in November (slightly worse than expected, BRL 37bn). The 12m primary deficit is now about 2.5% of GDP. However, we expect a strong improvement in the public finances when the economic cycle begins to improve as the recent fiscal reform takes hold.

- Colombia: In a remarkable turn-around of fortunes the Colombian government has not only bounced back from the referendum defeat over the FARC peace accord to approve a new peace accord, but it has also been able to pass an important tax reform. The Colombian congress passed the fiscal reform around Christmas and it was approved by the conciliatory committee on 27 December. The reform ensures that Colombia will meet its 3.3% fiscal deficit target for 2017. The reform raises VAT to 19% from 16%, but corporate taxes will be reduced steadily towards 33% by 2022. New measures will also be introduced to fight tax evasion, which could raise as much as 1.5% of GDP by 2022. In other news, the trade deficit narrowed to USD 800m in October, which took the 12m rolling deficit down to USD 13.2bn from USD 15.9bn at the end of 2015.

- Mexico: The current account surprised strongly to the upside in November, rising USD 200m against expectations of a contraction of USD 900m. The improvement was partly due to higher oil prices, but manufacturing exports also picked up. This improvement may be due to the weaker MXN. Mexico's currency has weakened sharply on Trump-related fears, but Mexican exports are now far more competitive. Remittances were also up a massive 24.7% yoy in November, signalling perhaps fear among Mexicans living in the US that their ability to remit funds back home could be curtailed by the Trump administration. The government has also abandoned its policy of maintaining gasoline prices within a band. Gasoline price movements will now reflect market conditions going forward, clearly a positive. Meanwhile, real GDP growth was 2.0% in Q3 2016 and consumption accelerated to 3.5% yoy from 2.9% yoy in Q2 2016. Credit to the private sector expanded at a strong 13.3% yoy pace in real terms during November, up from 12% yoy in October. Reflecting the resilience of domestic demand the minutes from the 15 December monetary policy meeting confirmed a hawkish bias on the part of MPC members.

- Saudi Arabia: There were no major surprises in the 2017 Budget. The deficit will be slightly lower than IMF's expectations and the government's own projections from last year. The budgeted oil price for 2017 is in the range USD 50-60. There will be a direct subsidy paid to citizens ahead of energy/utility price increases scheduled for July 2017 and the government promised not to surprise the private sector with any new fiscal reforms. All this points to a period of greater stability in Saudi Arabia after a tough period of political transition and adjustment to lower oil prices.

- South Korea: The investigation into influence peddling by President Park has now spread to the national pension fund. The special prosecutor raided the National Pension Service (NPS) in relation to allegations that NPS was pressured to vote in favour of a certain mergers with funds paid to individuals with influence over Park. In other news, inflation slowed to 1.3% yoy in December from 1.5% yoy in November and industrial production rose more than expected (4.8% yoy versus -1.3% yoy the previous month). Exports performed strongly in December (6.4% yoy versus 4.6% yoy expected).

- Venezuela: The deadline for the government's attempt to exchange old for new notes has been extended to 20 January 2017. The money exchange has been seriously mis-managed to the extent that President Maduro almost caused a revolution against himself by attempting to remove much-used VEB 100 bills from circulation without having new bills to give to people instead. The government issued a USD 5bn Dollar-denominated bond to Banco de Venezuela and the central bank, reducing near-term repayment concerns.

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Snippets:

- **Chile:** Retail sales were strong in November, rising at a rate of 5.0% yoy versus 2.8% yoy expected. Manufacturing output was weak however.
- **Hungary:** The National Bank of Hungary left the policy rate unchanged at 0.9%. However, flash CPI inflation for December was higher than expected at 0.8% yoy (versus 0.4% yoy)
- **India:** Manufacturing PMI dropped into contraction territory at 49.6, down from 52.3 in November. Survey participants cited both domestic and external factors.
- **Indonesia:** Fitch revised the outlook for Indonesia's external debt rating to positive from neutral and affirmed the current investment grade rating of BBB-. The December PMI was soft at 49, down from 49.7 in November. The run-rate for inflation in December was 3.02% yoy versus 3.04% yoy expected.
- **Malaysia:** CPI inflation rose to 1.8% yoy in November from 1.4% yoy in October. Core inflation declined to 1.5% yoy from 2.5% yoy in the previous month. PMI manufacturing was 47.1 in December, unchanged from November.
- **Panama:** Canal toll revenues declined 3.1% yoy in the January to October period due to a 6.1% yoy decline in tonnage.
- **Peru:** Inflation for 2016 was 3.23%, which was marginally above the central bank's target of 1%-3%. However, inflation is declining and should drop into the target range in the course of 2017, in our view. The fiscal deficit narrowed to 3.1% of GDP in November from 3.2% of GDP in October.
- **Philippines:** The central bank left the key interest rate unchanged at 3.0%.
- **Russia:** Inflation declined to 5.4% yoy in December from 5.8% yoy in November. The market had expected inflation to be in the range from 5.5% - 5.7% yoy.
- **Singapore:** The Q4 2016 flash GDP print was much stronger than expected at 9.1% qoq saar, equivalent to 1.8% yoy. The market had expected 0.3% yoy.
- **Taiwan:** Industrial production surged to 8.8% yoy in November from 3.4% yoy in October. Markets had only expected 4.7% yoy growth. The PMI index also spiked to a six-year high of 56.2 in December (from 54.7 in November). The central bank left rates unchanged at 1.375%.
- **Thailand:** The monetary policy committee left the policy rate unchanged at 1.5% in line with expectations. Exports rose 9.1% yoy in November.
- **Turkey:** Inflation was much higher than expected (8.5% yoy versus 7.6% yoy expected). Core inflation dynamics are also deteriorating.

Global backdrop

There is nothing quite like the year-end lull to remind us of the often exaggerated and downright irrational activities that take place in financial markets during most of the trading year. On normal trading days investors are targeted by a gazillion analysts and sales people, who are all engaged in a constant 24-hours-a-day frenzy of spin geared at winning trades. Every real and imagined event, large or small, is flogged with the singular objective of getting you, the underlying investor, to trade your securities, so that they, the market-making banks, can make money. The media is also in on the game, knowing full well that news sells better if it is exaggerated, extrapolated, exploited and made to sound hugely important. Most of the trading year is therefore a manic cacophonous din of wild embellishment with inferences drawn from the most random of events, absurd trends extrapolated from the briefest of transitory noises and risk on/risk off is touted to an obscene degree. Yet, each year around Christmas this madhouse of hyperbole suddenly falls quiet. This is peculiar, because the world does not stop just because year-end happens to come around. In fact, the only thing that changes materially at year-end is that the army of bankers and media gurus – all the people with strong vested interests in generating noise – go on vacation! It is difficult to escape the conclusion that most of the issues facing investors during the course of trading year are not only irrelevant, but actually concocted deliberately to make them trade completely unnecessarily. A big part of the secret to successful investing is to filter out the mindless manipulative noise and focus on the facts.

Looking ahead, various European elections loom on the horizon, but 2017 is probably going to start with hysteria over President-elect Donald Trump's trade policies. The word on the Street is that Congress is warming to the idea of introducing so-called 'border adjustments'. We intend to examine this topic in much greater detail in an upcoming publication, but for now let us call a spade a spade: border adjustments are tariffs. Trade policy has been studied in depth. We know that tariffs will not help the US economy. Rather, they will encourage stagflation by undermining the country's growth potential and driving up prices for consumers. Besides, protectionism is the worst policy for the US at this point in the cycle. The US economy suffers from a variety of Dutch Disease caused by massive capital inflows. The resulting overvaluation of the US real exchange rate can only be fixed by weakening the nominal exchange rate, lowering non-tradable prices and/or executing a positive productivity shock. Digging around with taxes on a subset of the goods and services that just happen to be traded across the national borders will not solve the problem and may, most likely, worsen matters considerably, especially over time.

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Global backdrop

We strongly encourage readers to revisit the literature on protectionism in EM countries. This literature is replete with evidence of how protectionism leads to slower growth rates, fiscal problems, rent-seeking and eventually economic crises.[2] The US has extended its cyclical upswing well beyond its sell-by date by fully exhausting the scope for monetary and fiscal easing and is now turning to trade policies to extend it further. Unlike monetary and fiscal policies, which ultimately rob future generations, trade policy seeks to rob foreigners. However, this switch may not be as easy as it sounds, because there is one very important difference between policies that rob future generations and those that rob foreigners: foreigners reciprocate.

Benchmark performance

Emerging Markets	Month to date	Year to date	1 year	3 years	5 years
MSCI EM	0.05%	11.27%	11.27%	-2.34%	1.55%
MSCI EM Small Cap	-0.28%	2.31%	2.31%	-1.15%	3.70%
MSCI Frontier	2.75%	2.76%	2.76%	-2.20%	5.02%
MSCI Asia	-2.26%	5.38%	5.38%	0.24%	5.01%
Shanghai Composite	-4.50%	-10.50%	-10.50%	16.26%	9.82%
Hong Kong Hang Seng	-4.50%	1.44%	1.44%	-0.89%	2.82%
MSCI EMEA	7.25%	20.56%	20.56%	-6.11%	-0.67%
MSCI Latam	0.94%	31.41%	31.41%	-7.22%	-5.47%
GBI EM GD	0.00%	0.00%	9.94%	-3.82%	-1.29%
ELMI+	0.49%	3.54%	3.54%	-3.83%	-1.31%
EM FX Spot	0.00%	0.00%	0.54%	-10.05%	-7.51%
EMBI GD	1.33%	10.15%	10.15%	6.19%	5.90%
EMBI GD IG	0.55%	6.98%	6.98%	5.09%	4.23%
EMBI GD HY	2.20%	13.66%	13.66%	7.04%	8.12%
CEMBI BD	0.78%	9.65%	9.65%	5.25%	5.91%
CEMBI BD IG	0.43%	5.84%	5.84%	4.74%	5.06%
CEMBI BD Non-IG	1.33%	16.14%	16.14%	5.69%	7.58%

Global Backdrop	Month to date	Year to date	1 year	3 years	5 years
S&P 500	1.97%	11.95%	11.95%	8.86%	14.63%
1-3yr UST	0.02%	0.02%	1.07%	0.58%	0.54%
3-5yr UST	0.02%	0.02%	1.33%	1.83%	1.15%
7-10yr UST	0.02%	0.02%	1.04%	3.84%	1.95%
10yr+ UST	0.03%	0.03%	0.95%	8.13%	2.54%
10yr+ Germany	0.18%	0.18%	9.66%	11.66%	7.48%
10yr+ Japan	0.01%	0.01%	8.07%	6.69%	5.76%
US HY	1.85%	17.13%	17.13%	4.66%	7.36%
European HY	1.85%	9.79%	9.79%	5.72%	11.03%
Barclays Ag	0.73%	6.22%	6.22%	4.47%	4.82%
VIX Index*	0.00%	0.00%	-22.90%	-1.34%	-40.00%
DXY Index*	0.53%	0.53%	4.18%	27.18%	29.07%
CRY Index*	0.00%	0.00%	9.29%	-30.60%	-36.94%
EURUSD	-0.55%	-0.55%	-3.41%	-23.01%	-19.83%
USDJPY	0.58%	0.58%	-1.47%	12.24%	53.35%
Brent	0.49%	0.49%	53.17%	-46.58%	-49.08%
Gold spot	0.35%	0.35%	7.61%	-6.52%	-27.89%

*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.

[2] A good summary is available in Anne O. Krueger (1997) *"Trade policy and economic development: how we learn"*, NBER Working Paper Series, No. 5896, January 1997.

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