April 2013

Compass

Market outlook: April showers?

A great rotation is underway – in FX markets

Bonds can be volatile too

Asia real estate: Curing the vertigo

Wealth and Investment Management
Global Research & Investments

BARCLAYS

Contents

Market outlook: April showers?

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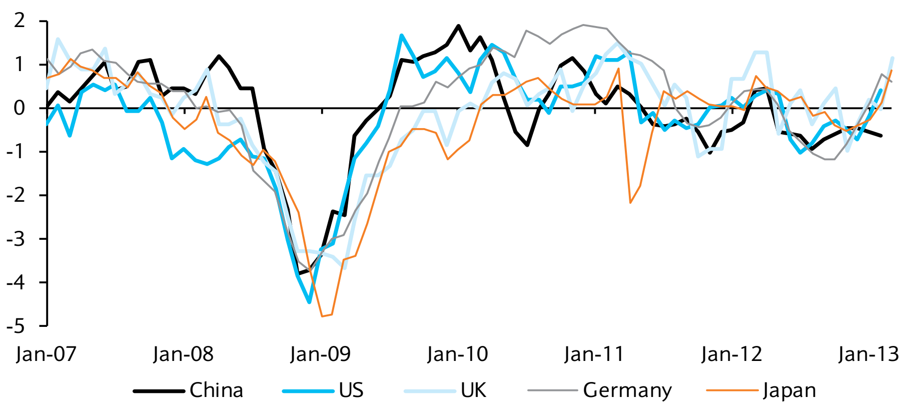
Developed stocks had a strong first quarter. A setback seems overdue, and there is no shortage of potential triggers, but we continue to think that the primary trend points upwards, and would use such reversals to add to positions. We stay tactically underweight cash and investment grade credit, and advise using rallies in government bonds to reduce strategic weightings there.

The global business cycle: clouds continue to lift

The most widely-watched cyclical indicators continue to suggest that global order books and business confidence are stabilising (Figure 1), helping to underpin the outlook for corporate profitability and boosting investor risk appetite. Moreover, the consensus assumption that we are in the midst of a 'great deleveraging', and that growth cannot be sustained until massive amounts of debt have been repaid, is beginning to be questioned – as we've long thought it should be. Indeed, credit growth is resuming in the US, largely because the aggregate consumer balance sheet is not as fragile as that received wisdom would suggest – a point that should be familiar to our readers (see, for example, *"Is there life after debt?" Compass, October 2011*).

Manufacturers' order books have normalised: global growth is likely above stall speed

Figure 1: The business cycle stabilises: selected manufacturing surveys



Source: Datastream, Bloomberg, Barclays Research

Considered alongside valuations suggesting that developed equity markets remain inexpensive both historically and relative to other asset classes – even after their rally – this leaves us continuing to argue for a modestly 'risk-on' position in balanced portfolios. Our recommended tactical and strategic asset allocation is presented more fully, as usual, in the table on page 9.

As often, of course, the regional pictures diverge. Europe remains the weakest link economically, and eurozone politicians almost seem determined to snatch defeat from the jaws of victory in their latest handling of the peripheral debt crisis.

Eurozone: the troika tripped

Eurozone politicians and policymakers are demonstrating clearly in 2013 why we've long advised that the euro's existential crisis is not over. In March's Compass we noted the uncertainty added by the Italian election result; this month, the Cyprus bail-in is the unsettling development.

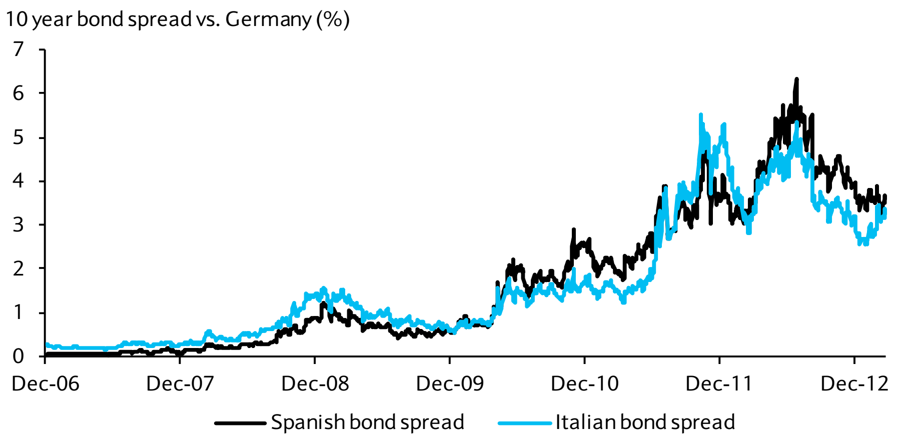
In making depositors in Cyprus share in the costs of rebuilding the local bank system, the troika of European finance ministers, the ECB and the IMF seem to be playing the role of school bully, picking on the smallest kid in the playground. The troika may have forgotten that the other, not-so-small kids watching in trepidation may decide to do something to protect themselves. If Spanish bank depositors take fright, much of the good work done in stabilising the euro markets since last summer could be undone.

We think the policy mistake should not be seen as a harbinger of the official line to be taken should further refinancing suddenly be needed elsewhere soon (further ahead, as part of the wider reform of banking supervision, the EU's resolution and recovery direction could leave depositors exposed – but the directive is unlikely to become effective until 2015, and we think it very unlikely that other eurozone bank depositors would be asked lightly to share in the restructurings currently underway). The latest version of the Cyprus bail-in leaves smaller, insured depositors protected – after much understandable protest, the government in Cyprus has felt able to ask wealthier depositors to shoulder the burden. We think contagion will remain manageable.

The (modest) revival in market volatility that the Cyprus bail-in has inspired – like that caused by the Italian election result – is certainly a reminder that the long journey to a credible, lasting resolution of the single currency's angst will not be a smooth one. But this does not mean that investors need stay on the edge of their seats: the big picture, as we see it, has not altered. Provided the ECB in particular stands ready to act as a financial backstop, such bouts of volatility need not have a lasting impact on portfolios.

The rebound in key bond spreads after the Italian election and Cyprus 'bail-in' has so far been muted

Figure 2: Italian & Spanish spreads are up, but well below last summer's levels



Source: Datastream, Barclays Research

Meanwhile, after a weak winter, our economists now expect full-year eurozone GDP in 2013 to register another small fall. Given the margins for error, the economy is probably best described as flatlining, with a marked resurgence in the German economy (Figure 1 again) being offset by continued weakness elsewhere – notably in France and Italy. This is hardly good news, but investment markets are driven largely by expectations, and those have long been pretty low to begin with. And positive surprises elsewhere – notably, in the US, as outlined below – offer some compensation at the global level.

Investment advice

As we see it, regional equity selection in 2013 is not so much a case of (Continental) Europe *or* the US – rather, we expect both big regions to perform relatively strongly. The ongoing short-term risk stemming from the disappointing pace of eurozone integration should not obscure the fact that as a relatively volatile market, eurozone stocks can actually outperform the wider developed markets if global risk appetite is improving – particularly if that improvement is driven by signs of healthier world trade, which can benefit the eurozone's many successful exporters and multinationals. Continental equities, like many others, remain inexpensive, even after their rally.

The stronger trade-weighted euro needn't get in the way – in the past, it has often coincided with eurozone stocks outperforming, partly because the currency and stocks can be driven by the same underlying driver – in this case, rising risk appetite.

In Continental Europe as elsewhere, we strongly prefer corporate to government securities, and stocks to most bonds. But eurozone bonds – like the bloc's equity markets – have a good chance of outperforming their developed world benchmarks. The weaker local economy does matter to bond investors. More prosaically, because Italian and Spanish bonds trade as risky assets, their inclusion in the indices means that those indices will perform better in a 'risk on' climate than (say) US and UK benchmarks.

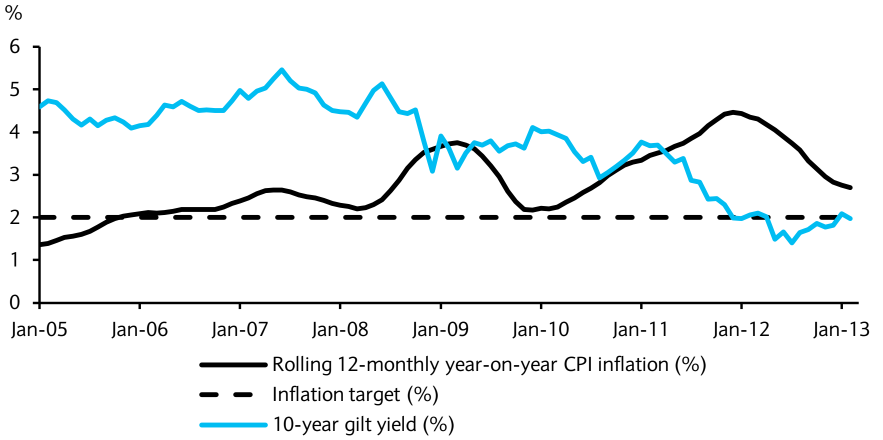
UK: chaste, but not yet

The UK government is sticking grimly to its battered 'plan A'. The latest budget makes no concession to those arguing for a big fiscal stimulus to boost growth. Instead, the main focus remains on deficit reduction, albeit with a further slippage in the schedule: the debt/GDP ratio is now projected to peak in 2016/17, a year later and almost 6% of GDP higher than was forecast in December (and 3 years later, and 15% of GDP higher, than originally suggested in 2010).

This need not condemn the UK to recession, or even stagnation. The headwind from fiscal tightening is fading as the biggest tax increases move further into the past. Moreover, the private sector's saving ratio has risen pre-emptively, providing a buffer to support spending as incomes are squeezed, and the monetary climate is much friendlier to growth (a more competitive pound is helping further in this respect). We noted last month that both these factors have helped the UK weather a tough fiscal climate in the past. The latest employment and retail sales data suggest that the economy is not quite as fragile as the GDP numbers make it appear.

The UK CPI has trended above the inflation target since late 2005. Gilt yields are currently below it.

Figure 3: UK CPI inflation and gilt yields



Source: Datastream, Barclays Research

A cheaper pound will lift expectations for UK corporate earnings, but gilts look even more vulnerable than they did

Investment advice

We still think the UK stock market is likely to lag the US and Continental Europe in a risk-on climate, but sterling's recent weakness will boost the substantial international earnings of companies quoted on the UK exchange, and it is a closer call than it was. And even after their rally, we still expect UK stocks to outperform local government bonds, or gilts, tactically and strategically, and by more than enough to compensate for risk.

Indeed, we think that gilts will underperform not just local equities, but other high-quality government bonds – not because of credit concerns, but because they are simply very expensive. The UK remains relatively inflation-prone: on a rolling twelve-month basis the CPI has risen faster than the Bank of England's 2% target continually since late 2005, and we expect this prolonged period of underachievement to become a round decade in 2015. The 10-year gilt is currently yielding 1.9%.

The monetary policy review announced with the budget is unlikely to result in a much looser climate than would otherwise be the case. Nonetheless, it will not reassure a currency market that thinks the UK has 'gone soft' on inflation – understandably, given that track record. Sterling is already pretty competitive, but we think the dollar will remain stronger for a while yet (and see the currency essay on page 10 below).

US: customer no. 1 continues to spend

The American consumer – still a key engine of global economic growth – has continued to spend apace: retail sales in February rose solidly, undaunted by higher taxes (and the resulting lower personal income) and petrol prices. The private sector continues to create jobs and those who are employed are earning more money. Meanwhile, the housing market continues to recover, and consumer balance sheets to begin with are in better shape than many feared (as noted above). To keep things in context, however, the fall in unemployment is not yet as soundly based as it could be.

Another important economic driver is increased capital spending by businesses. Capital investment tends to lead to more durable economic growth. US companies have the cash flow and balance sheets to add more substantially to capital spending, but have so far lacked confidence. Acquisitions represent a barometer of that confidence – the willingness of corporate chieftains and their boards of directors to take risk. And in this respect, the pace of recent US merger and acquisition activity is a good sign. Small and mid-capitalisation companies have been the primary beneficiaries of this acquisitiveness, funded predominantly by the sizeable cash on the acquiring companies' balance sheets.

Ongoing growth in private sector demand is likely to more than offset the impact of sequestered public sector spending, and keep the US economy moving firmly forwards. Our economists estimate that growth in the first quarter of 2013 has been tracking in the 2-3% range on an annualised basis, about a percentage point faster than they'd initially thought. This is hardly a boom, but it does much to offset the downside risks to European growth, and ensure that global growth continues to exceed stall speed.

Investment advice

The US equity market is still by far the largest and most influential, and it would be unusual for global markets to rally without it. US stocks have already risen some way, of course: the S&P500 has more than doubled since its low point in March 2009.

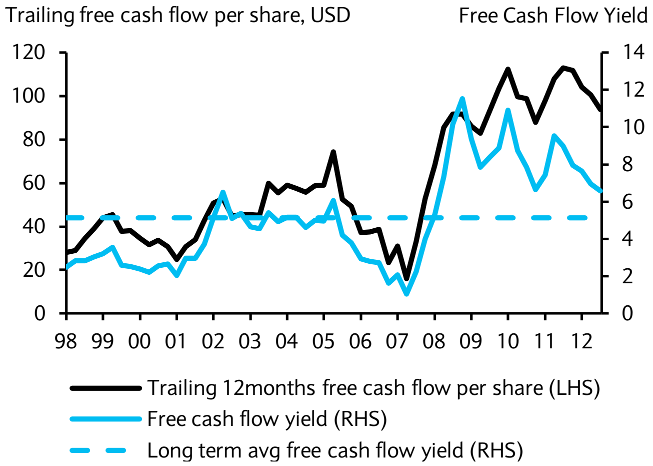
A question many clients have been asking is whether having come so far this fast, US stocks are now overvalued. An examination in Figure 4 and Figure 5 of several valuation metrics on the S&P 500 now as compared to when it was last at this level in 2007

Figure 4: S&P 500 valuations at similar index levels: today vs. 2007, trailing data throughout

S&P 500 Valuation Metric	Period		Difference
	Current	Q3 2007	Current vs. Prior High*
Price-to-Earnings	15.24	17.11	-11%
Price-to-Sales	1.42	1.64	-13%
Price-to-Book Value	2.3	2.91	-21%
Enterprise Value (EV) to Sales	1.78	2.67	-33%
Dividend Yield %	2.13	1.82	17%
Free Cash Flow Yield %	6.15	1.04	491%

* Prior high = when S&P last at 1,500 level, in third quarter of 2007
Source: Bloomberg as of March 2013
Enterprise Value is calculated as: Market Capitalization + Preferred Equity + Minority Interest + Short-Term and Long-Term Debt – Cash and Equivalents – Nominal Amount of Debt Included in Price.

Figure 5: S&P 500 looks cash rich and undervalued relative to history



Source: Bloomberg as of March 2013
Note: Free cash flow per share = cash from operations minus capital expenditures divided by average number of shares outstanding during the period. Free cash flow yield = trailing 12 months free cash flow per share divided by price

suggests the answer is no. Whether on a price-to-earnings, enterprise value-to-sales, or free cash flow yield basis, valuations remain attractive.

Indeed, the US remains one of our preferred equity markets. The favourable valuations, and the resilient economic story sketched above, both help. But so too does the general malaise of low expectations, which has been particularly evident for the US because of the fiscal concerns so visibly overshadowing the economy for much of the last year or two – concerns which in our view are overstated. Like the dollar, US stocks can outperform in risk-on climates as well as in more defensively-oriented ones.

US Treasuries continue to look expensive. It is difficult to call the decisive sell-off, not least because the Federal Reserve's ongoing Quantitative Easing programme continues to offer support to the wider US bond markets. Nonetheless, while we are tactically most wary of investment grade credit – which looks particularly over-priced – a belief that US nominal GDP growth is likely to trend in the 4-5% range in coming years leaves us strategically wary of US government bonds, and is a big reason for us allocating only a small portion of our strategic investment portfolio to government bonds generally.

Japan: long-term conviction missing

The biggest developed economy not mentioned so far is of course Japan, whose stock market has been rallying strongly in local currency terms. We doubt that Japan's structural malaise has been dispelled by the new monetary regime – and falling yen – that has excited traders, even though business confidence has hit post-crisis highs: we stay neutral, preferring the US and Continental Europe. Japanese corporations are getting a short term boost for their exports, driven largely by that weaker currency. But a sustainable, cyclical upswing remains questionable as policymakers remain in a policy gridlock – one of fiscal pump-priming with limitations arising from structural demographic, labour supply and political issues. For now, most of the good news is already being priced in.

Emerging economies: solid growth, patchy markets

Much global growth is driven by the emerging world, particularly Asia, and for good reasons. Most of the world's population is in the emerging bloc, but it accounts for only a fraction of its economy (and an even smaller portion of its securities markets). In an increasingly liberalised, integrated world there are fewer and fewer barriers to capital and technology flows, and over time this will help to narrow that inequality in incomes. This doesn't mean that living standards in the developed world need fall, but it does mean that economies there will grow more slowly relative to the emerging bloc.

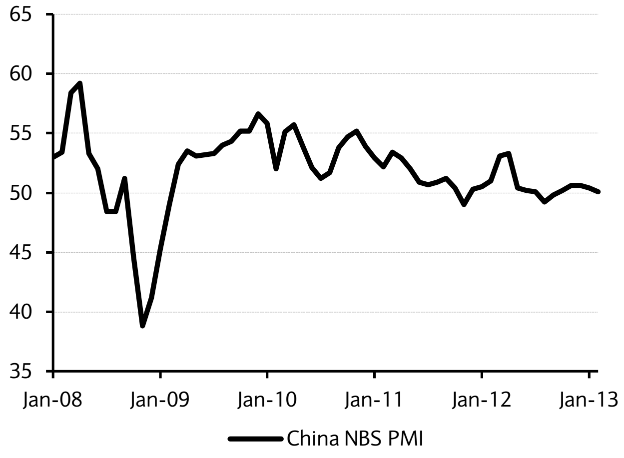
This assumption is baked into our long-term strategic asset allocation. However, it does not apply in the short term – particularly when, as now, emerging market growth has been very visible for a while, and expectations in the developed world have become overly pessimistic. Moreover, some individual emerging countries have faced short-term economic disappointments – most visibly in the cases of Brazil and India, and more subtly elsewhere. China is an exception to this economic disappointment – we remain convinced that growth there is stabilising in the 7-8% range – though its government-heavy markets continue to languish (it remains nonetheless one of our favourite emerging investments).

Emerging equity markets have now underperformed developed markets since early 2009, and in local currency terms have lagged by 11% in 2013 to date. We continue tactically to prefer developed markets. Within the emerging bloc, however, Asia remains our preferred region. It has the most diversified markets, and so is not reliant on any single industry or commodity; its macroeconomic policies are the most credible; it has the soundest financial position; and its politics are perhaps the most predictable.

China is, as noted, one of our structurally-preferred emerging economies. From the concluding months of 2012, economic revival seems to have extended into 2013 with good momentum from trade data – exports have surged with high levels of imports. The Purchasing Managers Index (PMI) continues to hover at the 50 level (Figure 6). The latest reading from the HSBC Manufacturing PMI has come in at 51.7 for March 2013, a two-month high. Both surveys confound the bears who continue to herald a hard-landing. In the meantime, the People's Bank of China (PBOS) continues to keep a vigilant watch on the over-heated real estate market and inflation – the lingering side effect of the massive 2009 fiscal stimuli.

However, the current level of inflation (Figure 7) does not warrant any monetary policy tightening, and if needed, the PBOC is more inclined to execute direct and administrative measures instead. This is in line with the central leadership's intent on bringing about *growth stabilisation and sustainability for China based on structural reforms* – likely to be introduced and announced in 2013.

Figure 6: National Bureau of Statistics – Purchasing Managers Index (2008–2013)



Source: Bloomberg as of March 2013

Figure 7: Chinese inflation (% year-on-year), 2008–2013

Source: Bloomberg as of March 2013

India has, as noted, disappointed of late. Its demographics are favourable and its economic growth potential may be even better than China's, but it faces a stagflation that has largely been induced by government's populist policies. Despite the recent resumption of reform, and lowered interest rates, the hands of policymakers remain tied by high inflation and burgeoning fiscal deficits. Barring a radical policy change away from populism, India may not accelerate back to the historical 6.5% growth rate on a sustainable basis. Barclays' forecast for India's GDP growth is 5.6% for 2013 and 7% for 2014. Thus, *the momentum on reform must continue in earnest* to resolve issues, such as infrastructures, at least in the short term.

Asia's ***exporting tigers*** faced a challenging year in 2012, and their woes have yet to recede as Japan looks more competitive and the latest round of export data points to challenging times. However, their diversification will help: these countries are likely to get a lift from an improving US and global economy.

Barclays' key macroeconomic projections

Figure 8: Real GDP and Consumer Prices (% y-o-y)

	Real GDP				Consumer prices			
	2011	2012	2013	2014	2011	2012	2013	2014
Global	3.8	3.1	3.1	4.0	3.8	2.9	2.9	3.1
Advanced	1.4	1.2	1.0	2.0	2.5	1.8	1.7	2.0
Emerging	6.5	5.0	5.3	6.0	6.3	4.7	5.0	4.9
United States	1.8	2.2	1.5	2.3	3.2	2.1	2.1	2.2
Euro area	1.5	-0.5	-0.3	1.4	2.7	2.5	1.7	1.5
Japan	-0.6	2.0	1.4	2.6	-0.3	-0.1	0.1	2.2
United Kingdom	0.9	0.2	0.7	1.7	4.5	2.8	2.9	2.6
China	9.3	7.8	7.9	8.1	5.4	2.6	3.2	3.5
Brazil	2.7	0.9	3.0	3.5	6.6	5.4	6.4	5.7
India	7.2	5.1	5.6	7.0	9.5	7.5	6.4	5.7
Russia	4.3	3.4	3.0	3.5	8.6	5.1	6.6	5.6

Source: Barclays Research, *Global Economics Weekly*, 22 Mar 2013
Note: Arrows appear next to numbers if current forecasts differ from that of the previous week by 0.2pp or more for annual GDP and by 0.2pp or more for Inflation. Weights used for real GDP are based on IMF PPP-based GDP (5yr centred moving averages). Weights used for consumer prices are based on IMF nominal GDP (5yr centred moving averages).

Figure 9: Central Bank Policy Rates (%)

Official rate		Forecasts as at end of			
% per annum (unless stated)	Current	Q1 13	Q2 13	Q3 13	Q4 13
Fed funds rate	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25
ECB main refinancing rate	0.75	0.75	0.75	0.75	0.75
BoJ overnight rate	0.10	0-0.10	0-0.10	0-0.10	0-0.10
BOE bank rate	0.50	0.50	0.50	0.50	0.50
China: 1y bench. lending rate	6.00	6.00	6.00	6.00	6.00
Brazil: SELIC rate	7.25	7.25	8.25	8.75	8.75
India: Repo rate	7.50	7.50	7.00	7.00	7.00
Russia: Overnight repo rate	5.50	5.50	5.50	5.25	5.25

Source: Barclays Research, *Global Economics Weekly*, 22 Mar 2013
Note: Rates as of COB 19 Mar 2013.

TAA: sitting tight

A setback in stock markets feels overdue. The issue is whether it would be large and lengthy enough to warrant repositioning portfolios – the opportunity cost is the possibility of missing an ongoing rally or a quick rebound. We think not, and are again leaving our pro-equity TAA stance in place. With the S&P500 close to an all-time high, many investors have a sense of vertigo. But provided markets are reasonably valued to begin with, there is no reason why stock prices should fall and stay down. Indeed, the norm is for stock prices to trend higher with ongoing economic and corporate growth. Bonds, by contrast, remain expensive. Many are trading above par, and are now very sensitive to changes in interest rates. We advise a *strategically* underweight position in government bonds (and a tactical underweight in investment grade credit, which is fiercely expensive too). We stay tactically neutral in commodities, real estate and ATS, which are essentially diversifying asset classes. Viewed in this context, the long-awaited decline in the correlation of commodities in particular with developed stocks is welcome.

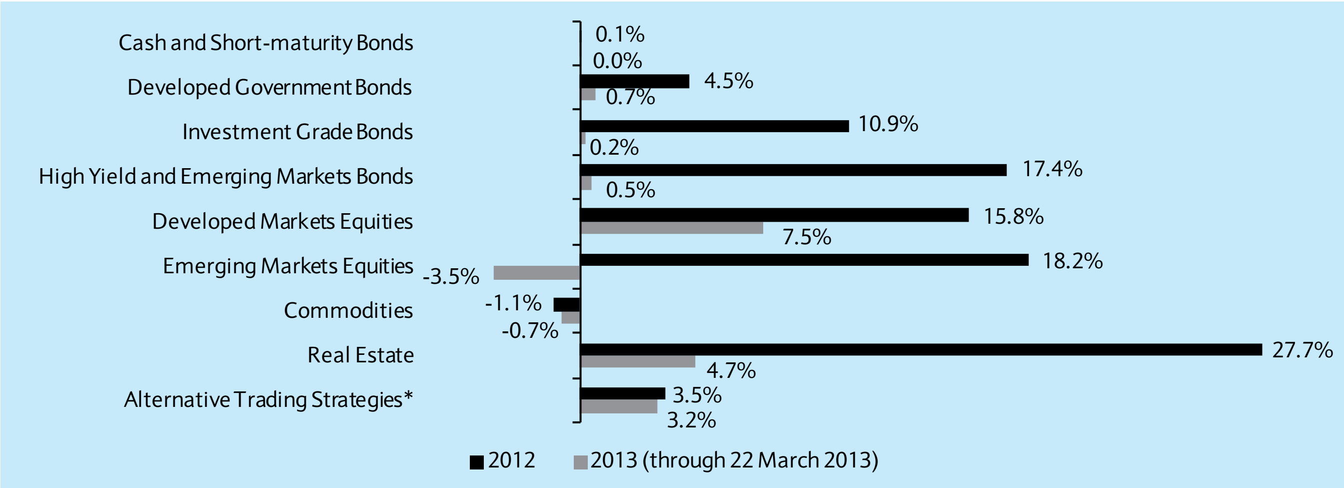
Figure 1: Current strategic (SAA) and tactical (TAA) asset allocation by risk profile

	Low		Medium Low		Moderate		Medium High		High	
Asset class	**SAA**	**TAA**	**SAA**	**TAA**	**SAA**	**TAA**	**SAA**	**TAA**	**SAA**	**TAA**
Cash and Short-maturity Bonds	46.0%	45.0%	17.0%	15.0%	7.0%	4.0%	3.0%	1.0%	2.0%	1.0%
Developed Government Bonds	8.0%	8.0%	7.0%	7.0%	4.0%	4.0%	2.0%	2.0%	1.0%	1.0%
Investment Grade Bonds	6.0%	4.0%	9.0%	7.0%	7.0%	5.0%	4.0%	2.0%	2.0%	0.0%
High-Yield and Emerging Markets Bonds	6.0%	6.0%	10.0%	10.0%	11.0%	11.0%	10.0%	10.0%	8.0%	8.0%
Developed Markets Equities	16.0%	19.0%	28.0%	32.0%	38.0%	43.0%	45.0%	49.0%	50.0%	53.0%
Emerging Markets Equities	3.0%	3.0%	6.0%	6.0%	10.0%	10.0%	14.0%	14.0%	18.0%	18.0%
Commodities	2.0%	2.0%	4.0%	4.0%	5.0%	5.0%	6.0%	6.0%	5.0%	5.0%
Real Estate	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	6.0%	6.0%	7.0%	7.0%
Alternative Trading Strategies	11.0%	11.0%	16.0%	16.0%	14.0%	14.0%	10.0%	10.0%	7.0%	7.0%

As first published on 1 February 2013. The recommendations made for your actual portfolio will differ from any asset allocation or strategies outlined in this document. The model portfolios are not available to investors since they represent investment ideas, which are general in nature and do not include fees. Your asset allocation will be customized to your preferences and risk tolerance and you will be charged fees. You should ensure that your portfolio is updated or redefined when your investment objectives or personal circumstances change. Source: Barclays.

Our **Strategic Asset Allocation (SAA)** models offer a baseline mix of assets that, if held on average over a five-year period, will in our view provide the most desirable combination of risk and return for an investor's degree of Risk Tolerance. They are updated annually to reflect new information and our changing views. Our **Tactical Asset Allocation (TAA)** tilts these five-year SAA views, incorporating small tactical shifts from one asset class to another, to account for the prevailing economic and political environment and our shorter-term outlook. For more on our SAA and TAA, please see our *Asset Allocation at Barclays* white paper and the February 2013 edition of *Compass*.

Figure 2: Total returns across key global asset classes



* As of 21 March 2013

† Diversification does not guarantee against losses.

Note: Past performance is not an indication of future performance. Index Total Returns are represented by the following: Cash and Short-maturity Bonds by Barclays US Treasury Bills; Developed Government Bonds by Barclays Global Treasury; Investment Grade Bonds by Barclays Global Aggregate - Corporates; High-Yield and Emerging Markets Bonds by Barclays Global High Yield, Barclays EM Hard Currency Aggregate & Barclays EM Local Currency Government; Developed Markets Equities by MSCI World Index; Emerging Markets Equities by MSCI EM; Commodities by DJ UBS Commodity TR Index; Real Estate by FTSE EPRA/NAREIT Developed; Alternative Trading Strategies by HFRX Global Hedge Fund. The benchmark indices are used for comparison purposes only and this comparison should not be understood to mean that there will necessarily be a correlation between actual returns and these benchmarks. It is not possible to invest in these indices and the indices are not subject to any fees or expenses. It should not be assumed that investment will be made in any specific securities that comprise the indices. The volatility of the indices may be materially different than that of the hypothetical portfolio.

A great rotation is underway – in FX markets

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While we wait for a "great rotation" from fixed income into equities, there is another rotation already at work in the currency markets.

Foreign exchange (FX) markets are undergoing a fundamental shift. Relationships between currencies and the economic and financial backdrop have started to change. Here, we discuss two of the main changes. First, the US dollar is taking on the properties of a pro-cyclical currency. Second, there is a shift from the *risk-on/risk-off* environment to a world where investors differentiate currencies based on idiosyncratic factors.

Welcome the new US dollar

The main FX story of 2013 has not been the survival of the euro (EUR), but the pro-cyclicality of the US dollar (USD). In the February edition of *Compass*, we detailed why we believe that USD may turn pro-cyclical again and, therefore, benefit from the economic recovery and rising markets. Indeed, such a view has now become consensus.

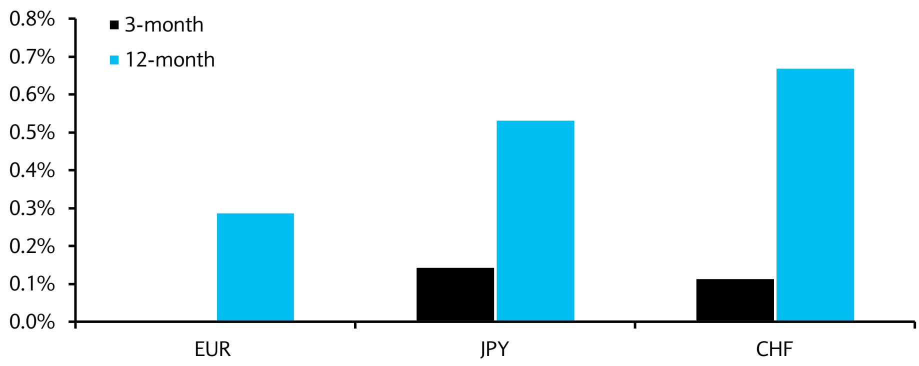
The key to our call on the pro-cyclicality of USD is our view that the US economy is in better shape than many think and is likely to outperform other major economies. The buoyant US economy should benefit USD via two channels:

- the monetary channel: markets should not expect further easing on top of what has been announced, and may, in fact, start entertaining the idea of some policy normalisation
- the asset-price channel: the growing economy makes domestic investment opportunities attractive, and will positively affect asset prices.

The implication of the above is that USD is likely to "rotate" away from being considered a funding currency to being seen as investment currency. Not only should this increase flows into USD, but it should also decrease the selling pressure on the currency if, and

Figure 1: CHF, JPY and EUR offer lower funding costs than USD

Difference in funding costs between USD and other "funding currencies", implied from 3- and 12-month FX forwards. Positive number signifies higher funding costs for the currency in question against USD



Source: Barclays, EcoWin
Note: Funding cost difference between the US dollar and the euro, implied from 3-month forward, is very close to zero.

when, investors cease to fund long positions in cyclical G10 or EM currencies via USD. This – coupled with the natural buying pressure on USD that comes from its world reserve-currency status (i.e. foreign central banks and reserve mangers buy USD naturally) as well as its cheap long-term PPP (purchasing power parity) valuation against most G10 currencies – makes USD's medium- to long-term prospects bright, in our view. Indeed, the Japanese yen (JPY), Swiss franc (CHF) or even EUR look set to replace the US dollar as funding currencies of choice, given their relatively worse prospects and even more attractive funding costs (Figure 1). As a result, we believe that we are entering a new epoch for the US dollar.

From beta to alpha – the differentiation begins

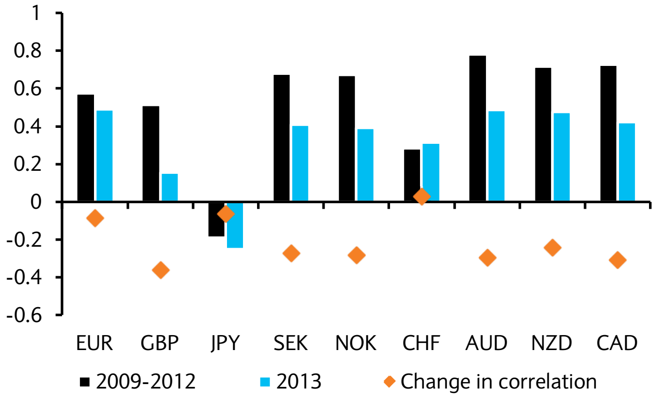
In terms of the Group of Ten (G10) FX, currencies do not trade in blocks any more. From 2009 until last year, we were used to strength in USD, JPY or CHF being accompanied by weakness in the Australian dollar (AUD), the New Zealand dollar (NZD) or the Swedish krona (SEK), and vice versa. However, this has started to change; long-standing correlations have begun to fade (Figures 2 and 3) and investors are increasingly trading currencies on the basis of their idiosyncratic properties, rather than as part of global *risk-on/risk-off* moves.

And this is true for most G10 currencies whether measured against USD (Figure 2) or in trade-weighted terms (Figure 3). The trade-weighted indices show how currencies trade against their main trading partners (not just the US, which can have its own very distinctive trading characteristics). In trade-weighted terms, the correlations of the four most risk-sensitive currencies (AUD, CAD, NZD and SEK) have fallen by more than one third so far this year, while risk sensitivities have increased for safe havens (USD, JPY and CHF).

The main reason behind this change is, in our view, the fall in investors' perception of potential risks and the subsequent stabilisation in markets (although, ironically, FX volatility has picked up so far this year, precisely because of the new differentiation in FX markets). This in turn reflects reduced concerns over the potential breakup of EUR, signs of a soft landing in China, and the recognition that – despite public spending sequestration – the US economy continues to grow.

Figure 2: Correlations normalised so far this year

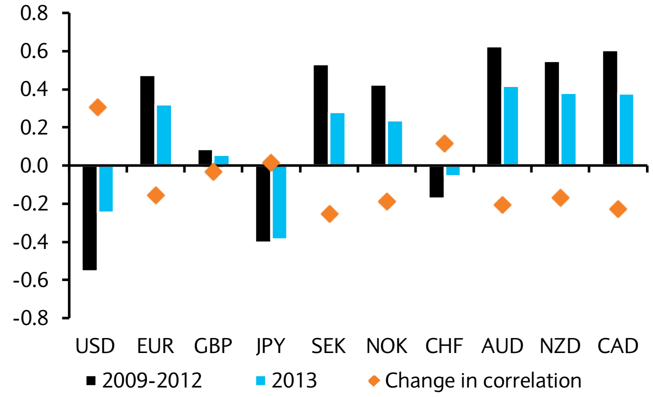
Currencies correlations with risk (gauged by MSCI World equity index), against USD



Source: Barclays, EcoWin

Figure 3: Trade weighted indices correlations changed too

Currencies (trade weighted indices) correlations with risk (gauged by MSCI World equity index)



Source: Barclays, EcoWin

With the influence of "beta," or risk in general, fading, "alpha", or idiosyncratic risk, has started to matter more. Several examples stand out:

- The new Japanese government's attempt to prop up the economy and bring the country out of deflation territory. This has materially changed the prospects for the yen and, after years of appreciation, the currency has fallen markedly.
- The year-to-date fall in sterling. Ongoing local economic weakness, stubbornly high inflation, a dovish Monetary Policy Committee, and fading safe-haven demand for the currency (due to diminished risk of EUR break up) all weighed on it and made sterling a serious rival to JPY in the race to the bottom.
- The Canadian dollar has been struggling because of disappointing domestic economic data and relatively dovish comments from the Bank of Canada.
- The Swedish krona rose as investors scaled back their expectations of further easing by the country's central bank.
- Despite the strong performance of equity markets this year, the Australian dollar is only marginally up against US dollar (Figure 4). We think investors are placing more emphasis on domestic factors such as the Reserve Bank of Australia's easing bias.

In the "old world", such dispersion would not exist. JPY and USD would follow one another, AUD would be up against USD – tracking rising equity markets – while CAD would not struggle as much. But in the "new world", we should get used to a pro-cyclical USD and currencies that no longer trade in *risk-on/risk-off* blocks.

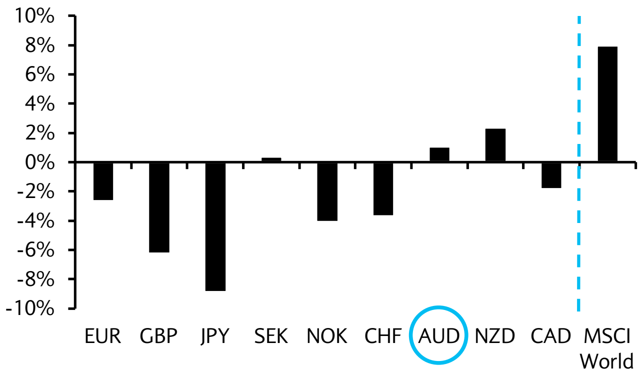
Investment implications

The US dollar strengthens

We believe that the above changes will affect FX markets meaningfully. Among the major currencies, we see USD as the main beneficiary. Better US growth prospects, relative to its peers; the currency's ability to benefit from positive domestic data (as seen in the latest US NFP and retail sales); the US dollar being seen as an investment, rather than a funding, currency; and its attractive valuation should all benefit the currency in the years ahead.

Figure 4: Pro-cyclical currencies lagged equity markets

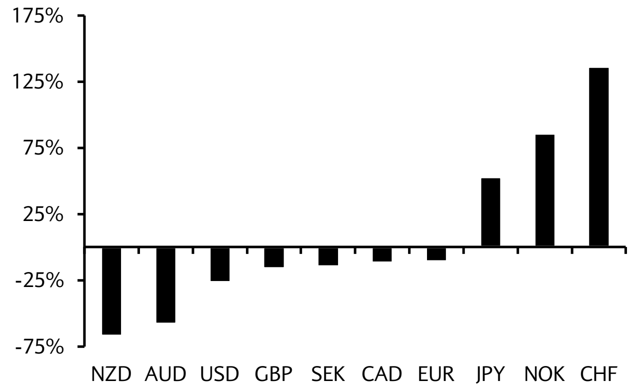
Currencies year-to-date (YTD) performance against USD – negative number means USD appreciation - and YTD gains of MSCI World



Source: Barclays, EcoWin

Figure 5: Australia has material net foreign liabilities

Net International Investment position (negative number signifies net foreign liabilities, and vice versa), as % of GDP



Source: Barclays, EcoWin

The yen weakens further

One of the main losers in the new world is likely to be JPY. And we believe that there is more JPY weakness to come as Japanese authorities work to raise inflation to the new 2% target. So far, JPY has weakened on the back of market expectations, rather than actual measures from local authorities. But, once they follow through with actual steps – as we expect them to – the market (both foreign and domestic investors) should see it as a confirmation of government intensions and sell the yen (and, in the case of Japanese investors, reduce their hedges on investments abroad). Further USD/JPY weakness is one of our high conviction views and we would treat any rebound in JPY (likely to be temporary) as a selling opportunity. We expect USD/JPY to reach 103 over the next six months.

Sterling: The struggle goes on

We are not overly enthusiastic about sterling's prospects, but we feel that most of the currency's weakness is behind us (at least for now): too much bad news is already priced-in. We expect sterling to remain broadly flat against the US dollar in the months ahead. That said – and because the differentiation should matter more in the new epoch – we ultimately expect GBP to soften against USD (towards 1.47 on a 6- to 12-month horizon). The UK's growth prospects should lag those of the US – and this should, among other thing, affect relative monetary policy (with the BoE likely retaining a dovish bias as a result). But while GBP should soften, we do not expect it to collapse like it did early this year when it fell from 1.62 at the start of the year to its trough of 1.48 in early March.

The Australian dollar slumps – in the long term

Another currency for which we believe local factors will matter more than previously is AUD. Although we do not expect a major sell-off in the currency for now (and AUD may actually do well for the time being), an extremely expensive valuation, falling terms of trade, a persistent current account deficit, big net foreign liabilities (the second highest among the G10 currencies – Figure 5) and its diminishing sensitivity to stock markets (as evident in Figure 2 and Figure 3) make it vulnerable in the long term. But for the near term, our favourite short remains JPY (due to more material anticipated JPY weakness and more attractive funding costs).

The euro weakens

Finally, we continue to expect EUR to weaken against USD for structural reasons. Weak growth, divergences between the member states (i.e. the peripherals vs. Germany), and what we expect to be diverging monetary prospects (namely, between the European Central Bank and the Federal Reserve) should keep EUR soft against USD. But this softness is likely to be gradual, as we believe that the EUR's existential risks will be contained. In other words, and in the spirit of this note, EUR should weaken for idiosyncratic local reasons, rather than because of general risk (including that of EUR fragmentation, which would effectively be a "global" risk). We expect EUR/USD to fall to 1.25 and 1.23 on a six and twelve month view respectively.

That said, we prefer buying USD against CHF, rather than EUR, for several reasons:

1. The franc's funding costs – interest rates – are lower than those in the eurozone;
2. The Swiss central bank will act to cap the franc's rise at 1.20 francs per euro;
3. The franc is expensive, making depreciation more likely (eventually even against the euro).

Bonds can be volatile too

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Bonds are typically viewed as safe havens in portfolios, but we could be moving into an era where losing money on fixed income is the norm. Investors, particularly those with lower composure,[1] should be aware of the way bond maths work, and take steps to protect the principal values of their fixed income portfolio.

There are a few relationships that are essential to understand when investing in fixed income securities, especially for those who are not employing a long term buy and hold strategy. They are: the relationship between yield and price, and the concept of duration and its effect on the price of your securities. It is also wise to bear in mind what has historically happened to both fixed income and equities in a rising interest rate environment. With yields near all time lows, yet rising, investors need to exercise caution in evaluating their fixed income portfolios in order to guard against principal losses.

This essay has been written mostly from a US perspective, but the arguments apply equally to high-quality European bonds such as UK gilts, German bunds and French OATs. To be clear: our worries focus not on the creditworthiness of issuing governments – we doubt any big government will fail to honour its nominal obligations – but on the fact that bonds are expensive, and face potentially considerable mark-to-market risk.

Lesson 1: Higher yields mean lower prices

Fixed income securities carry a coupon which indicates the annual payment an investor will receive in exchange for lending to the government (or company) concerned. Once the bonds are traded in the market, this coupon divided by the price becomes the running yield on the bond. As the price changes, so does the yield the security offers. The movement of yield and price is inversely related. For the past 30+ years, bond holders have been the beneficiary of declining interest rates as Figure 1 shows. Yields have steadily fallen, and bond prices have steadily risen. This has meant stability, and in most cases increases, in the market value of bond portfolios.

Figure 1: 10-year Treasury yields show a 30-year long bull market

Source: Bloomberg, as of March 2013

[1] Composure, one of the six dimensions measured by our Financial Personality Assessment™, reveals how much an investor engages with and is responsive to short-term investment performance.

This relationship, however, works both ways. When interest rates and yields rise, prices – and therefore bond portfolio values – fall.

Lesson 2: Duration as a measure of sensitivity to interest rates

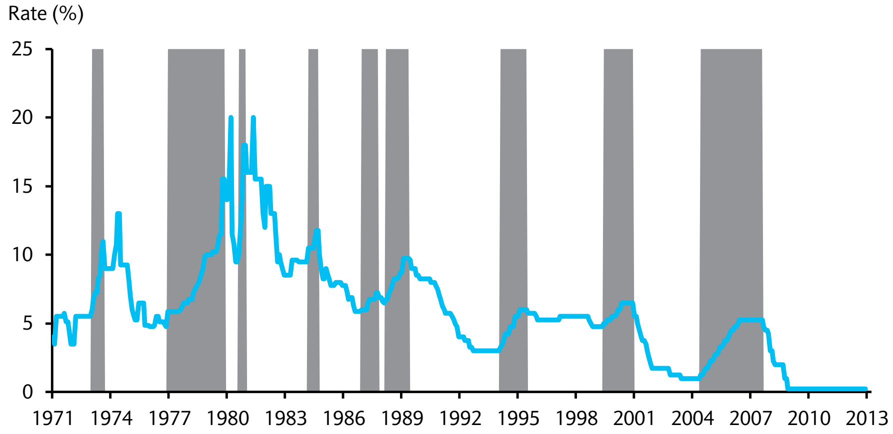
Duration, measured in years, can be thought of as the centre of gravity of the cashflow attaching to a bond, and is a measure of its sensitivity to interest rate moves. The higher a bond's duration, the more sensitive it is to interest rate moves, and the more you stand to lose if rates begin to rise. When interest rates – and issued coupons – have been low, the principal repayment accounts for a bigger share of the cashflow, and duration lengthens accordingly.

The 10-year Treasury note has a current duration of around nine years. If yields were to fall to 0% from about 1.9% today, investors would make about 17% in price return. Conversely, if yields were to revert to the historic average of 6.6%,[2] investors would see the market price of their *safe* assets fall by around two-fifths. The bond seems to us to face an asymmetric risk profile – one which investors would be wise to avoid. And with yields near all time lows, there is little income to cushion the blow from price declines.

Lesson 3: The history of rising rate environments

With yields where they are, the question is not if, but when will rates rise. In our view, it makes sense to look to prior periods in which interest rates rose to get some insight in to what could happen to a fixed income portfolio. There are two main reasons as to why US yields are at historically low levels: the Federal Reserve has anchored short term rates at zero, and has also committed to Quantitative Easing (the purchasing of Treasury securities) which has kept prices higher, and yields lower, than would otherwise be the case. Low yields in Europe reflect QE by the Bank of England, while the ECB is presiding over a weak eurozone economy and the euro's ongoing existential crisis.

Figure 2: US Federal Funds Rate



Source: Bloomberg, as of March 2013

Although yields have been trending down for the past 30 years, there have been periods when interest rates rose. In examining the period from 1970 through today, there were nine instances in which the Federal Reserve raised interest rates at least three consecutive times (denoted by the shaded area in Figure 2). In the table below (Figure 3), we analyze each of them to determine the effect an increase in short-term interest rates had on fixed income and equity markets, as measured by the 10-year Treasury and S&P 500

[2] The average yield for the 10-year Treasury going back to 1962 is 6.58%.

Index. In most cases, 10-yearTreasury prices were either flat or fell while equity prices rose. Note that intra-period movements in some cases were more extreme than shown for the period as a whole – notably for example in 1994.

In each of these nine instances when the Fed raised interest rates, yields were already significantly higher than they are today. Higher yields give investors more of a cushion against price declines, because the coupon income helps to compensate for losses in the investment's value. With yields at 2.0% on the 10-year treasury today, it would take a mere 0.2% rise in rates to eat through an entire year's worth of coupon. The risk is compounded by eroding effects of inflation: you are barely holding on to your purchasing power with inflation running at an average 1.9% over the past 12 months.

Figure 3: Fixed income and equity performance in a rising rate environment

Period	Months	# of Rate Increases	Total Rate Increase	Beginning 10-Year Yield	Change in 10-Year Yield	Price Return of 10 Year*	Price Return of S&P 500
January 1973 – August 1973	8	7	5.5%	6.5%	0.7%	-5.7%	-10.2%
December 1976 – November 1979	36	19	10.8%	6.8%	3.6%	-28.6%	-1.2%
August 1980 – November 1980	5	4	8.5%	11.6%	1.2%	-9.4%	14.8%
March 1984 – September 1984	7	3	2.3%	12.5%	0.0%	0.3%	4.3%
December 1986 – October 1987	11	4	1.4%	7.2%	1.7%	-13.2%	4.0%
March 1988 – May 1989	15	8	3.3%	8.5%	0.1%	-0.5%	23.8%
February 1994 – June 1995	17	7	3.0%	6.1%	0.1%	-0.6%	16.6%
June 1999 – December 2000	19	6	1.8%	5.8%	-0.7%	5.3%	-3.8%
June 2004 – August 2007	39	17	4.3%	4.6%	-0.1%	0.4%	27.6%

*Assumes modified duration of 8 years
**Stocks performance – bonds performance
Source: Bloomberg, Barclays Wealth and Investment Management

Final exam

Chairman Bernanke has indicated that he expects US rates to start rising sometime in the second half of 2015. Since then the Fed has put out guidance that it is targeting an unemployment rate of 6.5%, alongside its inflation target of 2.0%. In our view, an increase in rates is not imminent; however, the market typically tends to be in front of the Fed, so yields on bonds like the 10-year Treasury begin to creep up in advance of the Fed's move. With private payrolls averaging 216,600 since the start of the fourth quarter and inflation coming in just below 2.0%, it is possible to see that we may get to Mr. Bernanke's 6.5% unemployment rate target, and rising yields, sooner than 2015.

Investors who are heavily allocated to fixed income as a safe-haven, or who have stretched themselves in terms of duration, should look carefully at their portfolio holdings. This is particularly important for investors who are averse to mark-to-market losses in their safe assets and who do not plan to hold their bonds until maturity. In the current fixed income environment with its asymmetric risk profile, investors may benefit more than usual from having a smart manager in charge. For those sensitive to losses, managing duration for interest rate risk is key; for a buy and hold strategy, conducting thorough credit analysis is imperative. For a complimentary analysis of your bond portfolio, please reach out to your Barclays coverage team. Meanwhile, in our balanced, multi-asset class portfolios we recommend strategically low holdings of bonds generally.

Asian real estate: Curing the vertigo

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Asia is awash with liquidity. The impact of low global interest rates has been felt most keenly in the most open Asian economies – namely Hong Kong and Singapore – and most clearly in the real estate sector. Continued measures by authorities to cool the market may prove limited, given that the primary driver of the property market is the continued presence of global liquidity.

Rock bottom rates: The foundation of it all

Amidst the uncertainties that have clouded the global economy in recent years, one of the more certain things has been the continued presence of low interest rates.

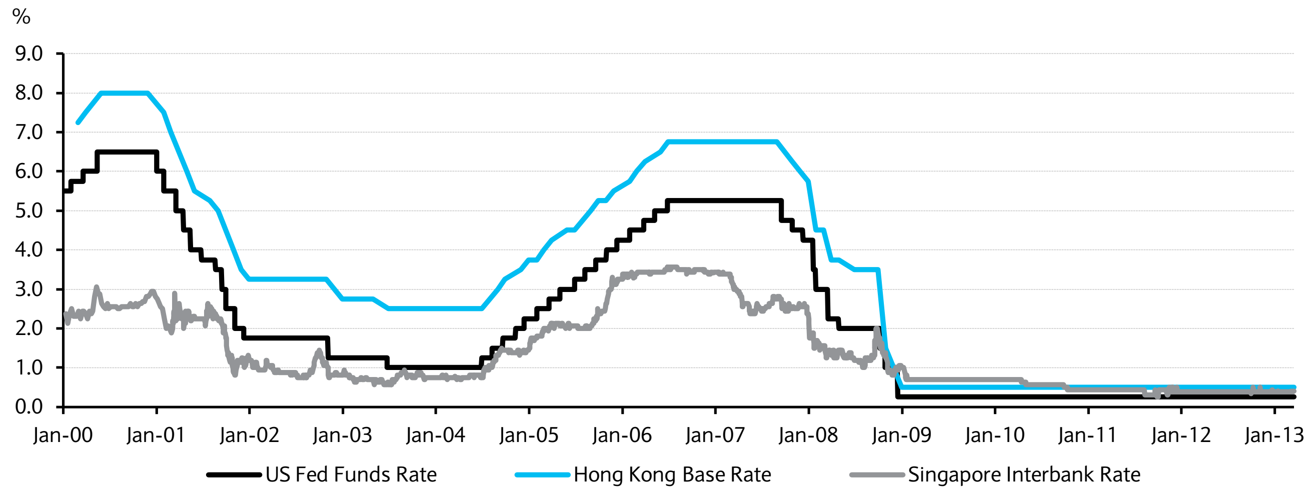
Major central banks, in their attempt to reflate their economies and secure more sustainable growth, have resorted to easing monetary policy – first by bringing short-term policy rates lower, and then by asset-purchase programs designed to push down longer-term yields.

The US Federal Reserve (Fed) first slashed its Fed Funds Target Rate in quick succession in 2007-08 to a range of 0-0.25%. Thereafter, it embarked on three rounds of quantitative easing (QE), including the current $85bn–a-month open-ended bond purchases.

While other major central banks have undertaken similar policies – with the Bank of Japan and the Bank of England seemingly poised to ramp up their QE programs– it is the Fed's policy course that has the most influence on Asian interest rates, especially that of Hong Kong and Singapore.

In terms of Hong Kong, the four-decade-long peg of the HK dollar (HKD) to the US dollar (USD) necessitates a close tracking of domestic interest rates with the American ones. Similarly, given that the Singapore dollar is pegged to a basket of currencies, which likely includes a significant portion of USD, the movement of US interest rates continues to

Figure 1: Interest rates in Hong Kong and Singapore moving in tandem with US Fed Funds Rate



Source: Bloomberg, Barclays.

heavily influence Singapore's rates too. For instance, the three-month SIBOR rate – which is often used as the reference for floating rate mortgages in Singapore – fell from an average of 1.3% in 2008 to the recent level of around 0.4%.

While interest rates in Hong Kong and Singapore stay at rock-bottom, there is a divergence since these Asian economies have performed a lot more robustly than the US. In the case of Hong Kong, its economy has stayed relatively resilient, owing to its close interaction with China. (So close, in fact, that there have been calls for the HKD to be pegged to the Chinese renminbi).

Dizzying heights

The fact that interest rates have stayed low despite resilient economic growth has been the main driver of the recent boom in these economies' property markets.

While house prices dipped in the immediate aftermath of the Lehman collapse, the pace of recovery has been rapid. In fact, since the start of 2009, Hong Kong residential prices have more than doubled. During the same period, Singapore's house prices have risen by a relatively less breathtaking, but nonetheless lofty, 50%.

The forceful pace at which house prices have risen in recent years has prompted significant popular displeasure, particularly among first-time homebuyers who feel that they are being priced out of the market. For instance, according to leading consultancy Demographia, Hong Kong is the world's most expensive property market, with homes costing, on average, 13.5 times the gross median household income. *(Reference: 9th Annual Demographia International Housing Affordability Survey: 2013)*

Fearing a political backlash, the respective authorities have had to appear to be doing something to alleviate the pressures. Given that the HKD peg to USD, and the Singapore dollar's peg to a currency basket, are deemed sacrosanct – and hence the domestic base rates still have to track the (low) US rates – the authorities have been resorting to administrative cooling measures.

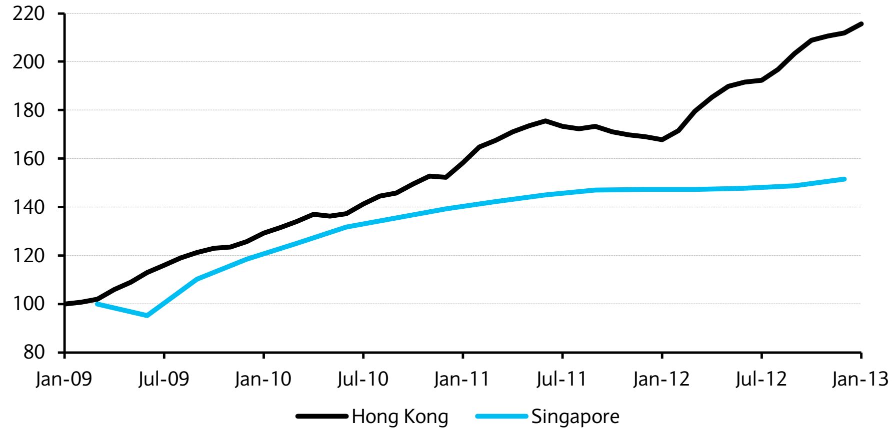
Trying to cool it down

As early as 2009 – not long after property prices started to inch up from post-Lehman lows –authorities in both countries had begun to adopt a series of tightening measures.

In October 2009, Hong Kong cut its loan-to-valuation (LTV) ratio from 70% to 60% for properties worth more than HKD20mn and reduced the mortgage limit for those

Hong Kong properties have more than doubled in prices since the start of 2009.

Figure 2: Housing prices (indexed to 100 at start of 2009)



Source: Bloomberg, Barclays.

higher loans with just a 10% down payment. Meanwhile, Singapore disallowed the Interest-Only Housing Loans and Interest Absorption Scheme for uncompleted private residential properties in September that year.

It soon became apparent that such measures were not enough to dampen speculative activity in the market as prices continued to soar. This has led to a lengthening roster of measures. Singapore, for example, has enacted as many as seven rounds of easing measures to date. Looking into the details, we can see a general trend towards increasingly punitive policies:

- The first tranche of measures were intended to target short-term, speculative transactions in the market. These included:
  - Singapore's ban on interest-only loans as early as 2009, as well as the introduction of a sellers' stamp duty (SSD) later on. For property resales within one year, for example, Singapore first enacted an SSD of up to 3% in August 2010, and soon ramped this up as high as 16% by January 2011.
  - Similarly, in November 2010, Hong Kong introduced SSD of up to 15% for properties resold within six months, but later increased the amount to 20% in October 2012.
- A second set of measures appears to be aimed at limiting the investment appeal of property as an asset class:
  - Along with the short-term SSDs applicable to houses sold within a year, Singapore rolled this out for longer tenures. By January 2011, for example, an SSD of 4% became applicable to properties resold within four years, whereas it was nonexistent previously. Tweaks to LTVs also became a preferred tool. Prior to February 2010, homebuyers could borrow up to 90% for their mortgages. This was gradually, but firmly, wound down to 50% for second home loans and as low as 20% for retirees pursuing third home loans by January 2013.
  - Hong Kong authorities are working from broadly the same playbook. SSDs were made longer in applicable tenure and harsher in amount, as well, throughout the last few years. In October 2012, for example, SSD was doubled from 5% to 10% for properties sold within three years.
- In addition to attempts in limiting speculators and curbing investment activities, the respective authorities have also begun to put in more restrictions on property purchases by foreigners:
  - While the blanket increase in SSDs and the cut in LTVs inevitably hit all buyers, there has been additional considerations for foreigners too. In December 2011, a new acronym crept into property watchers' lexicon in Singapore, as the government introduced a so-called ABSD (additional buyer's stamp duty). This policy meant that foreigners purchasing Singapore's property for the first time had to pay 10% extra stamp duty. By January this year, this rate had climbed to 15%.
  - Given its proximity to China, Hong Kong has seen a lot of interest from mainland homebuyers. It came as little surprise, then, that the first round of measures aimed at foreign buyers was targeted squarely at this group, with the 10% cut in LTV limits for mainland buyers introduced in June 2011. Later in October 2012, the authorities enacted a more broad-based measure by imposing a 15% ABSD on all foreigners.

Unintended consequences

Despite the long list of measures, the reality is that house prices continued to rise across both locales, calling into question how effective these cooling measures have been.

To some extent, these measures may have unintended consequences that work against the intention of limiting price gains. For example, while they may be effective in preventing investors from purchasing more properties now, they have also given them little incentive to sell, therefore, limiting the supply of available units.

By selling the current holdings, they would incur the substantial sellers' stamp duties, and have to foot hefty additional taxes should they decide to roll the proceeds into new properties. After all, why face all of these extra transactional taxes when holding costs remain low, given that mortgage payments remain affordable due to the low interest rate environment.

Tellingly, the number of property transactions in Singapore came down significantly, dropping by 65% month on month, to a 14-month low in February, after the latest (and harshest) round of cooling measures. There is, however, little sign that prices are coming down, and such concerns have prompted the country's deputy prime minister and finance minister Tharman Shanmugaratnam to say that the property market is still "in the wrong part of the cycle" and there remains "some way to go" before prices are at an acceptable level. For good measure, he added that "some correction in prices will not be out of order". *(Reference: "Singapore Avoids Stimulus as Minister Acts on Bubble Risk," Bloomberg, 1 March 2013)*.

What next?

Given that the authorities still appear keen to avert the relentless rise in property prices, there is a strong likelihood that more cooling activity may be adopted.

Looking at the nature of how the measures have evolved over the past few years, any new policies would probably be targeted at dis-incentivizing property investors, in the name of helping first-time buyers with genuine demand. In particular, measures aimed at limiting property purchases by foreigners might be deemed necessary.

Moreover, it is increasingly possible that the authorities will take a closer look at the holding power of property owners. Interestingly, in its latest budget, the government scrapped the property tax refund scheme for vacant homes. In addition, the marginal tax rates for these investment properties will also be increased, from a flat rate of 10%, to a progressive scheme with marginal tax rates of 12% to 20%.

On top of that, changes to the mortgage rates may be in the pipeline. Even though we do not expect the US Fed Funds target rate to head up in the next two years –hence there is little likelihood of a marked increase in base rates for Hong Kong and Singapore – there are increasing signs that the era of extraordinarily low mortgage rates may be behind us.

In the case of Singapore, even though the SIBOR floating rate at which most home loans are based have remained low, the additional margins that banks charge appear to have started to nudge up. According to our colleagues at Barclays Investment Bank Research, this is, in part, due to tighter systems liquidity, with Singapore's aggregate loan-to-deposit ratio standing at 97%, its highest level since 1999. Moreover, they argue that there is a possibility that the Monetary Authority of Singapore may introduce a risk weighting floor, which could essentially limit the availability of housing credit in the overall system.

Such measures have indeed been adopted by their earlier counterparts. In February this year, the Hong Kong Monetary Authority increased the risk weighting floor on new mortgages to 15% (from 10% previously). As a result, banks must provision 50% more capital on new housing loans compared to before, raising the costs of housing loans for them. Since then, some banks have felt the need to compensate it with an increase in their mortgage rates to borrowers. For example, n 14 March, Standard Chartered and HSBC announced that their mortgage rates will be raised by 25 basis points, for example.

Not quite up to them

All in all, it remains to be seen whether the renewed effort to dampen the property market – including by coaxing banks to increase mortgage rates – will have any sustainable effect. In the case of Hong Kong, for instance, prices did drop by a sizable 6.5% after banks raised their home loan charges by six times in 2011. Instead they soon resumed their upward trajectory.

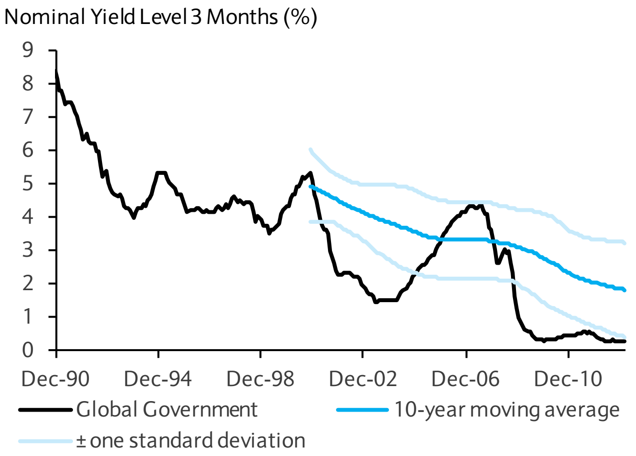
In the near term, it appears that the most likely scenario will be for prices to hold, but for the number of transactions to fall at the same time. The latest transaction numbers for Singapore showed that home sales dropped to 708 units in February, from more than 2000 in January, taking in the impact of the seventh – and in many ways the harshest – round of cooling measures.

As mentioned earlier, the fact that the holding power of property investors remains strong works against the authorities' attempts to curb the price uptick, and that remains a function of ample global liquidity and still-low domestic interest rates at the end of the day.

Given that the Fed does not appear to be in any hurry to take the monetary stimulus off the table – in order to secure growth in the US – it is likely that the Hong Kong and Singaporean governments may have to plan for yet more cooling measures still.

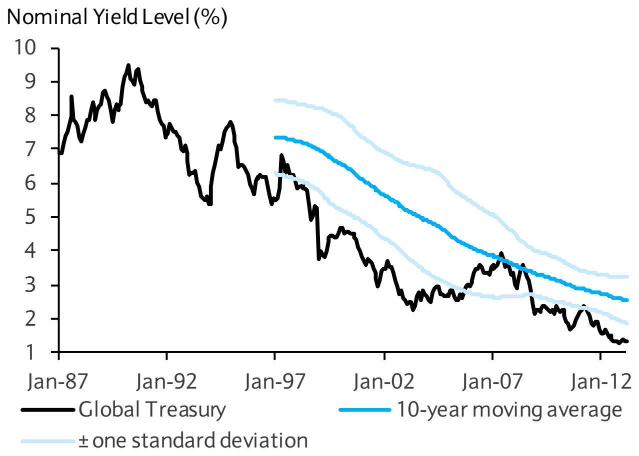
Interest rates, bond yields, and commodity and equity prices in context*

Figure 1: Short-term interest rates (global)



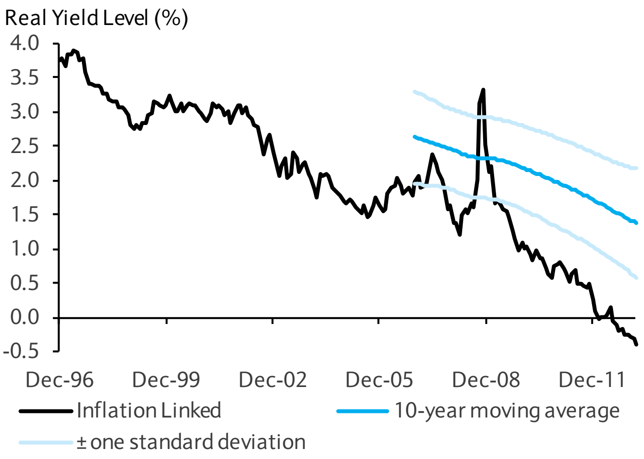
Source: FactSet, Barclays

Figure 2: Government bond yields (global)



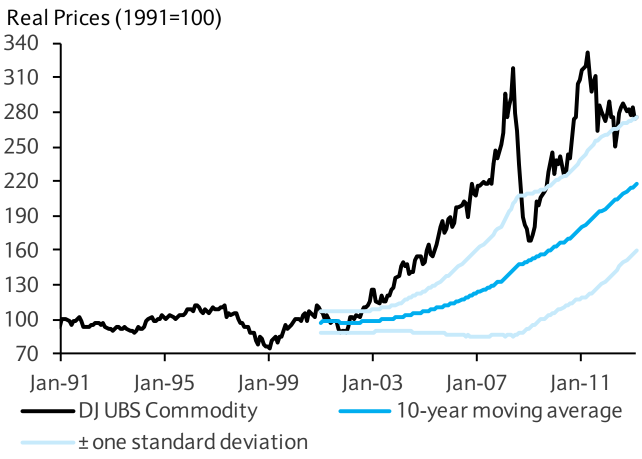
Source: FactSet, Barclays

Figure 3: Inflation-linked real bond yields (global)



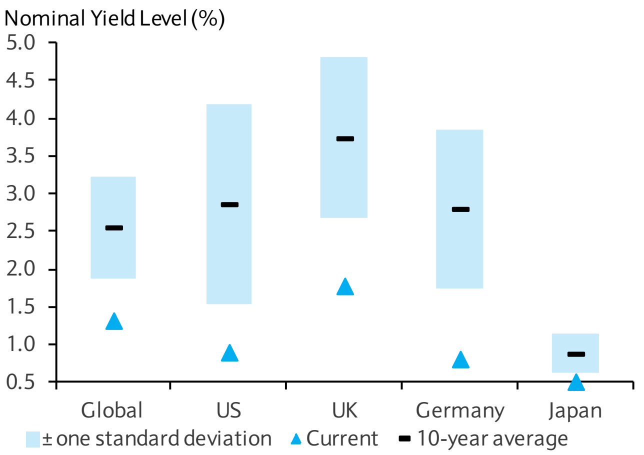
Source: Bank of America Merrill Lynch, Datastream, FactSet, Barclays

Figure 4: Inflation-adjusted spot commodity prices



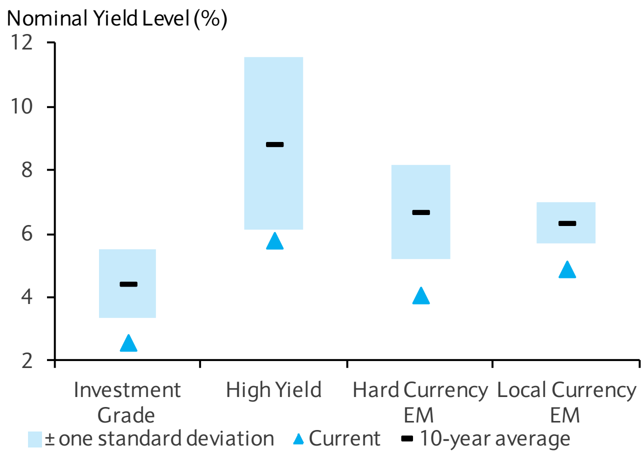
Source: Datastream, Barclays

Figure 5: Government bond yields: selected markets



Source: FactSet, Barclays

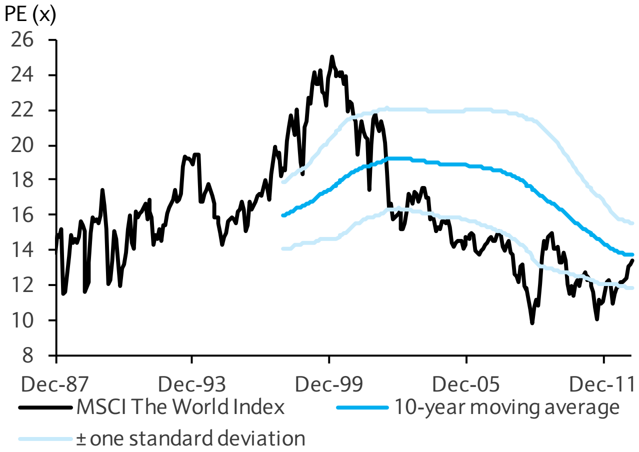
Figure 6: Global credit and emerging market yields



Source: FactSet, Barclays

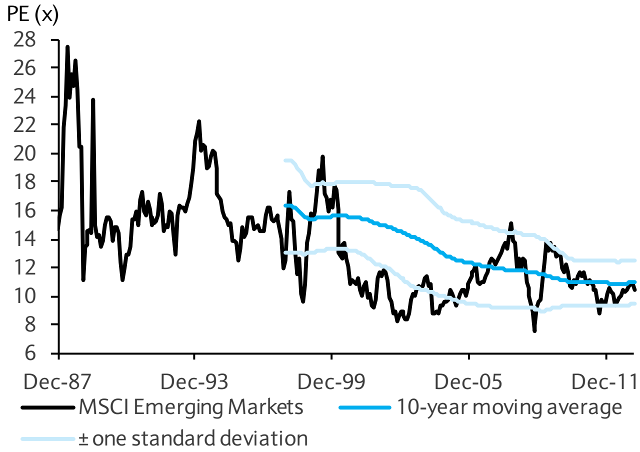
*As of COB 22 Mar 2013.

Figure 7: Developed stock market, forward PE ratio



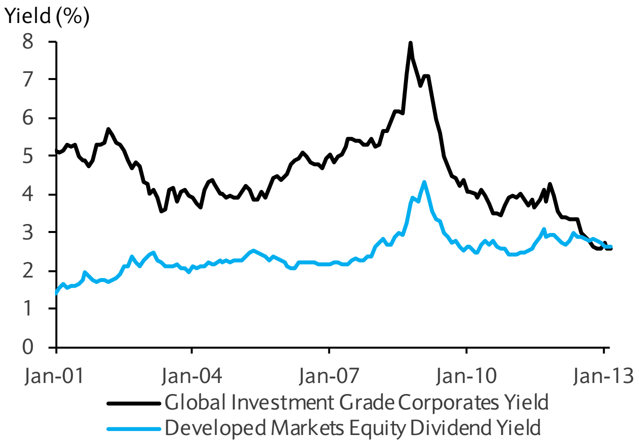
Source: MSCI, IBES, FactSet, Datastream, Barclays

Figure 8: Emerging stock market, forward PE ratio



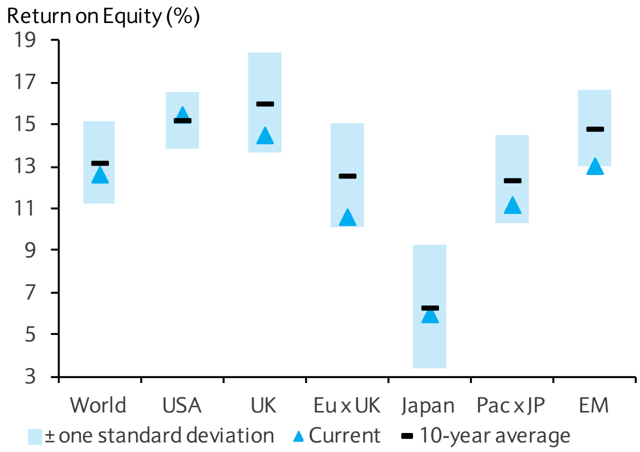
Source: MSCI, IBES, FactSet, Datastream, Barclays

Figure 9: Developed world dividend and credit yields



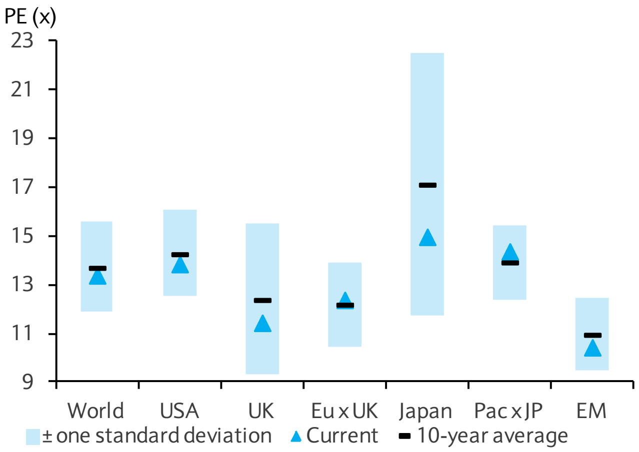
Source: MSCI, IBES, FactSet, Datastream, Barclays

Figure 10: Regional quoted-sector profitability



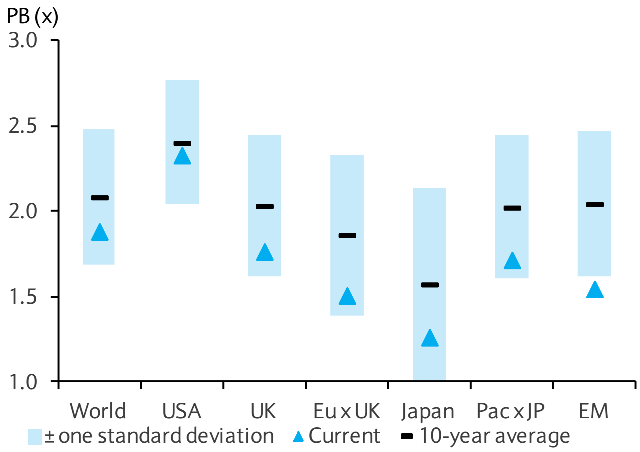
Source: MSCI, IBES, FactSet, Datastream, Barclays

Figure 11: Global stock markets: forward PE ratios



Source: MSCI, IBES, FactSet, Datastream, Barclays

Figure 12: Global stock markets: price/book value ratios



Source: MSCI, IBES, FactSet, Datastream, Barclays

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