



# Global weekly

## Data confirm gradual recovery

Research & Strategy  
25 January 2013

Asset allocation	I			II		
	Saa	Taa	•	Saa	Taa	•
Money	5	18	13	5	7	2
Bonds	90	74	-16	70	58	-12
Equities	0	0		15	20	5
Alternatives	5	8	3	10	15	5
Hedge funds	5	8	3	5	8	3
Real estate	0	0		3	5	2
Commodities	0	0		2	2	

Asset allocation	III			IV		
	Saa	Taa	•	Saa	Taa	•
Money markets	5	0	-5	5	0	-5
Bonds	55	46	-9	35	25	-10
Equities	30	39	9	50	60	10
Alternatives	10	15	5	10	15	5
Hedge funds	5	8	3	5	8	3
Real estate	3	5	2	3	5	2
Commodities	2	2		2	2	

Asset allocation	V			VI		
	Saa	Taa	•	Saa	Taa	•
Money	5	0	-5	5	0	-5
Bonds	15	11	-4	0	0	
Equities	70	79	9	85	90	5
Alternatives	10	10		10	10	
Hedge funds	5	5		5	5	
Real estate	3	3		3	3	
Commodities	2	2		2	2	

Saa = Strategic asset allocation Taa = Tactical asset allocation • = Deviation

Macro forecasts for 2013 (%)				
	Real GDP Growth		Inflation	
	ABN AMRO	Market	ABN AMRO	Market
US	2.0	2.1	1.7	2.0
Eurozone	0.3	0.3	1.4	1.7
UK	1.3	1.4	1.8	1.9
Japan	1.4	1.4	0.1	0.0
Other countries*	2.5	2.3	1.9	1.8
EM Asia	6.9	7.0	5.3	4.4
Latin America	4.3	3.8	6.1	6.5
EEMEA**	3.1	3.3	4.9	5.9
World	3.5	3.5	3.8	3.4

All Forecasts are annual averages of quarterly year-on-year changes.

\*Australia, Canada, Denmark, New Zealand, Norway, Sweden and Switzerland \*\*EEMEA: Eastern Europe, Middle East and Africa.

Source: ABN AMRO Group Economics, Consensus Economics, EIU

### Macro

This week's Purchasing Managers Index (PMI) figures underlined that the global economy started the year on a positive note, supporting our view – outlined in the Global Macro View and Emerging Markets Outlook of 23 January – that the global economy will gradually improve this year, mainly driven by the US and emerging Asia. In the US, the flash Markit PMI jumped from 54.1 in December to 56.1 in January, much better than the consensus forecast, and the highest reading since April last year. Details show that the rise was mainly due to increases in output, new orders, as well as employment, boding well for the economy going forward. In China, the flash HSBC manufacturing PMI increased to 51.9, from 51.5 in December, and highest level since January 2011, adding to other evidence that economic activity in the Chinese manufacturing sector is continuing to strengthen.

Meanwhile, the eurozone PMI surveys also rose more than expected. Although they remained below the 50-mark that separates expansion from contraction, the continued upward trend in the series is in line with our view that the eurozone economy will stabilize in the first half of this year, following a sharp contraction in Q4 of last year. Meanwhile, the country split revealed that Germany will be the star performer, with its composite PMI already firmly above the 50-mark, with France trailing behind, perhaps reflecting Germany's faster fiscal consolidation. Overall, the easing in systemic risk which is in turn helping to ease financing conditions and uncertainty has sown the seeds for a gradual economic recovery this year that will pick up speed in 2014.

### Global Investment Committee decisions

There are no changes in ABN AMRO's investment policy and asset allocation.

We remain 'Overweight' in equities and alternatives, and 'Underweight' in bonds.

## Government bond yields

	10-2yr (bp)	2-yr (%)	10-yr(%)
UST	163	0.25	1.88
German Bund	142	0.18	1.60
Gilts	167	0.35	2.02
JGB	64	0.07	0.71
EMBI+	250	-----	-----
iTraxx Euro 5-yr	100	-----	-----

## Central banks watch

	Current	Date	Expectation
ECB	0.75	07 February 2013	No change
Fed	0.0-0.25	30 January 2013	No change

## Japanese 10-year - Bloomberg



## Currency forecasts

	Mar. 13	Jun. 13	Sep. 13	Dec. 13
EUR/USD	1.30	1.30	1.25	1.20
GBP/USD	1.59	1.59	1.54	1.50
USD/JPY	88	90	92	95

## Bloomberg – Japanese yen



## Bonds

### Last week's highlights (21 - 25 January)

With reduced demand for safe havens, core government bond yields moved up. We do not believe we will break the 2% bond yield level for 10-year German and US Treasuries within the next 6 months.

### This week's focus (28 January - 1 February)

Government bond supply is significant, with EUR 15bln coming from Italy, Finland, and Germany. The US Treasury will issue USD 99bln across 2-, 5-, and 7-year government bonds. The Japanese government bond market has been quite volatile since the new government took office (see graph).

### Topic of the week - A remarkable rally

Last week's remarkable rally was mainly driven by support from the ECB. By October 2012, non-resident investors were back to being net buyers of Spanish and Italian debt, and by the end of 2012, short positions were closed. With 2-year bonds at about 2% and the 10-year below 5%, the market is starting to wonder whether the worst could be behind Spain. While the answer is probably yes, elevated downside risks remain. Spain's macroeconomic fundamentals are very weak in an environment where the private sector is still in a protracted deleveraging process. We still favour Italian and Spanish government bonds and corporate (ex-financials), but hesitate to promote financial sector bonds such as banks and covered bonds (see our thematic notes).

## Foreign exchange

### FX monthly report available

The dollar is likely to be range-bound against the euro, sterling, and yen in H1 2013, but should strengthen significantly in H2 2013, and in 2014. Although tax hikes are likely to hold back US demand growth in the next few months, the economy is improving in underlying terms and should accelerate in the second half of the year. The Fed is also likely to end asset purchases at year-end, which in turn should prompt markets to anticipate interest rate normalisation in 2014 that kick in in early 2015. The outlook for the US trade balance relative to other big economies over the coming years has improved; the currency is already undervalued according to long-term fundamentals. With financial markets becoming more cyclically-driven, the search will pick up for currencies with strong economic growth and favourable yields. Our top picks against the EUR and USD for 2013 are the Brazilian real, Mexican peso, and South African rand.

Our top pick for Asia in 2013 is the Indian rupee given its favourable valuation, high yield, improving economic outlook, and the implementation of structural reforms. The Korean won is also expected to continue its strong performance due to improving domestic fundamentals, its leverage to global growth and attractive valuation. The Japanese yen's underperformance is expected to continue this year and next.

## Sector indices

Index	Level	P/E '13	Div (%)	%YTD
<b>S&amp;P 500</b>	1494.8	12.2	2.1	4.8
<b>Euro Stoxx</b>	2740.1	10.0	4.3	4.0
<b>Nikkei 225</b>	10926.7	16.6	1.8	5.1
<b>FTSE100</b>	6272.8	10.6	3.7	6.4
<b>AEX</b>	354.7	10.2	4.5	3.5

## Important rating changes

Company	From	To
ASML	Hold	Buy
Richemont	Buy	Hold
TNT Express	Hold	Buy
TomTom	Buy	Hold
Datang Int. Power	Hold	Buy

## Corporate earnings calendar

1/28/13	Yahoo!, Ryanair, Caterpillar, Biogen Idec,
1/29/13	Philips, US Steel, Amazon, Ford, Valero Energy, Tyco, EMC, Eli Lilly, Intl Paper, Pfizer,
1/30/13	H&M, Canon, NTT Docomo, Qualcomm, Sumitomo Mitsui, STM, Nintendo, ConocoPhillips, Unibail-R, Roche,
1/31/13	Viacom, Altria, RDS, AstraZeneca, Colgate-Palm., UPS, DB, Santander, Thermo Fisher, Dow Chemical, LVHM,
2/1/13	Chevron, Panasonic, Exxon Mobil, Merck, BBVA, BT, Mitsubishi Fin.

## Bloomberg – CRB Index



## Commodity prices - Bloomberg

	24 January	17 January
<b>Gold</b>	1672	1688
<b>Brent</b>	112,68	111.10
<b>Copper</b>	8080	8054
<b>Wheat</b>	766	781

## Equities

### Last week's highlights (21 - 25 January)

Markets did relatively well, benefiting from a postponement of the decision on the US debt ceiling. Stronger-than-expected PMI numbers in the US, China and Germany also helped, with the latter figure being confirmed by a very strong IFO number, indicating a clear improvement in German business morale.

### This week's focus (28 January – 1 February)

The results season will gather pace next week. So far, these have been relatively strong. With just over 20% of the S&P 500 having reported, around 75% of US companies published results that beat expectations. At the same time, there have also been some high-profile disappointments (e.g. Apple), partly in results and partly in company forecasts.

### Topic of the week – Energy sector

After a strong underperformance relative to the MSCI World benchmark index in 2012, energy stocks started 2013 well, with the MSCI Energy index beating the benchmark index by 1.5% in January. We think this will continue, as investors seem to be less risk-averse due to an improving economic outlook in China, declining sovereign default risk in Europe, and even despite ongoing fiscal deficit obstacles in the US. The fact that high-beta oil services stocks have beaten the broader MSCI Energy index (and defensive integrated oils) also confirms the view of improving investor risk sentiment in early 2013 (for the Oil & Gas Weekly Note, please contact your local Investment Advisor).

## Commodities

### New Commodity Quarterly available

While we do not expect commodities to noticeably perform as an asset class, we do expect directional moves in underlying commodities. Cyclical commodities will likely outperform if the balance in supply and demand becomes a lower supply surplus or a supply shortage (tighter).

Of the precious metals, palladium is the most cyclical, followed by platinum and silver. Platinum has a small supply surplus, but an improvement in demand will lead to a more even balance in 2014. The supply shortage in palladium will likely continue. Base metals and ferrous metals are also very cyclical. For base metals, we expect physical availability to remain tight while for ferrous metals, we expect supply to remain ample, especially in China. There is some talk about capacity cuts in ferrous industries, although we do not see this as being imminent, in part because of (local) political resistance in China. By nature, oil prices are also strongly cyclical, but supply is ample and the risk premium is expected to decrease (in Brent's case). Moreover, the WTI is more sensitive to the US economy, while Brent oil is sensitive to the eurozone and Asian economies. The link, however, is less pronounced and blurred by the risk premium. All in all, we prefer base metals, palladium, and platinum.

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