



Review of global markets

Week ending Friday 17 January 2014

Slight moderation of inflation in UK

The Office for National Statistics (ONS) said that, in terms of the Consumer Price Index (CPI), annual inflation had fallen from 2.1% in November to 2.0% in December. 'The largest contributions to the fall in the rate came from prices for food & non-alcoholic beverages and recreational goods & services.' The ONS remarked that, in terms of the Producer Price Index (PPI), annual inflation increased marginally, from 0.8% in November to 1.0% in December. 'Core' PPI inflation, which excludes food beverages, tobacco and petroleum products, rose from 0.7% to 1.0%.

The ONS said separately that construction output slipped by 4.0% (seasonally adjusted) in November. New work fell by 3.9%, while repair & maintenance dropped by 4.2%. 'Despite the month-on-month fall in November, the longer term picture is one of growth with construction output estimated to have risen by 2.2%' on a year-on-year basis. Construction output in the UK has been up on a year-on-year basis for six consecutive months.

Federal Reserve's *Beige Book* is optimistic

The Federal Reserve's latest *Beige Book* report on conditions across each of its 12 regions was reasonably upbeat. 'Economic activity continued to expand across most regions and sectors from late November through [to] the end of the year.' Except for the Federal Reserve Bank of Kansas City, all of the Federal Reserve Banks reported 'moderate' or 'modest' economic growth in December. For its part, the Federal Reserve Bank of New York said that its Empire State Manufacturing Survey for January indicated that activity increased for manufacturers in that part of the USA, 'and did so at a faster rate than in recent months.' The general business conditions index rose to the highest level in over a year. The Business Outlook Survey of the Federal Reserve Bank of Philadelphia was also positive, and noted that its main index measuring conditions for manufacturers in that part of the USA has 'been positive for eight consecutive months.'

The Bureau of Labor Statistics (BLS) said that its Producer Price Index (PPI) advanced by 0.4% (seasonally adjusted) in December. Excluding food and energy, the corresponding figure was 0.3%. The PPI has risen by 1.2% since December 2012. Meanwhile, the Census Bureau said that retail and food services sales in December rose by 0.2% (seasonally adjusted) in December: they were 4.1% higher than they had been in December 2012. The Census Bureau noted separately that wholesale sales and manufacturers'

shipments were 4.0% higher in November than they had been in the same month of 2012.

Industrial production up in euro area; inflation down

Eurostat said that annual consumer price inflation in the euro area dropped from 0.9% in November to 0.8% in December. Across the European Union (EU) as a whole, the corresponding figures were 1.0% in both months. In December, the lowest annual rates were noted in Greece (-1.8%), Cyprus (-1.3%) and Bulgaria (-0.9%). At the other extreme, annual inflation was +2.0% in each of Estonia, Austria and the UK.

According to Eurostat's first estimate, the euro area posted a surplus in its balance of trade in goods in November of €17.1bn in November. This compared with surpluses of €12.5bn in November 2012 and of €16.8bn in October 2013. Conversely, Eurostat currently estimates that the EU as a whole achieved a surplus in its balance of trade in goods of €3.2bn, having posted a deficit of €3.0bn in November 2012.

Eurostat noted separately that industrial production in November was 3.0% higher than it had been in the same month of 2012 in both the euro area and the EU. In seasonally adjusted terms, industrial production grew by 1.8% in the euro area and by 1.5% across the EU as a whole.

More signs of a return to growth and inflation in Japan

The Ministry of Economy, Trade and Industry (METI) said that its index of tertiary industry activity, a measure of the output of Japan's broadly defined services sector, rose by 0.6% in seasonally adjusted terms to 100.1 in November. (NB 100 is the average for 2005). In original (not seasonally adjusted) terms, the index has been up on a year-on-year basis since the end of February.

The Cabinet Office said that total machinery orders fell by 5.8% (seasonally adjusted) in November, having dropped by 4.6% in October. Excluding volatile orders from electric power companies and for ships, the corresponding figures were rises of 9.3% and 0.6%.

The Bank of Japan estimated that its Corporate Goods Price Index (CGPI) stood at 102.8 at the end of December. (NB 100 is the average for 2010). The index has risen by 2.5% over the last year. This latest estimate indicates that corporate goods prices have been rising on a year-on-year basis since April, prior to which time it had been falling.

Emerging market news

Brazil's central bank increased its key policy rate by 50 basis points to 10.50%. This latest move means that the rate has risen by 325 basis points since the central bank began to tighten policy in April last year. Over that period, annual inflation has been stubbornly high, and is currently 5.91%

For its part, the National Bank of Serbia (NBS) kept its key policy rate unaltered at 9.5%. The central bank noted that, at 2.2%, inflation is below the target band of 2.5-5.5%. The NBS said that the government's fiscal adjustment measures, in the context of low inflationary pressures, will boost Serbia's 'resilience to external risks and thus aid the nascent economic recovery.' The central bank of Chile also kept its key policy rate unchanged, at 4.50%. The comments noted that the 'Chilean economy has continued to lose strength'. The central bank added that 'in the coming months, it might be necessary to increase the monetary stimulus to ensure that projected inflation will stand at 3%.'

Company news

Aldar Properties, a real estate developers in the United Arab Emirates, said that freehold title deeds would be issued to residential owners with properties in the Aldar Investment Zone in Abu Dhabi. Although the details of the new freehold title deeds are not yet clear, they could facilitate the further development of the real estate market in that city.

Embraer, a Brazilian company that manufacturers commercial jets up to 130 seats in size, confirmed that its total deliveries of aircraft during 2013 had been in line with the guidance that it had published. Deliveries last year included 90 airliners, 90 light executive jets and 29 large executive jets. At the end of 2013, Embraer had an order backlog of US\$18.2bn.

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