

Man AHL Diversified Markets EU



Flash report for the week : 4 January – 10 January 2011

The Product generated a loss of -3.22% over the period. All sectors detracted from returns, with exposure to currencies and commodities proving particularly detrimental to performance.

The first week of trading in 2011 saw world equities struggle to find direction (MSCI World -0.93%), the US dollar rally (trade weighted +1.42%) and commodity prices fall off (S&P GSCI -1.57%).

The strength of the US economy was in focus this week as Wednesday's record ADP Employment figure of 297,000 raised estimates for Friday's Nonfarm Payroll number. However, investors proved disappointed as the final figure came in at a weaker-than-expected 103,000 and private payrolls of 113,000. Nevertheless, a surprise fall in the headline unemployment rate from 9.8% to 9.4% and upward revisions to October's and November's numbers tempered some of the disappointment and cushioned the market impact. Lending additional support to the US economic recovery story was a 0.7% increase in November factory orders (when a small decline had been expected). The

data was taken as a positive sign for the US economy and led to rise in the US dollar which in turn triggered a pull-back in commodity prices.

AHL sustained the majority of its losses early in the week and it was the case that this week's return was a function of small losses realised across a number of positions rather than any outlying contracts.

In currency trading, a general short exposure to the US dollar was responsible for the majority of losses, with some of the larger losses coming via long commodity-linked currencies due to the fall in underlying commodity prices. Long AUD positions were particular influential as the currency suffered from concerns over the impact of the substantial flooding in Queensland, which is a large wheat and coal producing region.

The US dollar rally was also the main driver of negative returns within commodity trading. Long gold and silver positions were the largest detractors to performance, but long base metal and crude oil trades also contributed negatively.

In fixed income markets, the positive US economic data caused losses in long bond and interest rate trades as the news caused an increase in US interest rate expectations. As such, losses came from long US Treasuries and long Eurodollar contracts.

Stock index losses were mainly driven by long exposure to Europe. Sovereign debt concerns persisted into the New Year, this time on speculation that Portugal would be the latest eurozone country to need a bail out following a spike in bond yields.

On the positive side, optimism over the US recovery buoyed Japanese markets meaning long Topix and Nikkei positions and long Japanese yen positions were the strongest performers for the period.

Sectors traded	Profit/loss	Key markets	Position	Key markets	Position
Agriculturals	-0.11 %	Profits		Losses	
Bonds	-0.14 %	Topix	Long	Gold	Long
Credit	-0.08 %	Euro: Japanese yen	Short	Australian dollar: US dollar	Long
Currencies	-1.48 %	Nikkei	Long	Silver	Long
Energies	-0.29 %				
Interest rates	-0.25 %				
Metals	-0.83 %				
Stocks	-0.16 %				

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