

07 September 2010

GLOBAL MARKET UPDATE

UTILITIES LIFT EUROPEAN MARKETS

European equities edged higher on Monday as hopes rose that the US economy can avoid slipping back into recession. Sentiment remained positive after Friday's news that US employment fell less than expected in August and private hiring surprised on the upside. However, trading was thin as US markets were closed for the Labour Day holiday. Utilities were among the key gainers after Chancellor Angela Merkel's coalition government agreed to a two-tier extension of the life spans of German nuclear power plants on Sunday. Meanwhile, International Monetary Fund chief economist Olivier Blanchard warned of weak growth in both the US and Europe. He told French daily Le Figaro that a US slowdown would have an automatic impact on growth in Asia in the short term, but "decoupling" between developing and rich economies is possible in the medium term.

Asian indices were mixed this morning. Steel stocks rose after US President Barack Obama proposed a stimulus plan to boost economic growth. However, Japanese exporters fell due to concerns that a stronger yen will hurt the value of overseas sales.

Looking Ahead

The US economic calendar will be lighter this week than last. This week's highlight will be tomorrow's release of the Federal Reserve's (Fed) Beige Book in which central bank's staff members summarise anecdotal economic data from the twelve Fed districts in preparation for the next Federal Open Market Committee (FOMC) meeting scheduled for 21 September. Other US reports due out include weekly MBA mortgage applications and initial jobless claims data, consumer credit, the trade balance and wholesale inventories.

In Europe, releases include German trade balance, factory orders and industrial production along with UK industrial and manufacturing production and the Producer Price Index. France also releases its trade balance and manufacturing production reports. On Thursday, the Bank of England is expected to keep its benchmark interest rate unchanged.

Equity Markets

European equities edged higher on Monday, adding to a strong rally last week. German utilities E.ON and RWE featured among the top gainers, amid hopes for extra profit from the government's decision to extend the life spans of nuclear power plants in Europe's biggest economy. French bank Natixis rose after NYSE Euronext said it would enter the France's blue chip index CAC 40. BP gained after the top US official overseeing the response to the Gulf of Mexico oil spill said on Saturday the ruptured well was secure with no threat of spewing crude again. Conversely, shares in GlaxoSmithKline fell as UK drug regulators said the company's diabetes drug Avandia should be pulled from sale because of concerns about heart risks.

Asian markets witnessed mixed trends this morning. Japanese stocks were led lower by selling in high-tech exporters such as Advantest and Kyocera. Real estate developer Tokyo Tatemono and Nippon Electric Glass rose on news that they would be included in the Nikkei 225 Index. Australian mining shares, such as BHP Billiton and Newcrest, were lower ahead of the formation of a minority government in Australia as the incumbent Labor party plans to impose a tax on mining sector profits, while the conservative coalition has said that if elected it would scrap such a tax. Elsewhere, trade in Korea was cautious before the Bank of Korea's policy meeting on Thursday.

as at 06/09/10

Source: Datastream, Price Index Returns in local currency. Past performance is not a reliable indicator of future results

	Market	Close as at 06/09/10	% change 06/09/10	Net change	% change 12 months	% change 5 years	% off peak during past 12 months*
US	US: Dow Jones**	10447.9	0.00	0.00	10.66	-1.33	-6.76
	US: S&P 500**	1104.5	0.00	0.00	8.67	-10.45	-9.26
	US: NASDAQ**	2233.8	0.00	0.00	10.65	3.09	-11.71
Europe	MSCI Europe	1107.2	0.27	2.93	7.20	-8.02	-6.85
	UK: FTSE All Share	2806.8	0.23	6.56	12.62	4.42	-6.10
	UK: FTSE 100	5439.2	0.20	11.04	12.11	1.49	-6.62
	Germany: DAX	6155.0	0.33	20.42	14.31	23.89	-3.09
	France: CAC 40	3684.7	0.34	12.53	2.39	-17.61	-9.37
	Netherlands: All Share	512.2	0.39	2.01	10.94	-13.44	-8.54
	Italy: S&P MIB	20660.9	0.10	21.05	-6.99	-39.21	-15.41
	Switzerland: SMI	6418.3	0.27	17.54	4.89	-2.90	-7.88
	Spain: IBEX 35	10622.7	0.22	23.30	-5.35	2.41	-13.09
	Sweden: OMX	1052.5	0.43	4.54	18.08	22.33	-2.05
Asia	Japan: Nikkei	9301.3	2.05	187.19	-8.70	-26.18	-17.97
	MSCI Asia Pacific ex Japan	425.5	1.10	4.63	9.29	38.66	-2.73
	Hong Kong: Hang Seng	21355.8	1.83	384.27	5.10	40.86	-6.92
	Australia: S&P/ASX 200	4575.5	0.76	34.30	3.16	2.54	-8.52
	China: Shanghai Shenzhen 300	2975.1	1.88	54.89	-3.32	217.64	-18.91

*This reflects the % amount that each market has fallen since its highest point in the last 12 months.

** The US market was closed yesterday.

Fixed Income Markets

European government bonds advanced on Monday as yields close to the highest level in three weeks attracted investors to government debt. **German** Bunds also gained following a report that showed European investor confidence unexpectedly fell in September. **UK** Gilts rose amid speculation that signs of a slowing economy may prompt policymakers to consider increasing asset purchases at a central bank meeting this week. **Japan's** 10-year government bonds opened higher this morning in light of expectations that the central bank would keep interest rates near zero to support growth.

The Longer-Term Perspective

The table below demonstrates that while we may experience some short-term weakness in markets, the longer-term performance remains encouraging.



Equity markets as at 06/09/10		Source: Datastream, Price Index Returns in local currency				
	Market	% change 12 mths to 06/09/2010	% change 12 mths to 06/09/2009	% change 12 mths to 06/09/2008	% change 12 mths to 06/09/2007	% change 12 mths to 06/09/2006
US	US: Dow Jones	10.66	-15.86	-16.03	17.16	7.72
	US: S&P 500	8.67	-18.18	-15.98	13.71	5.42
	US: NASDAQ	10.65	-10.51	-13.71	20.60	0.05
EU	MSCI Europe	7.20	-12.52	-23.26	12.27	13.83
	UK: FTSE All Share	12.62	-7.03	-17.91	8.04	12.45
	UK: FTSE 100	12.11	-7.42	-16.99	6.48	10.64
	Germany: DAX	14.31	-12.13	-19.61	31.11	17.00
	France: CAC 40	2.39	-14.25	-24.75	9.01	14.38
	Netherlands: All Share	10.94	-23.33	-25.79	16.98	17.23
	Italy: S&P MIB	-6.99	-19.42	-30.09	4.25	11.31
	Switzerland: SMI	4.89	-12.29	-20.99	8.04	23.65
	Spain: IBEX 35	-5.35	0.75	-21.54	17.31	16.67
	Sweden: OMX	18.08	8.05	-30.71	18.84	16.45
	Asia	Japan: Nikkei	-8.70	-16.58	-24.88	-0.17
MSCI Asia Pacific ex Japan		9.29	4.80	-23.18	34.91	16.81
Hong Kong: Hang Seng		5.10	1.93	-17.12	39.35	13.84
Australia: S&P/ASX 200		3.16	-9.05	-21.98	22.24	14.61
China: Shanghai Shenzhen 300		-3.32	40.93	-59.66	301.97	43.75

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