



Investment Solutions

Weekly Economic Update

20 February 2012

UK

- UK equities rose over the week after positive economic news from the US boosted market sentiment.
- Moody's put the UK on a negative credit outlook among a number of other European countries; this is a warning that, in Moody's view, the triple-A rating is at risk of being downgraded. Moody's said that although the UK was not in the Euro-Zone crisis it was feeling an amount of negative pressure within the economy.

GLOBAL

- US equities rose over the week as solid economic data improved investor hopes of a sustained recovery. Jobs data releases indicated that weekly unemployment claims were better than the market expected.
- European markets also had a solid week. Dialogue between the Euro-Zone and Greece continued to support a resolution of the debt situation although the discussions are volatile. German officials have requested further cuts and written assurances from Greek politicians that they would stick to the deal after elections, due in April. This tit-for-tat bickering looks like it will escalate as tensions continue to rise.
- Official European data recorded a contraction in the Euro-Zone's economy for the first time since mid-2009. Belgium, Greece, Italy, the Netherlands and Portugal are now all in recession.
- Emerging market equities improved over the week, on speculation over the Euro-Zone crisis.
- Commodity stocks came under pressure due concerns surrounding a global slowdown after the Euro-Zone tipped over into recession.

| Equity Markets | Index Level 17 Feb 12 | Total Return | | |
|----------------|--------------------------|--------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTSE All Share | 3053 | 4.4% | 7.3% | 0.1% |
| FTSE 100 | 5905 | 4.3% | 6.4% | 0.5% |
| FTSE 250 | 11312 | 5.1% | 12.2% | -1.6% |
| MSCI World | 1288 | 3.4% | 7.0% | -0.5% |
| S&P 500 | 1361 | 3.3% | 6.3% | 5.9% |
| DAX | 6848 | 6.1% | 15.4% | -8.7% |
| Nikkei 225 | 9384 | 1.8% | 5.4% | -7.3% |
| Hang Seng | 21492 | 4.9% | 14.4% | -2.4% |
| MSCI World EM | 1062 | 3.7% | 13.8% | 0.3% |

| Bond Markets | Yield 17 Feb 12 | Index % Change (Sterling) | | |
|----------------------------|--------------------|---------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTA All Stock Gilt Index | 2.75 | -2.4% | -2.0% | 15.8% |
| FTA All Stock ILG index | -0.10 | -2.8% | -2.3% | 20.5% |
| FTA Over 5 Year ILG index | -0.07 | -3.2% | -2.7% | 24.0% |
| FTA Under 5 Year FIG Index | 0.70 | -0.2% | -0.1% | 5.4% |
| FTA Over 15 Year FIG Index | 3.25 | -5.4% | -4.7% | 25.2% |

| Interest Rates & Yields | Yield 17 Feb 12 | Yield 31 Jan 12 | Yield 31 Dec 11 | Yield 17 Feb 11 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| UK 10 Year Gilt Yield | 2.19 | 1.97 | 1.98 | 3.76 |
| US 10 Year Treasury Yield | 2.00 | 1.80 | 1.88 | 3.57 |
| Euro 10 Year Yield | 1.93 | 1.79 | 1.83 | 3.18 |
| Japan 10 Year Yield | 0.95 | 0.97 | 0.98 | 1.34 |

| Currencies Exchange Rate | 17 Feb 12 | 31 Jan 12 | 31 Dec 11 | 17 Feb 11 |
|--------------------------|-----------|-----------|-----------|-----------|
| GBP / USD | 1.58 | 1.57 | 1.55 | 1.62 |
| GBP / EURO | 1.20 | 1.20 | 1.20 | 1.19 |
| GBP / YEN | 125.76 | 120.16 | 119.40 | 134.64 |

| Commodities | Price Level 17 Feb 12 | Price Level 31 Jan 12 | Price Level 31 Dec 11 | Price Level 17 Feb 11 |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
| OIL - WTI \$ | 103.2 | 98.5 | 98.8 | 86.4 |
| Gold \$ | 1723 | 1738 | 1564 | 1384 |
| Wheat \$ | 644 | 666 | 653 | 851 |

Source: Investment Solutions, Bloomberg
Please Note: Past performance is not a guide to future performance



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Upcoming Events

| Date | Region | Event | Survey | Actual | Prior | Revised |
|------------------|--------|----------------------------------|--------|--------|--------|---------|
| 21 February 2012 | UK | Public Sector Net Borrowing | -9.1B | -- | 10.8B | -- |
| 22 February 2012 | EC | PMI Manufacturing | 49.4 | -- | 48.8 | -- |
| 22 February 2012 | EC | PMI Services | 50.6 | -- | 50.4 | -- |
| 22 February 2012 | UK | Bank of England Minutes | -- | -- | -- | -- |
| 22 February 2012 | EC | Industrial New Orders NSA (YoY) | -2.80% | -- | -2.70% | -- |
| 22 February 2012 | US | Existing Home Sales | 4.65M | -- | 4.61M | -- |
| 23 February 2012 | US | Initial Jobless Claims | 355K | -- | -- | -- |
| 23 February 2012 | US | House Price Purchase Index (QoQ) | 0.20% | -- | 0.20% | -- |
| 24 February 2012 | UK | GDP (QoQ) | -0.20% | -- | -2.0% | -- |
| 24 February 2012 | UK | GDP (YoY) | 0.80% | -- | 0.80% | -- |
| 24 February 2012 | UK | Private Consumption | 0.20% | -- | 0.00% | -- |
| 24 February 2012 | UK | Exports | 1.50% | -- | -0.80% | -- |
| 24 February 2012 | UK | Imports | 0.10% | -- | 0.50% | -- |
| 24 February 2012 | UK | Total Business Investment (QoQ) | -0.40% | -- | 0.30% | -- |

Source: Bloomberg

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