



Investment Solutions

Weekly Economic Update

31 October 2011

UK

- UK equities rose significantly over the week primarily on the positive news flow over the agreements reached on the Euro-Zone issues. In fact, UK equities are on course to record their biggest monthly gain since the early nineties. Banks and mining stocks were the most significant sectors to advance.
- David Cameron needed all the support he could muster - including the Labour opposition to defeat a mini rebellion by Conservative backbenchers over whether there should be a referendum on whether Britain should stay in the European Union.

GLOBAL

- US equities advanced considerably this week. Banks led the rise with Citigroup, JPMorgan Chase, Bank of America and Morgan Stanley all posting impressive returns.
- European markets moved higher through the week, as investors were reassured by the progress made on the Euro-Zone issues. The summit on the Euro-Zone crisis proved positive - as the leaders of the 17 countries in the Euro currency block brokered an agreement that sees private-sector holders of Greek debt take a 50% haircut in the value of their bonds.
- There was also a deal to expand the scope of the European Financial Stability Facility, and to boost the capital buffers of European banks. Banks reacted favourably to the developments, with French banks; Credit Agricole, Societe Generale and BNP Paribas all climbing higher.
- Asian equities enjoyed strong returns as well during the week. Markets received the news from Europe well, with banking stocks particularly in demand. Exporters advanced on hopes of increased sales to Europe.

| Equity Markets | Index Level 28 Oct 11 | Total Return | | |
|----------------|--------------------------|--------------|--------|--------|
| | | MtD | YtD | 1 Year |
| FTSE All Share | 2941 | 10.9% | -1.2% | 3.4% |
| FTSE 100 | 5702 | 11.3% | -0.5% | 3.8% |
| FTSE 250 | 10773 | 9.9% | -4.5% | -2.1% |
| MSCI World | 1254 | 10.4% | -3.0% | 4.2% |
| S&P 500 | 1285 | 10.4% | 0.4% | 9.4% |
| DAX | 6346 | 17.9% | -6.4% | -3.3% |
| Nikkei 225 | 9050 | 2.8% | -8.8% | 2.1% |
| Hang Seng | 20019 | 10.8% | -13.4% | -12.2% |
| MSCI World EM | 1010 | 11.5% | -13.0% | -7.0% |

| Bond Markets | Yield 28 Oct 11 | Index % Change (Sterling) | | |
|----------------------------|--------------------|---------------------------|-------|--------|
| | | MtD | YtD | 1 Year |
| FTA All Stock Gilt Index | 3.00 | -0.3% | 9.7% | 9.5% |
| FTA All Stock ILG index | 0.35 | -2.0% | 8.5% | 12.2% |
| FTA Over 5 Year ILG index | 0.32 | -2.5% | 9.6% | 13.9% |
| FTA Under 5 Year FIG Index | 1.03 | 0.0% | 3.4% | 3.0% |
| FTA Over 15 Year FIG Index | 3.45 | 0.2% | 15.5% | 16.7% |

| Interest Rates & Yields | Yield 28 Oct 11 | Yield 31 Aug 11 | Yield 31 Dec 10 | Yield 28 Oct 10 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| UK 10 Year Gilt Yield | 2.61 | 2.43 | 3.40 | 3.15 |
| US 10 Year Treasury Yield | 2.32 | 1.92 | 3.29 | 2.66 |
| Euro 10 Year Yield | 2.18 | 1.89 | 2.96 | 2.57 |
| Japan 10 Year Yield | 1.04 | 1.02 | 1.11 | 0.91 |

| Currencies Exchange Rate | 28 Oct 11 | 31 Aug 11 | 31 Dec 10 | 28 Oct 10 |
|--------------------------|-----------|-----------|-----------|-----------|
| GBP / USD | 1.61 | 1.56 | 1.56 | 1.59 |
| GBP / EURO | 1.14 | 1.16 | 1.17 | 1.14 |
| GBP / YEN | 122.13 | 120.70 | 126.58 | 129.05 |

| Commodities | Price Level 28 Oct 11 | Price Level 31 Aug 11 | Price Level 31 Dec 10 | Price Level 28 Oct 10 |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
| OIL - WTI \$ | 93.3 | 79.2 | 91.4 | 82.2 |
| Gold \$ | 1744 | 1624 | 1421 | 1344 |
| Wheat \$ | 645 | 609 | 794 | 718 |

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 |
|------------------|--------|-----------------------------------|--------|--------|--------|
| 31 October 2011 | UK | Net Consumer Credit | 0.4B | -- | 0.5B |
| 31 October 2011 | UK | Mortgage Approvals | 50.6K | -- | 52.4K |
| 31 October 2011 | EC | Euro-Zone CPI Estimate (YoY) | 2.90% | -- | 3.00% |
| 31 October 2011 | EC | Euro-Zone Unemployment Rate | 10.00% | -- | 10.00% |
| 31 October 2011 | US | Chicago Purchasing Manager | 59 | -- | 60.4 |
| 31 October 2011 | US | Dallas Fed Manf. Activity | -5 | -- | -14.4 |
| 01 November 2011 | UK | Nationwide House Prices nsa (YoY) | 0.50% | -- | -0.30% |
| 01 November 2011 | UK | PMI Manufacturing | 50 | -- | 51.1 |
| 01 November 2011 | UK | GDP (QoQ) | 0.30% | -- | 0.10% |
| 01 November 2011 | US | ISM Manufacturing | 52 | -- | 51.6 |
| 01 November 2011 | UK | Halifax House Price 3Mths/Year | -2.30% | -- | -2.30% |
| 02 November 2011 | US | FOMC Rate Decision | 0.25% | -- | 0.25% |
| 03 November 2011 | US | Initial Jobless Claims | 400K | -- | -- |
| 03 November 2011 | EC | ECB Announces Interest Rates | 1.50% | -- | 1.50% |
| 03 November 2011 | US | Factory Orders | -0.10% | -- | -0.20% |
| 04 November 2011 | EC | PMI Services | 47.2 | -- | 47.2 |
| 04 November 2011 | EC | Euro-Zone PPI (YoY) | 5.80% | -- | 5.90% |
| 04 November 2011 | US | Change in Nonfarm Payrolls | 95K | -- | 103K |
| 04 November 2011 | US | Change in Manufact. Payrolls | 4K | -- | -13K |
| 04 November 2011 | US | Unemployment Rate | 9.10% | -- | 9.10% |

Source: Bloomberg

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