

Market Monthly June 10

Highlights

- Economics:** The debt issues in Eurozone countries unlikely to derail global recovery, even growth momentum likely to slow.
- Inflation:** Inflation pressure exists only in GEMⁱ; in the USA and Europe remains low.
- Central bank interest rates:** Low inflation and financial fragility of banks keeps loose monetary policy. Fed & ECB are not likely to raise interest rates until 2H10, maybe 2011. Fed 0.25% (-), next 23Jun; ECB 1% (-), next 8 July. Rate hikes in GEM countries (India, Brazil).
- Capital market rates:** Eurozone countries got stabilized by support package over EUR 750bn by IMF and EU. Further release by buying government debt by the ECB.

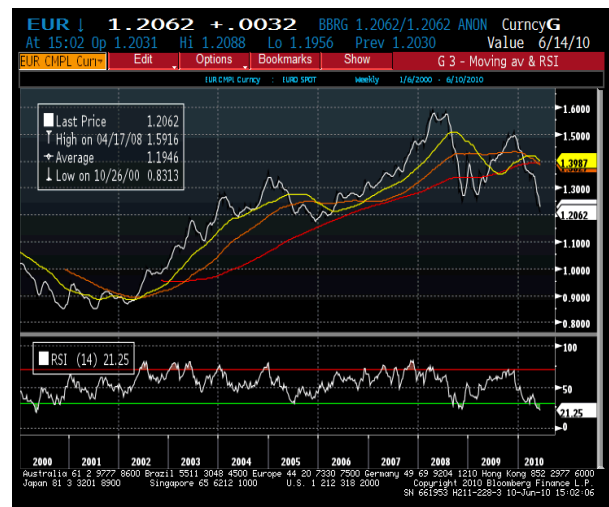
Strategic asset allocation

- Forex:** Break of technical support favors USD short-term, as EUR < 1.25, however expected to be 1.26 end of 2010ⁱⁱ. Long term: diversify into GEM-currencies, commodity-currency (AUD, CAD), EUR & CHF.
- Bonds incl. High Yields (Uⁱⁱⁱ):** Favor corporate over government, avoiding the longer maturities, buying carefully selected weaker credits.
- Equities (O):** Supported by solid earnings and attractive valuations. Use periodic setbacks as entry points; favor GEM region.
- Commodities (O):** Industrial metals and Platinum to outperform, gold likely to ↓ when US interest rates start to rise. Oil trading sideways as higher OPEC output helps offset rising demand. Oil < 75 USD/ bbl.

Investment ideas

- Structured Products:** (1) Structured Equity in USD & EUR (hedged) for 4mts on EU industrials with 70% Barrier at maturity (2) Structured Equity in USD & EUR (hedged) on German exporters (BMW, BASF, Bayer).
- Equity:** ETFs on GEM, especially Asia; cyclical's (e.g. IT/ Industrials); US/ EU companies with GEM exposure or GEM with strong brands.

World Equity Indices		Last Trade Information		Percent Change	
Value	Net Chg	% Chg	Time	% Ytd	% YtdCur
1 Americas 20 News					
0 DOW JONES INDUS. AVG	9899.25	-40.73	- .41	6/9	-5.07 +4.98
9 S&P 500 INDEX	1055.69	-6.31	-.59	6/9	-5.33 +4.70
0 NASDAQ COMPOSITE INDEX	2158.85	-11.72	-.54	6/9	-4.86 +5.22
7 S&P/TSX COMPOSITE INDEX	11450.64	-66.54	-.58	6/9	-2.52 +8.99
0 MEXICO IPC INDEX	31209.33	+149.50	+ .48	6/9	-2.84 +10.01
9 BRAZIL BOVESPA INDEX	61954.30	+475.69	+ .77	15:02	-9.67 -4.81
2 Europe/Africa/Middle East 23 News					
10 ESTX 50 € Pr	2561.62	+4.94	+ .19	14:47	-13.60 -19.57
10 FTSE 100 INDEX	5070.41	-15.45	-.30	14:47	-6.33 -6.32
12 CAC 40 INDEX	3457.52	+10.75	+ .31	14:47	-12.16 -18.23
13 DAX INDEX	5989.18	+4.43	+ .07	14:47	+ .53 -6.41
10 IBEX 35 INDEX	8972.30	+103.60	+1.17	14:47	-24.86 -30.04
10 FTSE MIB INDEX	18950.13	+37.22	+ .20	14:47	-18.49 -24.11
10 AEX-Index	320.94	+ .31	+ .10	14:47	-4.29 -10.90
17 OMX STOCKHOLM 30 INDEX	1006.73	+9.88	+ .99	15:02	+5.78 +5.72
10 SWISS MARKET INDEX	6320.91	+1.73	+ .03	14:47	-3.44 -3.44
3 Asia/Pacific 24 News					
10 NIKKEI 225	9542.65	+103.52	+1.10	8:29	-9.52 +2.12
10 HANG SENG INDEX	19632.70	+11.46	+ .06	10:01	-10.24 -1.23
20 S&P/ASX 200 INDEX	4435.30	+50.00	+1.14	8:38	-8.94 -5.40



i Global emerging markets

ii Average street forecast by 10 banks

iii How to read: (U) Underweight; (N) Neutral; (O) Overweight