

Market Monthly July 10

Highlights

- **Economics:** Global recovery is slowing & relies no longer only on inventory rebuilding or government stimulus.
- **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 2H11. Fed 0.25% (-), next 10 Aug; ECB 1% (-), next 5 Aug. Rate up in Brazil (10.25%).
- **Capital market rates:** Upcoming govt. bond redemption of Spain & publication of stress test on European banks in July could improve transparency and restore market confidence.

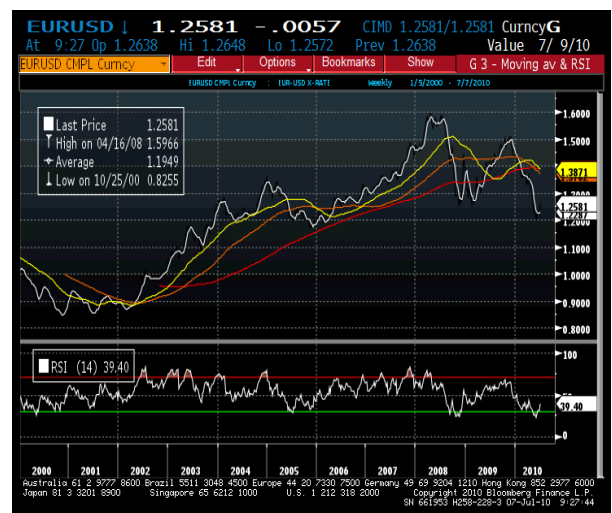
Strategic asset allocation

- **Forex:** EUR against USD on low level, short-term trading sideways, however expected to be 1.26 end of 2010ⁱⁱ. Appreciation of Yuan due to higher flexibility of China in the Yuan-politics.
- **Bonds incl. High Yields (Uⁱⁱⁱ):** Favor corporate over government, avoiding the longer maturities, buying carefully selected weaker credits.
- **Equities (N):** Market correction started on April 15 is still intact. On July 12 the US earning season H2 starts. Use periodic setbacks as entry points; favor GEM region.
- **Commodities (N):** De-risking and de-leveraging put prices under pressure in near term Oil trading sideways as higher OPEC output helps offset rising demand. Oil < 72 USD/ bbl.

Investment ideas

- **3-4 Months Structured Equity Products with Barrier at maturity in USD, EUR & CHF (hedged):** (1) on US Capital goods producers (United Technology, Deere, 3M); (2) on GEM Index (3) on MSCI Brazil Equity Index (4) on European exporters (Alstom, Louis Vuitton, SAP); (5) on US-IT (Apple, Cisco, Oracle).
- **Equity:** ETFs on GEM, especially Asia/ Brazil; late cyclical's (e.g. IT/ Capital goods); US/ EU companies with GEM exposure or GEM with strong brands.

World Equity Indices		95	CCR	96	SEI	97	MPE	98	EMEO
Base Currency: CHF		Last Trade Information		Y Percent Change		Y Percent Change		Y Percent Change	
	Ticker:	Value	Net Chg	% Chg	Time	% Ytd	% Ytd	% Ytd	Cur
1) Americas	2) News								
4	DOW JONES INDUS. AVG	9743.62	+57.14	+0.59	7/6	-6.56	-4.06		
5	S&P 500 INDEX	1028.06	+5.48	+0.54	7/6	-7.81	-5.33		
6	NASDAQ COMPOSITE INDEX	2093.88	+2.09	+0.10	7/6	-7.72	-5.25		
7	S&P/TSX COMPOSITE INDEX	11200.17	+107.67	+0.97	7/6	-4.65	-3.16		
8	MEXICO IPC INDEX	31533.58	+142.13	+0.45	7/6	-1.83	+1.67		
9	BRAZIL BOVESPA INDEX	62064.75	+1199.48	+1.97	7/6	-9.51	-8.99		
2) Europe/Africa/Middle East	3) News								
10	ESTX 50 € Pr	2556.00	-22.69	-0.88	9:11	-13.79	-22.30		
11	FTSE 100 INDEX	4923.24	-41.76	-0.84	9:11	-9.05	-12.71		
12	CAC 40 INDEX	3387.78	-35.58	-1.04	9:11	-13.94	-22.43		
13	DAX INDEX	5904.21	-36.77	-0.62	9:11	-8.89	-10.67		
14	IBEX 35 INDEX	9570.60	-44.40	-0.46	9:11	-19.84	-27.75		
15	FTSE MIB INDEX	19195.41	-161.25	-0.83	9:11	-17.43	-25.58		
16	AEX-Index	311.92	-2.51	-0.80	9:11	-6.98	-16.16		
17	OMX STOCKHOLM 30 INDEX	1003.50	-5.91	-0.59	9:26	+5.44	+1.26		
18	SWISS MARKET INDEX	6036.83	-26.29	-0.43	9:11	-7.78	-7.78		
3) Asia/Pacific	4) News								
19	NIKKEI 225	9279.65	-58.39	-0.63	8:29	-12.01	-3.50		
20	HANG SENG INDEX	19830.38	-253.74	-1.26	9:11	-9.34	-7.36		
21	S&P/ASX 200 INDEX	4254.60	-21.50	-0.50	8:37	-12.65	-15.32		



ⁱ Global emerging markets

ⁱⁱ Average street forecast by 10 banks

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