

Market Monthly March 11

Highlights

- **Economics:** Ongoing recovery cycle with business survey data around the globe continue to imply solid economic expansion. Growth continues to broaden in terms of demand composition with less government spending, inventory re-building and consumer and investment spending. Political uncertainties in North Africa and Middle East.
- **Inflation:** increased with commodity prices. Further risks are concentrated in EMⁱ by capacity utilization above pre-crisis averages and wage growth picking up. Less of an issue in DMⁱⁱ.
- **Central bank interest rates:** FED 0.25% (-), next 15 Mar; ECB 1% (-), next 7 Apr; China & Brazil tightened policy more via higher interest/reserve requirement rates: China 6.06% (+25bps in Feb11), Brazil 11.75% (+75bps in Mar 11).
- **Capital market rates:** continued to trend upward fueled by growing inflation concerns and a consequent re-pricing of central bank rates.

Strategic Asset Allocation

- **Forex:** US low yield bring further USD weakness against EUR and major currencies; EUR/USD expected to be 1.38 by late 2011ⁱⁱⁱ. Further trend in appreciation of EM currencies against USD. GBP undervalued against EUR.
- **Bonds incl. High Yields (U^{iv}):** Favor corporate over government, selecting short/medium maturity, buying carefully selected weaker credits or EM bonds in hard & local currency.
- **Equities (O):** Valuations appear attractive; Cash-richness of the corporate sector supports demand for capex, M&A^v activities, higher dividends and share buy-back programs; Favor EM region.
- **Commodities (O):** Prices no longer cheap but reacting on low inventories and changes in supply/demand balance. Gold >1400\$/oz and Oil price > 100 USD/bbl with North Africa and Middle East Crisis.

Investment Ideas

- **3 to 4 Months Structured Equity Products with Barrier at maturity in USD, EUR & CHF (hedged):** (1) on Xstrata (2) on German Exporters (BASF, Bayer, Porsche) (3) on EU Exporters (Alstom, Philips, SAP) and (4) on EU Industrials (ABB, Siemens, Schneider Electric).
- **10 Months Structured Equity Product with Barrier at maturity and fixed Bonus Level in USD, EUR & CHF (hedged):** (1) on Materials (BHP Billiton, Rio Tinto, Vale).
- **Equities:** ETFs on EM (Asia/Brazil) and commodity exporting markets; US/ EU companies with EM exposure, transport and logistics and well positioned companies in sectors exposed to growth in capital spending (e.g. IT): **Deutsche Post, Volkswagen, 3M, Arcelor Mittal, Samsung Electronics.**

<HELP> for explanation.
<GO> for Index Sector Breakdown

95) Edit Defaults 96) News

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World Equity Indices

Movers	Volatility	Ratios	Pre-Market	Display	Name	Cur.	CHF	Year To Date
			Value	Net Chg	% Chg	Time	% Ytd	% YtdCur
1)	Americas		12258.20	+191.40	+1.59%	3/3	+5.88%	+5.47%
4)	DOW JONES INDUS. AVG		1330.97	+22.53	+1.72%	3/3	+5.83%	+5.42%
5)	S&P 500 INDEX		2798.74	+50.67	+1.84%	3/3	+5.50%	+5.09%
6)	NASDAQ COMPOSITE INDEX		14214.72	+70.70	+0.50%	3/3	+5.74%	+7.63%
7)	S&P/TSX COMPOSITE INDEX		37132.98	+269.45	+0.73%	3/3	-3.68%	-1.20%
8)	MEXICO IPC INDEX		68145.53	+864.02	+1.28%	3/3	-1.67%	-1.42%
9)	BRAZIL BOVESPA INDEX							
2)	EMEA							
10)	Euro Stoxx 50 Pr		2994.02	+24.78	+0.83%	12:01	+7.20%	+11.59%
11)	FTSE 100 INDEX		6039.02	+33.93	+0.57%	12:01	+2.36%	+6.44%
12)	CAC 40 INDEX		4084.44	+23.68	+0.58%	12:01	+7.35%	+11.74%
13)	DAX INDEX		7283.85	+57.89	+0.80%	12:01	+5.35%	+9.66%
14)	IBEX 35 INDEX		10607.70	+40.80	+0.39%	12:01	+7.59%	+11.99%
15)	FTSE MIB INDEX		22412.16	+257.93	+1.16%	12:01	+11.10%	+15.44%
16)	AEX-Index		370.41	+2.81	+0.76%	12:01	+4.47%	+8.74%
17)	OMX STOCKHOLM 30 INDEX		1122.83	+12.04	+1.08%	12:16	-2.83%	+3.00%
18)	SWISS MARKET INDEX		6606.91	+7.70	+0.12%	12:01	+2.65%	+2.65%
3)	Asia/Pacific							
19)	NIKKEI 225		10693.66	+107.64	+1.02%	7:28	+4.54%	+2.34%
20)	HANG SENG INDEX		23408.86	+286.44	+1.24%	9:01	+1.62%	+1.00%
21)	S&P/ASX 200 INDEX		4864.30	+57.90	+1.20%	6:43	+2.51%	+1.04%

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 3204 1210 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2011 Bloomberg Finance L.P. SN 772954 H271-1367-3 04-Mar-2011 12:15:22



ⁱ Emerging Markets

ⁱⁱ Developed Markets

ⁱⁱⁱ Average street forecast by 10 banks - February 2011

^{iv} How to read: (U) underweight; (N) Neutral; (O) Overweight

^v Merger & Acquisition