Market Monthly
June 11

Highlights

- **Economics:** pace of macroeconomic growth slowing in EM[i] & DM[ii] with indicators point to ongoing growth in the recovery cycle; Monetary policy remains expansionary, easing credit conditions come along with corporate spending as real interest rates are negative in most DM.

- **Inflation:** To peak in many EM economies during May/ June; Elevated inflation in Europe & UK (> 2% ECB's & BoE's target rate). Less of an issue in US.

- **Central bank interest rates:** FED 0.25% (-), next 22 Jun; ECB 1% (-), next 9 Jun; no increase expected. FED to remain on hold until 2012; Quantitative Easing to end in June 11; Russian Rate unchanged (8.25%).

- **Capital market rates:** Greece refinancing needs to be solved in June (EU/ IMF support, "soft" restructuring of outstanding bonds & privatization program; US government forced to fiscal reform till 2 August when critical debt limit will be reached.

Tactical Asset Allocation

- **Forex:** US low yield bring further USD weakness against EUR & major currencies; EUR/ USD expected at 1.43 in 12 months' time[iii]. Further trend in appreciation of EM (Asian) currencies against USD. AUD position closed as currency is rich valued;

- **Bonds incl. High Yields (N [iv]):** Favor corporate over government, selecting short maturity & weaker credits or EM bonds in hard & local currency**.**

- **Equities (N):** Market correction in May offers opportunity to add positions with attractive valuations; Favor EM region and move some exposure to late cyclicals (Energy, Financials).

- **Commodities (N):** Buying opportunity after setbacks last month. Gold>1530$/ oz & Oil price > 100$/ bbl (WTI);

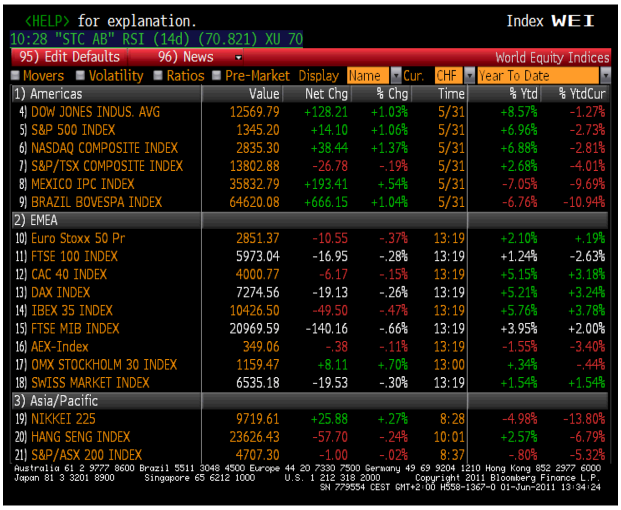
Investment Ideas

- **Equities:** 4 Months Structured Investment Product (SIP) with Barrier at maturity in USD, EUR & CHF (hedged): (1) on Arcelor Mittal & Halliburton;

  ETFs on EM (Asia/ Brazil) and companies with EM exposure; Sectors: favor Energy, IT, Health Care & EM Telecom;

- **Bonds:** 2.15% Volkswagen (2016) in RMB

- **Commodities:** SIP on Silver for 3 months and SIP on Brent Crude Oil for 1 year (autocallable each quarter) in USD, EUR & CHF (hedged);



<HELP> for explanation. Index WEI
10:28 "STC AB" RSI (14d) (70.821) XU 70
95) Edit Defaults 96) News World Equity Indices
Movers Volatility Ratios Pre-Market Display Name Cur. CHF Year To Date

1) Americas	Value	Net Chg	% Chg	Time	% Ytd	% YtdCur
4) DOW JONES INDUS. AVG	12569.79	+128.21	+1.03%	5/31	+8.57%	-1.27%
5) S&P 500 INDEX	1345.20	+14.10	+1.06%	5/31	+6.96%	-2.73%
6) NASDAQ COMPOSITE INDEX	2835.30	+38.44	+1.37%	5/31	+6.88%	-2.81%
7) S&P/TSX COMPOSITE INDEX	13802.88	-26.78	-.19%	5/31	+2.68%	-4.01%
8) MEXICO IPC INDEX	35832.79	+193.41	+.54%	5/31	-7.05%	-9.69%
9) BRAZIL BOVESPA INDEX	64620.08	+666.15	+1.04%	5/31	-6.76%	-10.94%
2) EMEA						
10) Euro Stoxx 50 Pr	2851.37	-10.55	-.37%	13:19	+2.10%	+.19%
11) FTSE 100 INDEX	5973.04	-16.95	-.28%	13:19	+1.24%	-2.63%
12) CAC 40 INDEX	4000.77	-6.17	-.15%	13:19	+5.15%	+3.18%
13) DAX INDEX	7274.56	-19.13	-.26%	13:19	+5.21%	+3.24%
14) IBEX 35 INDEX	10426.50	-49.50	-.47%	13:19	+5.76%	+3.78%
15) FTSE MIB INDEX	20969.59	-140.16	-.66%	13:19	+3.95%	+2.00%
16) AEX-Index	349.06	-.38	-.11%	13:19	-1.55%	-3.40%
17) OMX STOCKHOLM 30 INDEX	1159.47	+8.11	+.70%	13:00	+.34%	-.44%
18) SWISS MARKET INDEX	6535.18	-19.53	-.30%	13:19	+1.54%	+1.54%
3) Asia/Pacific						
19) NIKKEI 225	9719.61	+25.88	+.27%	8:28	-4.98%	-13.80%
20) HANG SENG INDEX	23626.43	-57.70	-.24%	10:01	+2.57%	-6.79%
21) S&P/ASX 200 INDEX	4707.30	-1.00	-.02%	8:37	-.80%	-5.32%

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[i] Emerging Markets
[ii] Developed Markets
[iii] Average street forecast by 10 banks - May 2011
[iv] How to read: (U) underweight; (N) Neutral; (O) Overweight