

# Market Monthly October 11

## Highlights

- **Economics:** Economic indicators on low levels, but not in recession; Sovereign debt issues and slowdown still the key topics; stress in interbank market and volatile markets in EM<sup>i</sup> and DM<sup>ii</sup>. Growth forecasts in Europe revised down.
- **Inflation:** at peak level in many EM economies, starting to decline globally with past correction in commodity prices; inflation in Europe & UK > 2%, higher than ECB's & BoE's target rate. Less of an issue in US yet.
- **Central bank interest rates:** FED 0.25% (-), next 2 Nov; ECB 1.5% (-), next 3 Nov; FED to remain on hold until 2012; Russian rate unchanged (8.25%); EM central banks to reverse tightening process (e.g. Brazil).
- **Capital market rates:** Greek aid decision postponed into November for next tranche over EUR 8bn to avoid default; Focus on re-capitalization of European banks.

## Tactical Asset Allocation

- **Forex:** Downside pressure on EUR with deteriorating European debt crisis despite higher yields; However EUR/USD expected at 1.45 in 12 months' time<sup>iii</sup>. Pressure on EM currencies in short-term.
- **Bonds incl. High Yields (U<sup>iv</sup>):** Favor non-financial investment grade issuers & focus on shorter maturities.
- **Equities (U):** Prices reflect sharp fall in earnings for Q3; Cheap valuations under premise of no global recession & fair valuation in case of mild recession.
- **Commodities (N):** Sharp correction along all commodities, also in precious metals bringing Gold back <1700\$/ oz & oil price < 80\$/ bbl (WTI);

## Investment Ideas

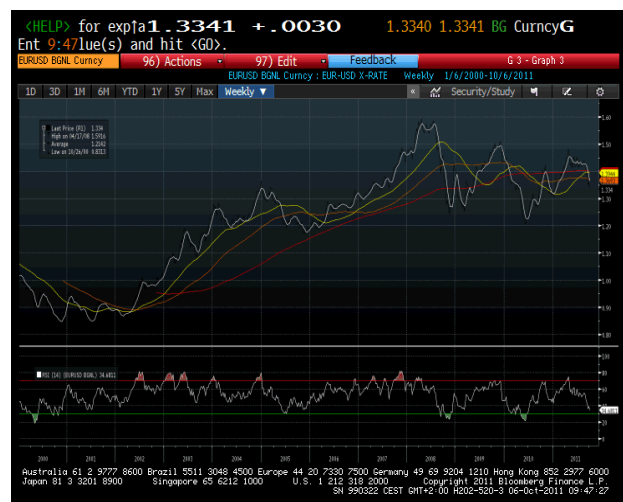
- **Equities:** Focus on defensive sectors and dividend stocks, corporate with healthy balance e.g. consumer staples (food & beverage), Health care, IT or Auto-industry; No financials & companies exposed to European sovereign debt crisis;

<HELP> for explanation. Index WEI  
# <GO> for Index details, 90<GO> to reset defaults

95) Edit Defaults 96) News 97) Feedback World Equity Indices

Movers	Volatility	Ratios	Futures	AVAT vs 10d	Time	Ytd %	% YtdCur
1) Americas	2day	Value	Net Chg	%Chg			
4) DOW JONES		10939.95	+131.24	+1.21%	10/05	-5.51%	-5.18%
9) S&P 500		1144.03	+20.08	+1.79%	10/05	-9.03%	-8.72%
6) NASDAQ		2460.51	+55.69	+2.32%	10/05	-7.25%	-6.93%
7) TSX		11457.22	+279.31	+2.50%	10/05	-14.77%	-18.10%
8) MEX IPC		33000.29	+34.06	+0.10%	10/05	-14.40%	-22.32%
9) BOVESPA		51013.85	+327.51	+0.65%	10/05	-26.39%	-33.80%
2) EMEA							
11) Euro Stoxx		2210.54	+31.12	+1.43%	09:47	-20.85%	-20.85%
12) FTSE 100		5163.84	+61.67	+1.21%	09:47	-12.48%	-13.14%
13) CAC 40		3025.46	+51.56	+1.73%	09:32	-20.48%	-20.48%
14) DAX		5560.87	+87.84	+1.60%	09:47	-19.57%	-19.57%
15) IBEX 35		8565.00	+87.70	+1.03%	09:32	-13.13%	-13.13%
16) FTSE MIB		15041.03	+235.55	+1.59%	09:47	-25.44%	-25.44%
17) AEX		280.69	+2.60	+0.93%	09:32	-20.84%	-20.84%
18) OMX		908.95	+9.20	+1.02%	09:47	-21.34%	-22.72%
19) SMI		5577.90	+72.91	+1.32%	09:47	-13.33%	-12.40%
3) Asia/Pacific							
21) NIKKEI		8522.02	+139.04	+1.66%	08:28	-16.69%	-11.85%
22) HANG SENG		17074.98	+824.71	+5.08%	09:32	-25.88%	-25.72%
23) ASX 200		4069.90	+143.40	+3.65%	07:37	-14.23%	-18.67%

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<sup>i</sup> Emerging markets

<sup>ii</sup> Developed markets

<sup>iii</sup> Average street forecast by 10 banks - September 2011

<sup>iv</sup> How to read: (U) underweight; (N) neutral; (O) overweight