

Market Monthly September 11

Highlights

- **Economics:** After severe correction, global markets start to price in global recession; substantial decline of leading indicators; Higher risk aversion as EU politicians do not agree on any solution to solve Greek and EU debt crisis yet; slump in EMⁱ after prior decrease in DMⁱⁱ.
- **Inflation:** To peak in many EM economies with past decline in commodity prices; inflation in Europe & UK > 2%, higher this year than ECB's & BoE's target rate. Less of an issue in US.
- **Central bank interest rates:** FED 0.25% (-), next 2 Nov; ECB 1.5% (-), next 6 Oct – no change expected. FED to remain on hold until 2012; Russian rate unchanged (8.25%); EM central banks to halt tightening process (China, Brazil).
- **Capital market rates:** Discussion over next tranche EUR 8bn to avoid Greek default in October; Greek default a possible scenario; after increase of US debt ceiling, congress to work on savings plan.

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' timeⁱⁱⁱ. Pressure on EM currencies in short-term.
- **Bonds incl. High Yields (U^{iv}):** Favor corporate over government bonds, selecting short maturity & weaker credits or EM bonds in hard & local currency.
- **Equities (U):** Stocks enter bear market with high risk aversion and market sentiment on panic levels. However attractive valuations could bring some near-term entry points.
- **Commodities (N):** Sharp correction along all commodities, also in precious metals bringing Gold back <1700\$/ oz & oil price < 85\$/ bbl (WTI);

Investment Ideas

- **Equities:** Focus on defensive sectors as consumer staples (food & beverage), Health care or Telecommunication and companies less exposed to European sovereign dept crisis;

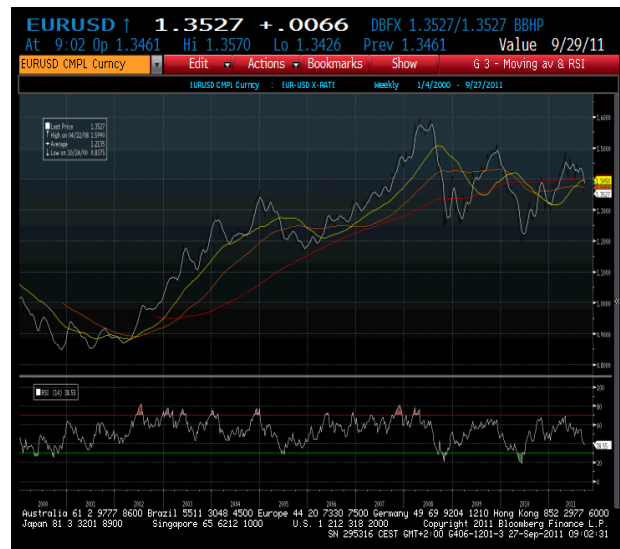
<HELP> for explanation. Index WEI

<G0> for Index Sector Breakdown

95) Edit Defaults 96) News World Equity Indices

Movers	Volatility	Ratios	Pre-Market	Display	Name	Cur.	CHF	Year To Date
	Value	Net Chg	%Chg	Time			% Ytd	% YtdCur
1) Americas	11043.86	+272.38	+2.53%	9/26			-4.61%	-7.83%
4) DOW JONES INDUS. AVG	1162.95	+26.52	+2.33%	9/26			-7.53%	-10.65%
5) S&P 500 INDEX	2516.69	+33.46	+1.35%	9/26			-5.13%	-8.33%
6) NASDAQ COMPOSITE INDEX	11707.19	+244.32	+2.13%	9/26			-12.91%	-18.48%
7) S&P/TSX COMPOSITE INDEX	33385.94	+797.51	+2.45%	9/26			-13.40%	-23.35%
8) MEXICO IPC INDEX	53747.52	+517.16	+0.97%	9/26			-22.45%	-31.78%
9) BRAZIL BOVESPA INDEX								
2) EMEA								
10) Euro Stoxx 50 Pr	2083.35	+57.32	+2.83%	9/26			-25.40%	-27.06%
11) FTSE 100 INDEX	5089.37	+22.56	+0.45%	9/26			-13.74%	-16.75%
12) CAC 40 INDEX	2859.34	+49.23	+1.75%	9/26			-24.85%	-26.51%
13) DAX INDEX	5345.56	+149.00	+2.87%	9/26			-22.69%	-24.40%
14) IBEX 35 INDEX	8201.70	+204.80	+2.56%	9/26			-16.81%	-18.65%
15) FTSE MIB INDEX	14118.98	+454.07	+3.32%	9/26			-30.01%	-31.56%
16) AEX-Index	269.83	+5.11	+1.93%	9/26			-23.90%	-25.59%
17) OMX STOCKHOLM 30 INDEX	897.33	+24.35	+2.79%	9:01			-22.35%	-25.83%
18) SWISS MARKET INDEX	5401.01	+102.18	+1.93%	9/26			-16.08%	-16.08%
3) Asia/Pacific								
19) NIKKEI 225	8609.95	+235.82	+2.82%	8:28			-15.83%	-13.52%
20) HANG SENG INDEX	17934.01	+526.21	+3.02%	8:46			-22.15%	-24.96%
21) S&P/ASX 200 INDEX	4004.60	+140.70	+3.64%	8:35			-15.61%	-21.33%

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2577 6000 Japan 81 3 3201 6900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2011 Bloomberg Finance L.P. SN 295316 CEST GMT+2:00 6406-1201-3 27-Sep-2011 09:02:31



ⁱ Emerging markets

ⁱⁱ Developed markets

ⁱⁱⁱ Average street forecast by 10 banks - September 2011

^{iv} How to read: (U) underweight; (N) neutral; (O) overweight