

# Market Monthly November 11

## Highlights

- **Economics:** Economic indicators mixed, but the world economy is not in recession; Sovereign debt issues and slowdown still are the key topics; stress in interbank market and volatile markets in EM and DM. Growth forecasts in Europe & USA revised down. Growth moderation in China, no hard landing.
- **Inflation:** Inflation is peaking in many DM & EM economies, however ignored by policy makers due to economic slowdown & sovereign & bank crises.
- **Central bank interest rates:** DM: Australia cuts interest rate for the 1<sup>st</sup> time since 2009 to 4.50% (-25bp); FED 0.25% (-, on hold until 2012), next 13 Dec; ECB 1.25% (-25bp -), next 8 Dec. EM: PBoC (CN) & RU-CB: no rate increases; RUB (8.25%); BRZ rate have been decreased since August (11.50%).
- **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; EUR/ USD expected at 1.41 in 12 months' time. Pressure on EM currencies in short-term.
- **Bonds incl. High Yields (U<sup>i</sup>):** Favor non-financial issuers (also High Yields) & focus on shorter maturities.
- **Equities (U):** Turbulence in Greek politics drives volatility in global equities; Prices reflect sharp fall in earnings for Q3. Cycle clock indicates global markets are shifting from expansion back into "contraction" phase caused by Euro zone crises.
- **Commodities (N):** Slight improvement in risk appetite is bringing all commodities up, also in precious metals bringing Gold back >1750\$/ oz & oil price > 90\$/ bbl (WTI).

## Investment Ideas

- **Equities:** Shift in sectors towards cyclical; increase position in DAX & S&P- Index Tracker in market corrections; Focus on companies with healthy balance e.g. consumer staples (food & beverage), Health care, IT or Auto-industry.

<HELP> for explanation. CurrencyWEI

# <GD> 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			11983.24	-61.23	-0.51%	11/4	+3.50%	-0.50%
4)	DOW JONES INDUS. AVG			1253.23	-7.92	-0.63%	11/4	-0.35%	-4.21%
5)	S&P 500 INDEX			2686.15	-11.82	-0.44%	11/4	+1.25%	-2.66%
6)	NASDAQ COMPOSITE INDEX			12408.25	-60.10	-0.48%	11/4	-0.70%	-13.37%
7)	S&P/TSX COMPOSITE INDEX			36689.38	+110.31	+0.30%	11/4	-4.83%	-16.46%
9)	BRAZIL BOVESPA INDEX			58815.10	+145.18	+0.25%	14:46	-15.14%	-22.70%
2)	EMEA								
10)	Euro Stoxx 50 Pr			2277.04	-14.43	-0.63%	14:31	-18.47%	-19.50%
11)	FTSE 100 INDEX			5484.51	-42.65	-0.77%	14:31	-7.04%	-8.15%
12)	CAC 40 INDEX			3106.48	-17.07	-0.55%	14:31	-18.35%	-19.38%
13)	DAX INDEX			5940.02	-26.14	-0.44%	14:46	-14.09%	-15.17%
14)	IBEX 35 INDEX			8479.60	-116.80	-1.36%	14:31	-13.99%	-15.08%
15)	FTSE MIB INDEX			15544.70	+198.15	+1.29%	14:31	-22.94%	-23.92%
16)	AEX-Index			299.06	-2.91	-0.96%	14:31	-15.66%	-16.72%
17)	OMX STOCKHOLM 30 INDEX			973.10	-14.07	-1.42%	14:46	-15.79%	-17.71%
18)	SWISS MARKET INDEX			5636.58	-23.25	-0.41%	14:31	-12.42%	-12.42%
3)	Asia/Pacific								
19)	NIKKEI 225			8767.09	-34.31	-0.39%	7:28	-14.29%	-14.31%
20)	HANG SENG INDEX			19677.89	-164.90	-0.83%	9:01	-14.58%	-17.86%
21)	S&P/ASX 200 INDEX			4273.40	-7.70	-0.18%	6:45	-9.94%	-12.59%

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 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. SH 347506 CET GMT+1:00 H213-187-9 07-Nov-2011 14:46:08



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