

Market Monthly December 11

Highlights

- **Economics:** Economic indicators still mixed, but the world economy will not fall into recession. Moderate growth in US, zero growth in Europe and a soft landing in EMⁱ expected.
- **Inflation:** Inflation pressure will ease during 2012 due to economic slowdown and falling soft commodity prices.
- **Central bank interest rates:** DMⁱⁱ: ECB is expected to lower interest rates again 25bp on the next meeting at 8.12.11. FED on hold at 0.25% until at least mid 2012. Australia cut interest rates further to 4.25% (-25bp). EM: BRZ lowered rates again 50bp to 11%. PBoC (CN) reduced the minimum reserve rate for banks for the first time since 2008. RU-CB kept rates steady at 8.25%.
- **Capital market rates:** The world's major central banks launched a joint action to provide cheap, emergency USD loans to banks in Europe. However, the interbank lending market is still malfunctioning. Even though S&P review the credit ratings of 15 euro nations for a possible downgrade, government bond yields were falling from their worst levels.

Tactical Asset Allocation

- **Forex:** Short term downside pressure on EUR with deteriorating European debt crisis; However, EUR/USD expected at 1.41 in 12 months' timeⁱⁱⁱ. Pressure on EM currencies in short-term.
- **Bonds incl. High Yields (U^{iv}):** Favor non-financial issuers (also High Yields) & focus on shorter maturities.
- **Equities (U):** Ongoing European debt crisis and uncertainties concerning the recapitalization needs of European banks keeps volatility high; waiting for clear signals.
- **Commodities (N):** Range trading in precious metals and oil. Interesting entry levels: Oil (WTI) 90\$/ bbl, Gold 1620\$/ oz and Silver 30\$/ oz.

Investment Ideas

- **Equities:** No new investment ideas at the moment. Focus on companies with healthy balance e.g. consumer staples (food & beverage), Health care and IT.

Movers	Volatility	Ratios	Pre-Market	Display	Name	Cur.	CHF	Year To Date
1)	Americas							
4)	DOW JONES INDUS. AVG	12150.13	+52.30	+43%	12/6			+4.95% +4.36%
5)	S&P 500 INDEX	1258.47	+1.39	+11%	12/6			+0.7% -4.9%
6)	NASDAQ COMPOSITE INDEX	2649.56	-6.20	-23%	12/6			-1.2% -6.8%
7)	S&P/TSX COMPOSITE INDEX	12081.25	-38.08	-31%	12/6			-10.13% -12.17%
8)	MEXICO IPC INDEX	37071.17	-32.00	-0.9%	12/6			-3.84% -12.67%
9)	BRAZIL BOVESPA INDEX	59094.00	-442.16	-7.4%	14:26			-14.73% -21.72%
2)	EMEA							
10)	Euro Stoxx 50 Pr	2352.83	-3.88	-1.6%	14:11			-15.75% -16.25%
11)	FTSE 100 INDEX	5563.27	-5.45	-1.0%	14:11			-5.71% -6.15%
12)	CAC 40 INDEX	3187.66	+8.03	+25%	14:11			-16.22% -16.72%
13)	DAX INDEX	5967.37	-61.45	-1.02%	14:26			-13.69% -14.21%
14)	IBEX 35 INDEX	8651.20	-61.60	-7.1%	14:11			-12.25% -12.77%
15)	FTSE MIB INDEX	15707.01	-141.20	-8.9%	14:11			-22.14% -22.60%
16)	AEX-Index	304.47	-.33	-1.1%	14:11			-14.13% -14.64%
17)	OMX STOCKHOLM 30 INDEX	969.69	-7.77	-7.9%	14:26			-16.09% -16.93%
18)	SWISS MARKET INDEX	5773.42	+5.49	+1.0%	14:11			-10.30% -10.30%
3)	Asia/Pacific							
19)	NIKKEI 225	8722.17	+147.01	+1.71%	7:28			-14.73% -11.45%
20)	HANG SENG INDEX	19240.58	+298.35	+1.58%	9:01			-16.47% -16.95%
21)	S&P/ASX 200 INDEX	4292.50	+30.50	+7.2%	6:36			-9.54% -9.94%



ⁱ Emerging Markets

ⁱⁱ Developed Markets

ⁱⁱⁱ Average street forecast by 11 banks - November 2011

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