

# Market Monthly January 12

## Highlights

- **Economics:** Recently published economic indicators better than anticipated. Moderate growth in US, soft recession in Europe in 1H 2012 and soft landing in EM<sup>i</sup> expected.
- **Inflation:** Inflation will not be an issue 2012. Inflation pressure will ease during the year due to economic slowdown and falling soft commodity prices.
- **Central bank interest rates:** DM<sup>ii</sup>: ECB cut interest rates 25bp to 1%, there is more to come. FED on hold at 0.25% until at least mid 2013. EM: BRZ is expected to lower rates again in January as economic growth stagnates. RU-CB surprisingly cut rates 25bp to 8%. India kept rates steady at 7.5% as well as PBoC (CN) at 6.56% and the minimum reserve rate for banks at 21%.
- **Capital market rates:** Despite massive capital injections by the ECB the European interbank lending market is still malfunctioning. CDS Spreads of the PIIGS countries (Portugal, Italy, Ireland, Greece and Spain) widened again in the beginning of January. 10-year government bond yields of Italy rose above 7% which creates serious refinancing problems.

## Tactical Asset Allocation

- **Forex:** Problems in Europe still weight on the EUR for the short term. However, EUR/ USD is expected to be at 1.30 in 12 months' time<sup>iii</sup>. Pressure on EM currencies in short-term.
- **Bonds incl. High Yields (U<sup>iv</sup>):** US and German 10Y government bond yields at record lows (US 1.95%, Ger 1.85%). Sovereign bonds unattractive, we favor corporate bonds (non-financial issuers) and 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):** Short term sideways trend in Gold expected (1'550 – 1'650 \$/ oz.). Oil (WTI) overbought.

## Investment Ideas

- **Equities:** High dividend and technology stocks should outperform in a low growth environment. The global technology sector is the only sector that is net cash positive. Otherwise we focus on companies with healthy balance sheets e.g. consumer staples (food & beverage) and health care.

<HELP> for explanation. EquityWEI

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World Equity Indices

Movers	Volatility	Ratios	Pre-Market	Display	Name	Cur.	CHF	Annual	%52wk	%52wkCur				
1) Americas														
4)					DOW JONES INDUS. AVG				12418.42	+21.04	+1.7%	1/4	+5.93%	+4.28%
5)					S&P 500 INDEX				1277.30	+24	+0.2%	1/4	+0.6%	-3.52%
6)					NASDAQ COMPOSITE INDEX				2648.36	-36	-0.1%	1/4	-1.99%	-3.52%
7)					S&P/TSX COMPOSITE INDEX				12226.47	+18.04	+0.15%	1/4	-8.7%	-11.91%
8)					MEXICO IPC INDEX				37387.63	+3.29	+0.1%	1/4	-3.38%	-15.01%
9)					BRAZIL BOVESPA INDEX				59253.71	-111.24	-1.9%	14:17	-16.65%	-24.98%
2) EMEA														
10)					Euro Stoxx 50 Pr				2322.12	-27.77	-1.18%	14:02	-18.05%	-21.41%
11)					FTSE 100 INDEX				5641.92	-26.53	-0.47%	14:02	-6.65%	-7.92%
12)					CAC 40 INDEX				3163.43	-30.22	-0.95%	14:02	-18.98%	-22.29%
13)					DAX INDEX				6088.60	-22.95	-0.38%	14:17	-12.27%	-15.85%
14)					IBEX 35 INDEX				8409.10	-172.70	-2.01%	14:02	-14.21%	-17.71%
15)					FTSE MIB INDEX				14835.16	-491.87	-3.21%	14:02	-27.81%	-30.77%
16)					AEX-Index				312.37	-2.16	-0.69%	14:02	-12.57%	-16.14%
17)					OMX STOCKHOLM 30 INDEX				1002.18	-4.14	-0.41%	13:00	-12.99%	-16.08%
18)					SWISS MARK-ET INDEX				6019.48	-38.60	-0.64%	14:02	-7.67%	-7.67%
3) Asia/Pacific														
19)					NIKKEI 225				8488.71	-71.40	-0.83%	7:28	-18.23%	-12.89%
20)					HANG SENG INDEX				18813.41	+86.10	+0.46%	9:01	-20.81%	-21.99%
21)					S&P/ASX 200 INDEX				4142.70	-45.10	-1.08%	6:39	-12.14%	-11.07%

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 2012 Bloomberg Finance L.P.  
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Performance Equity Markets 52wk



<sup>i</sup> Emerging Markets

<sup>ii</sup> Developed Markets

<sup>iii</sup> Average Bloomberg consensus estimate by 45 banks (January 2012)

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