

## Global Overview

### Equity markets fall

Equity markets fell on the week that marked the second anniversary of the March 2009 lows. Markets fell following weak economic reports worldwide, while some extended these losses following news of a massive earthquake hitting Japan.

### Japanese earthquake

Japan experienced its strongest ever earthquake on Friday, when one struck the northeast of the world's third-largest economy. A tsunami also followed, leading to numerous deaths and the shutting down of operations at a number of its largest manufacturers.

### US economic data

First-time jobless claims increased more-than-forecast to almost 400,000, up from 368,000 the previous week. Further to this, the American trade deficit widened by 15% over the past month. Even though the US saw record exports, a surge in imports, led by costlier oil, overshadowed this and resulted in the widening deficit.

### ECB meeting

European leaders widened the scope of the eurozone's rescue fund by authorising it to be able to spend its full €440 billion capacity and to buy bonds directly from governments. Leaders also decided to cut the cost of Greece's repayments and extended the repayment period.

### Currencies

The euro weakened against most major currencies as leaders of the eurozone countries met to agree on a comprehensive package to counter the region's debt crisis. It was the first weekly fall versus the dollar in over a month. The €/£ rate finished the week 0.7% lower, at 1.39.

### Commodities

Oil prices fell for the first time in a month following an easing of the pressures that had threatened supply from Saudi Arabia and the closure of oil refineries in Japan, which hurt demand. The oil price (West Texan) finished the week at \$101 a barrel, a fall of 3.1%.

	Index	Year to Date Return 31.12.10 to 11.03.11		1 Week Return 4.03.11 to 11.03.11	
		Local Currency %	Euro %	Local Currency %	Euro %
Global	FTSE World	1.8	-0.7	-2.1	-1.4
US	S&P 500	3.7	-0.1	-1.3	-0.6
US	NASDAQ	2.4	-1.4	-2.5	-1.8
Europe	FT/S&P Europe Ex. U.K.	0.9	0.9	-1.9	-1.9
Ireland	ISEQ	-1.4	-1.4	-2.6	-2.6
UK	FTSE 100	-1.2	-2.0	-2.7	-3.1
Japan	Topix	1.9	-2.8	-4.2	-3.0
Hong Kong	Hang Seng	0.9	-3.0	-0.7	0.0
Australia	S&P/ASX 200	-2.1	-6.7	-4.5	-3.7
Bonds	Merrill Lynch Euro over 5 year Govt.	-0.8	-0.8	0.5	0.5

## Global Equities



### United States

#### Overview

The US market retreated during what was a volatile week. Mixed economic data, including disappointing jobless claims and trade data, which overshadowed upbeat retail sales, dampened optimism about the global recovery.

**Energy Stocks** – The S&P Energy Index lost 4% as oil fell from the 29-month high reached on 7th March. Exxon Mobil, the world's largest company by market value, lost 3.5% of its value during the week.



## Europe

### Overview

European markets fell for the third week due to Spain and Greece suffering ratings downgrades and fears that tension in Middle East will hurt the global recovery.

**Metal Stocks** – Metal prices fell from record highs after Chinese exports rose at the slowest pace since November 2009. Copper prices fell 7% over the week, resulting in BHP Billiton, Vedanta Resources and Antofagasta falling 7%, 11% and 6.8% respectively.



## Ireland

### Overview

The Irish market was in line with most European markets. Talks over Ireland's eurozone loan conditions are ongoing as the new government has refused calls from Germany and France to raise the country's 12.5% corporate tax rate.

**Paddy Power** – The betting group announced record results for 2010 after operating profit rose 56% during the year. This profit was helped by a rise of 39% in amounts staked by customers. The company now makes almost three-quarters of its profits from internet users and expects this proportion of its profits to continue to grow.



## Asia Pacific

### Overview

Asian markets fell as weak economic data, rising inflation and conflict in the Middle East all hurt the appeal of risk assets. As a result of the earthquake in Japan, which struck at the end of trading on Friday, Japanese markets were over 6% lower this morning (Monday 14th). Most other markets, though, were relatively flat–.

## Bonds

Falling equity markets helped bonds pare their year-to-date losses as investors turned to fixed interest for its safe-haven status. Worries surrounding peripheral countries remain in focus, though. Portugal's five-year yield surged to a record 8% as investors speculated that the country will soon be forced to seek a bailout. The Merrill Lynch over 5 year government bond index rose 0.5% over the week.

## Global Outlook

- Economists and investors' expectations for global growth this year remain fairly healthy. Survey evidence points to stronger growth in some of the developed markets but growth peaking from high levels in some of the developing economies. Inflation is forecast to remain a regional or country-specific concern for investors rather than a global problem but there are some shared concerns, such as energy and food prices. Countries are still resisting currency strength, a sign that central banks are not yet particularly concerned about inflation.
- Developed country central banks continue to set interest rates at emergency levels, although they have risen elsewhere already. ECB commentary more-or-less guarantees a rate hike in April, earlier than anticipated by investors, even if it might be very difficult for some of the peripheral economies to absorb higher interest rates. The Fed may stay on hold for longer but rates are still anticipated to rise there in the next 12 months.
- German and US long-term interest rates have risen more than 1% from their cyclical lows, in line with higher short rate expectations and better growth numbers. Indeed, the general consensus is that German and US yields will rise further over the course of 2011, although they may stabilise or fall further in the immediate term, given the large rise to date and the wobbles in risk assets. This month is set to produce another major EU policy announcement on the peripheral debt crisis, much of which has been previewed in the past weekend, but investors remain concerned that they are being softened up for sovereign default in the weaker eurozone countries.
- Global equities are now in slight negative territory in euro terms so far this year but there is still a general market expectation of gains during the year, on the basis of reasonable valuations and mid-teens earnings' growth. Equity markets have remained resilient in the face of surging oil prices and political unrest in the Middle East and the recent events in Japan. Rising bond yields have even been taken as a positive, as they are deemed to reflect a "normalisation" of the global economy following the financial crisis. Sentiment and survey measures point to high (possibly excessive) levels of optimism and this has proven a strong factor so far this year. We can expect gains during the year to be accompanied by periods of volatility/corrections, one of which we are experiencing at the moment.
- Currently, the funds are slightly underweight equities and slightly overweight bonds, versus the manager average. Within equity sectors, the funds are overweight technology and energy and underweight healthcare and financials, with other positions reasonably balanced. Geographically, the funds are underweight in Ireland and Europe, have a small overweight in Japan and are neutral in the US and other regions.

This outlook does not constitute an offer and should not be taken as a recommendation from Zurich Life. Advice should always be sought from an appropriately qualified professional.

