

## Global Overview

### Equity markets recover

Equity markets rebounded from three disappointing weeks, as economic data and merger and acquisition (M&A) activity, along with a further easing of the nuclear concern in Japan, helped markets to strong weekly gains.

### US economic growth

Final quarter 4 economic growth data showed that the economy grew at an annual rate of 3.1%. This is better than previous estimates and was led by strong consumer spending.

### US housing data

US housing data disappointed investors as new and existing home sales in February were both well below investors' expectations once again.

### Eurozone data

German business confidence fell slightly in March, but still remains close to record levels. Loans to European households and businesses rising 2.6% from a year ago was a contributory factor to the rise in confidence.

### Portuguese yields

Portuguese 10-year yields rose to a record high after Standard & Poor's cut the nation's credit rating. It was a tough week for the country as, further to this, its Prime Minister offered to resign after lawmakers rejected his cost-cutting plans.

### Currencies

The euro fell from a four-month high against the dollar as eurozone leaders postponed a decision on a permanent bailout mechanism when it met during the week. The €/ \$ rate finished the week 0.6% lower, at 1.41.

### Commodities

The oil price resumed its 2011 rise, mainly due to further improvements in economic data worldwide. It finished close to \$105 a barrel, a weekly gain of 4.3%.

	Index	Year to Date Return 31.12.10 to 25.03.11		1 Week Return 18.03.11 to 25.03.11	
		Local Currency %	Euro %	Local Currency %	Euro %
Global	FTSE World	2.4	-1.7	3.0	3.1
US	S&P 500	4.5	-0.8	2.7	3.3
US	NASDAQ	3.4	-1.8	3.8	4.4
Europe	FT/S&P Europe Ex. U.K.	1.6	1.6	3.5	3.5
Ireland	ISEQ	-0.1	-0.1	3.4	3.4
UK	FTSE 100	0.0	-2.4	3.2	2.5
Japan	Topix	-4.6	-9.7	3.3	3.2
Hong Kong	Hang Seng	0.5	-4.8	3.8	4.6
Australia	S&P/ASX 200	-0.1	-4.9	2.5	6.1
Bonds	Merrill Lynch Euro over 5 year Govt.	-0.8	-0.8	-0.8	-0.8

## Global Equities



### United States

#### Overview

The S&P 500 Index had its biggest weekly rally in two months following M&A activity, improving economic conditions and further estimate-beating earnings results.

**AT&T** – The telecoms company is aiming to become the biggest mobile phone provider in the US, announcing a \$39 billion deal to buy rival T-Mobile USA. This would be one of the largest US corporate takeovers in many years and would result in a gain of 34 million subscribers, leaving it with 40% of the market. On the week, AT&T rose over 3%, while the putative unsuccessful bidder, Sprint Nextel, fell 7%.



## Europe

### Overview

European stocks had a good week as easing nuclear concerns in Japan, along with economic and M&A activity worldwide, boosted investor risk appetite.

**Construction** – Construction and building-material manufacturers were among the best performers last week as investors speculated that demand will increase as the building process begins in Japan. French company, Saint Gobain, rose almost 7% over the week.



## Ireland

### Overview

The Irish market rose in line with European markets. It finished the week strongly as data showing further recovery in Europe helped Dragon Oil, CRH & Paddy Power to rally.

**Irish banks** – Analysts are speculating that the latest banking system stress tests will show that the Irish Government may need to inject as much as an additional €28 billion into the country's banks. The stress test results are to be released on Thursday evening.



## Asia Pacific

### Overview

Asian markets recovered some of their recent losses as Japan made progress in stabilising reactors at its damaged nuclear plant. After experiencing its worst week in almost a year the previous week, the MSCI Asia Pacific Index had its biggest gain since November last week. The anticipated rebuilding work helped construction and machinery stocks to lead the way. Chinese banks have rallied on solid results and hopes for an easing in the pace of Chinese monetary tightening.

## Bonds

Mainly as a result of investors' renewed appetite for higher-yielding risk assets, bonds retreated during the week. In addition, while Irish and Portuguese bonds continue to trade poorly, larger peripheral countries like Spain and Italy are performing much better. The Merrill Lynch over 5 year government bond index declined 0.8% over the week.

## Global Outlook

- Economists expect global growth to remain fairly healthy this year, albeit probably a tad lower than previously thought due to the Japanese situation. 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 had been 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 in the US 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 recent volatility in risk assets. Another major EU policy initiative on the peripheral debt crisis is set to be announced but, while Spanish bond spreads have behaved reasonably well, investors remain concerned that they are being softened up for sovereign default in the weaker eurozone countries.
- Amidst a volatile first quarter, global equities are about 1.5% lower in euro terms. But there is still a general market expectation for gains during the year on the basis of reasonable valuations and mid-teens earnings' growth. Equity markets had remained pretty resilient in the face of surging oil prices and political unrest in the Middle East and have recovered much of the Japan-induced falls. Rising bond yields have been taken reasonably well as they are deemed to reflect a "normalisation" of the global economy following the financial crisis. Sentiment and survey measures are still quite optimistic and this has proven a strong factor so far this year. After a two year bull run and when expectations are already high, plenty more volatility/corrections can be expected, even if the net outcome turns out to be a positive one.
- Currently, the funds are underweight equities and neutral bonds, versus the manager average. Within equity sectors, the funds are overweight energy and underweight healthcare and financials, with other positions reasonably balanced. Geographically, the funds are underweight in Ireland, the UK 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.

