

Global Overview

Equity markets tick higher

Most equity markets finished the week higher, as consumer confidence, housing data and earnings results worldwide continue to positively surprise investors. Investors are wary though of the speed of recovery from the lows of last March.

US spending data

The effect of the car scrappage scheme in the US could be seen in data released by the Commerce Department last week. Consumer spending rose in line with expectations in July, but when car purchases were excluded, spending was unchanged compared with the previous month. In other economic data, consumer confidence and new home sales continued to show signs of improvement.

Eurozone data

The unexpected return to growth of its two largest members, Germany and France, and the improvement in the recent GDP data helped executive and consumer confidence in the eurozone to improve over the past month. Confidence increased more than economists expected, adding to the signs that the region is emerging from its worst recession in decades.

Japanese elections

Over the weekend, The Democratic Party of Japan swept to power for the first time, as voters expressed dissatisfaction with Taro Aso's Liberal Democratic Party. The outgoing party, which had been in power for most of the past 55 years, had lost the public's confidence amid a stagnating economy and rising unemployment.

Commodities

Following a 10% rally the previous week, the oil price had a volatile period but finished the week 1.6% lower, just above \$72 a barrel. Equities and oil are trading relatively similarly, as increased demand for energy and commodities is helping improve investors' outlook for the economy. Despite the improving economic data, the dollar still remains relatively weak against a broad range of currencies. The €/ \$ rate ended the week unchanged and currently sits at 1.43.

	Index	Year to Date Return 31.12.08 to 28.08.09		1 Week Return 21.08.09 to 28.08.09	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	13.9	10.9	0.3	0.2
US	NASDAQ	28.6	25.3	0.4	0.3
Europe	FT/S&P Europe Ex. U.K.	18.8	18.8	2.0	2.0
Ireland	ISEQ	32.9	32.9	4.1	4.1
UK	FTSE 100	10.7	20.5	1.2	-0.1
Japan	Topix	12.8	6.6	2.3	3.3
Hong Kong	Hang Seng	39.7	36.1	-0.5	-0.5
Australia	S&P/ASX 200	20.6	40.1	4.6	5.3
Bonds	Merrill Lynch Euro over 5 year Govt.	3.6	3.6	0.2	0.2

Global Equities



United States

Overview

US equity markets ended the week marginally higher, as economic data continued to strengthen and a number of companies released positive trading updates, including Intel and Boeing.

Dell – Tech stocks got a boost following the release of Dell's Q2 earnings, helped by cost savings, after the contracting out of some production, and an improvement in sales of server computers, storage devices and low-cost notebooks. Dell finished the week 10% higher.



Europe

Overview

Eurozone stocks had another positive week, boosted by consumer confidence in the region, rising twice as much as expected, while further signs of improvement worldwide also helped increase the appeal of equities.

Natixis – The French investment bank saw its shares rally by almost 50% after BPCE, the lender that controls 72% of Natixis, said it would absorb most of its losses from structured credit holdings.



Ireland

Overview

The Irish market was one of the strongest last week after it recorded a 4% increase. Banks gained strongly as plans for NAMA advanced, while Kingpsan, Kerry Group and Paddy Power all advanced after better-than-expected earnings results.

CRH – CRH saw its shares end the week 7% lower after pre-tax profit fell by 82% in the first half of the year. It also said earnings will decline at a slower pace in the second half of 2009 as it trims expenses.

Aer Lingus – The airline revealed its worst six-month financial performance after its losses nearly quadrupled in the first half of 2009 from the same period last year, due to falling passenger numbers and fare cuts. It also warned of the need for an overhaul of its strategy and costs, if it is to survive.



Asia Pacific

Overview

Most Asia Pacific markets had a strong week, except for China, as economic data worldwide recovers. Also, many consumer stocks saw an improvement in earnings due to the positive effects of government stimulus packages, these included Woolworths & Harvey Norman. China fell by 3% over the week, mainly due to concerns of slowing bank lending.

Bonds

Eurozone bonds rose for the third week running, despite economic data in the region continuing to point to a recovery. Investors are not convinced that the recovery is sustainable, increasing the appeal of the safety of government bonds. The Merrill Lynch over 5 year government bond index rose by 0.2%.

Global Outlook

- Economic data has improved after being in freefall earlier this year and GDP forecasts are currently being revised higher; indeed France, Germany and Japan have all recorded positive growth in the last quarter. The strains within the financial system have eased considerably although outside of China, bank lending is still restricted and this remains a concern for policymakers.
- Much of the improvement can be attributed to the unprecedented scale and scope of policy initiatives to save the banking system and offset the collapse in private sector demand. Because of the scale of the global crisis, the ultimate success of these efforts (or their unintended consequences) is still far from certain.
- Short rates have likely reached their cyclical lows in the major economies, at somewhere between 0% and 1%. The major central banks continue to walk a fine line between committing to keep policy sufficiently easy to ensure recovery, while continuously talking about exit strategies from the current emergency policy settings. Investors' expectations regarding how soon short rates will be increased are still being scaled back. Rates should remain very low for some time to come.
- Inflation data in most of the major economies remains weak at both the consumer and producer level. That may continue to provide some support to bonds, although the exit from emergency short rates (whenever that comes) is unlikely to leave bond markets unaffected. In the eurozone, peripheral bond markets have seen their spreads over Germany narrow aggressively, but in the short-term the scope for further narrowing must be limited.
- Developed equity markets have been boosted by recent earnings' data and some better economic data. Globally, markets have made a new recent high, although the upward momentum seems to be stalling somewhat. China's equity market surge had been a positive for sentiment but its bubble-like behaviour has become a concern. It is noteworthy also that final demand in Europe and the US remains weak and that a lot of the earnings from those regions (outside of financials) have been boosted by cost control. Market sentiment seems to have swung to an extremely bullish stance in the past couple of weeks, so we could easily see some consolidation in the near term. Seasonal concerns could also be a factor in markets over the next few weeks.
- Currently, the funds are neutral to overweight equities and overweight bonds, versus the manager average. Within equity sectors, the funds are overweight technology and financials. Geographically, the funds have an underweight position in Ireland and the US, are closer to neutral in the UK, Japan and the Pacific Basin and are overweight in Europe.

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