

## Global Overview

### Markets extend gains

Global equity markets extended their recent gains, with several key indices touching 18-month highs as investors digested a series of important economic releases, notably from the US and China. The VIX volatility index, closely watched as a guide to risk aversion, fell by 1.7% over the week.

### US economic data

Monthly non-farm payrolls data showed that 162,000 jobs were created in March but the unemployment rate remained at 9.7%. The US ISM Manufacturing Index rose in March, taking it to the highest level since July 2004.

### Sale of Greek bonds

Greece raised €5bn through the issue of seven-year government bonds following the previous week's agreement by eurozone leaders on a financial support package for the country.

### Eurozone region PMI

Eurozone manufacturing data rose for another month in March. This is the fastest pace for more than three years, with Germany leading the surge while Greece faltered.

### Currencies & Commodities

Despite the release of robust manufacturing surveys across the globe reducing the safe haven status for the US currency, the €/£ rate finished the week largely unchanged at 1.35. Oil prices advanced briefly over the \$85 a barrel mark to hit an 18-month high, bolstered by signs of strong growth in global manufacturing levels.

	Index	Year to Date Return 31.12.09 to 02.04.10		1 Week Return 26.03.10 to 02.04.10	
		Local Currency %	Euro %	Local Currency %	Euro %
Global	FTSE World	5.6	10.6	1.3	0.8
US	S&P 500	5.6	12.2	1.0	0.2
US	NASDAQ	5.9	12.5	0.3	-0.4
Europe	FT/S&P Europe Ex. U.K.	4.6	4.6	1.2	1.2
Ireland	ISEQ	9.1	9.1	1.0	1.0
UK	FTSE 100	6.1	6.2	0.7	2.1
Japan	Topix	9.0	14.1	2.3	-0.6
Hong Kong	Hang Seng	-1.5	4.4	2.3	1.5
Australia	S&P/ASX 200	0.8	9.5	0.2	1.5
Bonds	Merrill Lynch Euro over 5 year Govt.	3.3	3.3	0.7	0.7

## Global Equities



### United States

#### Overview

The S&P 200 rose by 1% over the week as concerns about sovereign default among peripheral eurozone economies were put on the backburner, with investors instead focusing on signs that the pace of global expansion is accelerating.

**Caterpillar Inc.** – The heavy equipment-maker announced it is adding to staff numbers, showing the recovery that began last year is finally beginning to add to the jobs needed to lift consumer spending and sustain an expansion.

**General Motors Co.** – Car sales in China rose to a record level in March, exceeding US deliveries for the third consecutive month, highlighting the country's importance as the world's largest auto-market.



## Europe

### Overview

European stocks finished the week over 1% higher as fears surrounding Greece's debt problems eased along with better-than-expected economic data releases.

**BA & Iberia merger** – A regulatory hitch caused British Airways and Iberia to miss the deadline they had set to sign a definitive merger agreement to create Europe's third-largest airline group.



## Ireland

### Overview

The Irish market finished the week 1% higher, following the rally in global equity markets.

**National Asset Management Agency (NAMA)** – Finance Minister Brian Lenihan announced that an estimated €22bn will be required to cover losses from soured property loans at the five main banking institutions, and that this total could rise by a further €10bn depending on the extent of impaired loans at Anglo Irish Bank.

**Ryanair** – The airline raised its net income guidance for the full year 2010 from a previously guided €275 million to not less than €310 million, citing stronger-than-expected passenger bookings as the primary reason for the upward revision.



## Asia Pacific

### Overview

Asian markets recorded further gains last week, after Chinese manufacturing data combined with better-than-expected economic data in the US and eurozone boosted investor sentiment. Korean exports were stronger-than-expected as demand for PC chips and Korean automobiles continued to be strong.

## Bonds

Bond markets finished the week higher, despite investors move towards risk assets and fears that some European governments may consider debt sales in order to help Greece. The Merrill Lynch over 5 year government bond index gained 0.7% over the week.

## Global Outlook

- It is anticipated that the global economy will expand by around 3.2% this year, following a contraction of 2.1% last year, while inflation pressures in the developed economies are set to remain muted. A central issue is whether the private sector in Europe and the US is strong enough to allow some of the massive stimulus to be withdrawn. It is also notable that bank lending is still quite constrained and these factors make the central banks still somewhat cautious on the economic outlook.
- Concerns about the long-term consequences of the credit burst (and the unintended consequences of a myriad of policy actions), are likely to preoccupy policymakers for some time to come, while investors tend to disregard them when sentiment is positive towards risk assets. That said, it is likely that such concerns will re-emerge at some stage during 2010.
- Short rates continue to be held at emergency levels in the major economies, although rates have been increased in economies such as Australia, India and China. Central bankers in Europe and the US are keen to remove emergency policy settings but they do not want to do so prematurely, a subtle message which occasionally makes investors nervous. Despite that, it is notable that rate expectations in the UK and eurozone have only increased slightly from their cycle lows while those in the US are only 0.25% off their lows. On balance, therefore, investors expect that low rates will persist for some time.
- Inflation data, short rates and liquidity conditions continue to support most bond markets, although we have seen some divergence between the various markets of late. The key background factor remains the exit from emergency policy settings. However, the dominant theme in the eurozone has been the fiscal woes in Greece. The "solution" that has been reached is messy and untested and volatility will persist for some time because of that. It is likely that the longer-term picture for a successful euro will need a more far-reaching set of proposals.
- Global equity markets have reached new highs albeit with only moderate market activity to support the price moves achieved. Risk spreads in credit markets are quite tight with limited room for further gains there. Equity valuations are still reasonable, and we think that liquidity conditions should remain constructive, although we continue to expect the markets to be choppy during the course of the year.
- Currently, the funds are neutral to slightly long in equities and closer to neutral in bond weightings, versus the manager average. Within equity sectors, the funds are reasonably balanced but are still overweight technology. Geographically, the funds are underweight in Ireland, neutral in the UK, Europe and Japan and overweight in the Pacific Basin and the US.

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.