

## Global Overview

### Equity markets move lower

Equity markets finished lower, some for the fifth week running, following further weak data and expectations of slower-than-anticipated economic growth during the remainder of 2011.

### US employment & economic data

Data released showed that 54,000 jobs were created last month, well short of expectations which were close to 170,000. With jobless claims remaining high, and even climbing slightly towards the end of May, the unemployment rate rose to 9.1%. Elsewhere, consumer confidence fell and the ISM Non-Manufacturing Index showed expansion at a slower-than-expected rate.

### Greece

The Greek Government agreed to €78 billion in additional austerity measures and asset sales in order to help the country's finances. This new plan was put in place in order to receive the next payment of €12 billion from the bailout fund which was set up last year.

### UK outlook

Despite high inflation, further weak economic data - with the service industry data the latest to disappoint - has resulted in analysts pushing the first interest rate rise out to November, from August.

### Currencies

The euro rose the most against the dollar in four months as confidence that Greece would meet its debt obligations got a boost following its latest aid assistance. This, coupled with the softer economic data in the US, contributed to the €/£ finishing the week at 1.46, a gain of 2.5% over the week.

### Oil

The West Texas oil price finished the week on a bad note following fears that employment data and economic growth will continue to disappoint. It finished the week at \$100 a barrel.

	Index	Year to Date Return 31.12.10 to 03.06.11		1 Week Return 27.05.11 to 03.06.11	
		Local Currency %	Euro %	Local Currency %	Euro %
Global	FTSE World	1.7	-3.8	-1.5	-3.1
US	S&P 500	3.4	-5.6	-2.3	-4.7
US	NASDAQ	3.0	-5.9	-2.3	-4.7
Europe	FT/S&P Europe Ex. U.K.	0.8	0.8	-1.0	-1.0
Ireland	ISEQ	1.9	1.9	-0.9	-0.9
UK	FTSE 100	-0.8	-4.5	-1.4	-4.2
Japan	Topix	-9.1	-16.1	-1.0	-2.8
Hong Kong	Hang Seng	-0.4	-9.0	-0.7	-3.1
Australia	S&P/ASX 200	-3.4	-7.2	-2.2	-4.1
Bonds	Merrill Lynch Euro over 5 year Govt.	1.3	1.3	0.2	0.2

## Global Equities



### United States

#### Overview

US equities fell for the fifth straight week amid further disappointing economic releases, including factory orders, production and, most importantly, employment. With analysts expecting economic growth to slow, all sectors on the S&P 500 Index fell, with sectors tied to economic growth retreating the most.

**Sectors** – Autos fell after a number of companies announced weaker-than-expected sales on the back of the high oil price and Japanese supply chain issues. Stocks linked to economic growth also suffered, with JC Penny, Stanley Black & Decker and Newell Rubbermaid all declining over 6%.



## Europe

### Overview

European markets traded lower during the week on fears that economic growth, which had been weak recently, will continue that way for the rest of 2011.

**Nokia** – The mobile-phone supplier saw its shares slump 22%, to hit their lowest level since 1998, after cutting its device and services forecasts for 2011. This follows price pressure and competition from Google and Apple, mainly. Nokia is down over 40% in 2011 alone.



## Ireland

### Overview

The Irish market followed the rest of the world lower. CRH was a heavy faller late in the week, following the weak US economic picture and continued high energy prices.

**Bank of Ireland** – The bank finished what was a volatile week 30% lower. It announced during the week that it would raise capital by buying-back some bonds at a discount, while it would also have a rights issue to bolster its capital level, underwritten by the government, at 10c a share.



## Asia Pacific

### Overview

Asian stocks finished the week lower, their longest run of weekly losses since August 2008. Weak economic data worldwide overshadowed the optimism that the EU will be able to contain the debt crisis. Economic growth-related stocks suffered the most with Toyota declining after poor auto sales figures in the US, while mining companies, including BHP Billiton and Rio Tinto, fell as the price of most metals retreated from relatively high levels during the week.

## Bonds

Greek bond prices rose, pushing the two-year bond yield lower by the most in two years. However, the yield still remains at the worryingly high rate of just below 23%. Greece was granted further aid after additional austerity measures were announced by the government. German bonds were pretty flat over the week, with investors' focus now on the ECB's meeting this week for indications of the next interest rate rise. The Merrill Lynch over 5 year government bond index ended the week 0.2% higher.

## Global Outlook

- Leading indicators of economic activity suggest that global growth rates have probably peaked for now, albeit from reasonably high levels. Inflation is a regional or country-specific concern for investors – particularly in some Asian countries – rather than a global problem but there are some shared concerns, such as energy and food prices. To date, there are no major countries actively seeking currency strength, an indicator that central banks are not yet particularly concerned about inflation.
- Official interest rates in the US and eurozone remain close to emergency levels. Indeed, Japan has had such low rates for over 15 years now. After the recent ECB rate hike, investors anticipate that rates could be increased by another 0.4% or so by year end, but any further increases may prove difficult for some of the peripheral economies to absorb. The Fed may stay on hold for longer but rates are still anticipated to rise gradually from the first quarter of 2012.
- Although forecasters expect that German and US long-term interest rates will rise during the course of the year, the recent fall from their cyclical peaks may be extended for a while yet amid some near-term risk aversion in markets. The Spanish bond market had behaved reasonably well year to date, with investors making a clear distinction between it and other peripheral markets. While some concerns are beginning to emerge in Spain now, the major concern rests with Greece. Investors are experiencing “periphery fatigue”, with a seemingly endless series of announcements and leaks on the matter. Talk of “restructuring” in Greece has become more pronounced, with investors also pricing for significant sovereign default in both Portugal and Ireland.
- Amidst a volatile start to the year, global equities are down 4% in euro terms but have been pretty resilient in the face of the bad news that has hit markets this year, such as surging oil prices, political turmoil in the Middle East and the Japanese disaster. There is still a general market expectation for gains during the year on the basis of reasonable valuations and earnings' growth. Actual earnings' data has been better than expectations of late, although changes to earnings' expectations have become less positive of late. In the short-term, more talk of peripheral default, concerns over more aggressive Chinese monetary tightening and the peaking of global growth expectations may cause some further risk aversion.
- Currently, the funds are underweight equities and slightly overweight bonds, versus the manager average. Within equity sectors the funds are underweight financials and pharmaceuticals and overweight technology. Geographically, the funds are underweight in most areas but remain overweight the Pacific region.

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.