

## Global Overview

### Equity markets retreat

Most equity markets ended the week lower, as worries about lower growth levels in China and weak economic data releases from the eurozone region prompted profit-taking in riskier asset classes over the second half of the week.

### US economic data

US housing data releases show that new home sales slipped for the second consecutive month in February, while existing home sales figures also came in lower-than-expected.

### UK retail sales

Latest UK retail sales figures revealed that sales volumes fell by a larger-than-expected 0.8% in February, the worst in nine months.

### Eurozone economic data

According to the composite purchasing managers' index (PMI), eurozone manufacturing and private sector activity fell more than expected in the early months of 2012, indicating that the region fell back into recession in the first quarter.

### Currencies

Despite eurozone debt worries resurfacing, the euro gained almost 1% against the dollar, resulting in the €/ \$ rate ending the week just below 1.33.

### Oil & gold

The West Texas oil price traded within a choppy range last week, on the back of disappointing economic data releases. Overall, though, crude oil ended the week slightly lower at just under \$107 a barrel. Gold touched a two-month low below \$1,630 before recovering to end the week slightly higher.

	Index	Year to Date Return 31.12.11 to 23.03.12		1 Week Return 16.03.12 to 23.03.12	
		Local Currency %	Euro %	Local Currency %	Euro %
Global	FTSE World	11.1	9.2	-1.1	-1.7
US	S&P 500	11.1	8.6	-0.5	-1.2
US	NASDAQ	17.8	15.1	0.4	-0.3
Europe	FT/S&P Europe Ex. U.K.	10.2	10.2	-2.5	-2.5
Ireland	ISEQ	12.5	12.5	-2.8	-2.8
UK	FTSE 100	5.1	5.1	-1.9	-2.3
Japan	Topix	17.0	6.8	-1.6	-1.3
Hong Kong	Hang Seng	12.1	9.5	-3.0	-3.8
Australia	S&P/ASX 200	5.3	4.9	-0.1	-2.1
Bonds	Merrill Lynch Euro over 5 year Govt.	4.6	4.6	0.2	0.2

## Global Equities



### United States

#### Overview

The S&P 500 Index fell below the 1,400 level, to post its largest weekly loss for the year so far, amid investor concern about the strength of the global economic recovery.

**Apple** – The technology company launched its third-generation iPad tablet last week, selling more than three million devices in the first four days of its availability. In addition, the company announced its first dividend of \$2.65 and will buy back stock, returning \$45 billion to shareholders over three years. The share price ended the week 1.8% higher.

**Nike** – The sporting goods company reported that the latest quarterly revenue figure rose around 14% to \$5.8 billion, driven by strong demand in North America, well above analysts' expectations.



## Europe

### Overview

European equity markets fell 2.5% amid disappointing output data (manufacturing PMI's in Germany and France) from Europe.

**Roche** – The Swiss pharmaceutical giant has extended its hostile \$5.7 billion (€4.2 billion) bid for US gene mapper, Illumina, by four weeks.



## Ireland

### Overview

The Irish equity market traded in line with most other markets, to end the week almost 3% lower.



## Asia Pacific

### Overview

Asian equity markets suffered losses last week, with Australian mining and Japanese technology stocks declining the most amid renewed growth fears for both China and the eurozone. Hong Kong's Hang Seng index had its worst week since last November, falling 3%. The latest "flash" PMI survey revealed that industrial activity in China shrank to 48.1, from February's four-month high of 49.6.

**BHP Billiton** – The mining giant raised concern about Australia's trade outlook, noting that demand for iron ore from China will flatten out as the world's second-largest economy cools.

## Bonds

Bond markets recovered from the large falls of the previous week as deterioration in risk appetite triggered a flow into safer government bonds. US, German and UK government bonds rallied sharply while, in contrast, peripheral countries endured higher debt yields. In particular, Spanish ten-year bond yields traded close to 5.5%. The Merrill Lynch over 5 year government bond index ended the week 0.2% higher.

## Global Outlook

- Year-to-date higher risk investments have been supported by some better US economic data and by ECB liquidity provisions. Investors have put less stress on any risks to growth in Europe or elsewhere. While oil prices or a resurgence in other commodity prices could add to upside inflation risks, it is otherwise likely that inflation pressures should remain reasonably modest. Currency strength continues to be resisted – in some cases, actively so – and this is normally a sign that inflationary pressures remain modest.
- Short-term interest rates remain at emergency levels in the US and the Fed has stated its intention to keep these levels until late 2014. Elsewhere, central banks are either neutral in their stance or have embarked on more easing measures. The markets now think that another ECB rate reduction is not likely but, nonetheless, low rates will also be maintained by it for some time to come.
- Some of the peripheral bond markets have been quite strong of late although Portuguese spreads remain at stressed levels. For instance, Spanish and Italian bond spreads have both tightened over 1.4% from their wides, while Portuguese bond spreads remain at a worrying 10.7% level, albeit they have narrowed considerably from their peaks. Irish spreads have behaved well, although the extremely positive consensus regarding Ireland among bond investors is somewhat concerning from a contrarian perspective. The Greek default had no immediate impact on sentiment and the view – which may be optimistic – is that the default has little if any knock-on implications for the rest of the eurozone. The generally disinflationary backdrop in the global economy suggests that long-term interest rates in the US, Japan, UK and Germany are likely to stay very low for a further considerable period of time.
- Global equities in euro terms have risen by 9% so far this year, which is an extremely strong start. As with last year, valuations are reasonable but investors are looking for signals or reassurance regarding the future earnings' picture. The markets' surge so far this year has been driven by better macroeconomic sentiment rather than earnings (earnings' estimates had been falling but this has now stopped) and this normally portends a good year. The markets seem to have become a little cautious at current levels, evident in a move to a less cyclical bias which was, in turn, triggered by a couple of recent weaker activity indicators in Europe and elsewhere. We had expected volatility to return at some stage and this remains the case; for now we will stick with a neutral stance on equities.
- The funds are now more neutral in equities and slightly overweight bonds versus the manager average. Within equity sectors the funds are pretty balanced at the moment, although continue to be overweight technology and slightly underweight basic material stocks. Geographically, the funds are underweight in Ireland and the UK, neutral in the Pacific region and Europe and slightly overweight 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.

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