



Global Overview

Equity markets rally

Improvement in economic data worldwide, along with the optimism that comes with the start of the holiday spending season in the US, led markets to strong returns over the week.

Greece

Eurozone finance ministers met to discuss ways to stem Greece's fiscal crisis. While there was no resolution during the week, further meetings will be held this week, investors are optimistic that EU lawmakers will reach a decision which will result in an updated aid package for the troubled country.

German business confidence

Latest data released from the Ifo institute showed that German business confidence unexpectedly increased. This increase is the first gain in eight months and has increased investors' optimism that growth in Europe's largest economy may rebound.

Currencies

The euro strengthened against most major currencies following upbeat economic releases in the region, which, along with positive data in US and China, increased demand for high-yielding assets. The \notin rate was 2% stronger over the week, finishing at 1.30.

Commodities

The West Texas oil price gained for another week as optimism that the eurozone may show some expansion following the unexpected rise in German confidence. The price finished the week 2% higher at \$88 a barrel. Gold rose 2% also, finishing at \$1,750 a troy ounce.

	Index	Year to Date Return 31.12.11 to 23.11.12		1 Week Return 16.11.12 to 23.11.12	
		Local Currency %	Euro %	Local Currency %	Euro %
Global	FTSE World	13.3	13.5	3.6	2.0
US	S&P 500	12.1	11.8	3.6	1.5
US	NASDAQ	13.9	13.7	4.0	1.9
Europe	FT/S&P Europe Ex. U.K.	13.2	13.2	4.5	4.5
Ireland	ISEQ	12.5	12.5	2.7	2.7
UK	FTSE 100	4.4	7.9	3.8	2.9
Japan	Торіх	6.6	-0.6	3.3	0.1
Hong Kong	Hang Seng	18.9	18.9	3.6	1.5
Australia	S&P/ASX 200	8.8	10.8	1.8	1.1
Bonds	Merrill Lynch Euro over 5 year Govt.	12.6	12.6	-0.2	-0.2

Global Equities



United States

Overview

The US market rallied strongly for its best weekly gain since June. Upbeat data worldwide, including better-than-expected housing data in the US, along with positive comments from President Obama regarding a budget agreement, supported these gains.

Stocks – Research In Motion, the maker of the BlackBerry phones, rallied almost 27% on optimism over the company's newest smartphones. With Thanksgiving and the start of the holiday shopping season, consumer stocks gained in anticipation of strong retail sales over the period.



Europe

Overview

European markets rallied strongly as German business confidence beat expectations, while the start of the US holiday shopping season also gave markets a boost. The return of 4.5% was its strongest weekly gain in almost a year.

Nokia – The mobile-technology company saw shares jump by their most in two decades after soaring over 30%. This follows reports that its Lumia smartphone sold out in Germany.



Ireland Overview

The Irish market rose all five days, returning a healthy return of almost 3% overall.

C&C – The drinks maker rose sharply late in the week after it bought Gleeson Group, the country's largest packaged alcoholic drinks distributor. It also manufactures Tipperary mineral water and Finches soft drinks. C&C's shares gained 9% overall.



Asia Pacific

Overview

Asian equities gained strongly on the back of Chinese manufacturing data, while also being supported by upbeat US and eurozone data. Japan's Topix and Hong Kong's Hang Seng Indices both rose over 3%. Optimism that China may be recovering was boosted after a preliminary Chinese manufacturing index indicated that output may have expanded for the first time in 13 months. The Taiwan stock market led gains in the region after its finance minister said government-controlled funds should buy equities at their lows.

Bonds

German bond prices fell for the first time in five weeks on increased optimism that European leaders will agree on a program to stem Greece's fiscal crisis, reducing demand for the region's safest assets. French bond prices also fell after Moody's Investors Service cut the country's credit rating by one notch, to Aa1, and cited a worsening economic growth outlook for the country as its reason. Overall, the Merrill Lynch Over 5 Year Government Bond Index was 0.2% lower over the week.

Global Outlook

- Growth expectations have moderated during the course of the year and the macroeconomic backdrop is unscientifically characterised as 'ok but below trend'. Meanwhile inflation expectations remain contained although gold remains strong against most currencies. Countries continue to display little interest in currency strength and this is generally a sign that the inflation concerns of policymakers remain modest. Debt-related issues remain a distinct worry for investors, with this year's focus on the peripheral eurozone crisis now being added to by concerns over the US 'fiscal cliff'.
- Short-term interest rates look set to stay at emergency levels in the US until 2015; in addition the Fed will continue to provide significant volumes of 'extraordinary' stimulus. Other central banks are generally either neutral in their stance or have also embarked on easing measures. The ECB now has another programme in its arsenal Outright Monetary Transactions, OMT which aims to solve the peripheral debt crisis. Its official short term rates will stay exceptionally low for quite some time to come and even more additional measures are likely at some stage, with negative deposit rates a distinct possibility in some countries.
- Possible future action by the ECB under its OMT programme which would target short dated bonds caused a sharp rally in peripheral debt, particularly in Spain. Given the history of false dawns in this crisis some scepticism remains. OMT may not be enough to dispel uncertainty across the full spectrum of bonds and implementation risks are still substantial. Supportive factors for bonds in the major markets are low short rates, central bank buying programmes in countries outside the eurozone and residual disinflation concerns. We expect that long-term interest rates in major developed countries could stay at exceptionally low levels for some time to come.
- Global equities have gained 13.5% year to date in euro terms around 13% in local currency terms in the process recovering some of
 the recent losses. Valuations have risen somewhat during the year due to higher prices and downgraded earning' expectations. But it is
 investors' perception of the macroeconomic backdrop mostly fuelled by the eurozone crisis that has been the swing driver of sentiment
 this year. Sentiment had become very positive and left markets vulnerable to concerns over the cyclical earning's picture, renewed
 eurozone worries and the US fiscal 'cliff'. This left markets vulnerable to the type of a correction which we saw in the last number of
 weeks and gave us the opportunity to close our underweight equity position.
- Zurich Life funds are now much closer to neutral equities and remains overweight bonds versus the manager average. Within equity sectors, we remain somewhat underweight basic materials, industrials and consumer stocks and more neutral in other areas. Geographically, the funds are underweight in Ireland and the UK, neutral in Japan, Europe and the US and 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.

Zurich Life Assurance plc

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