

# Market Review

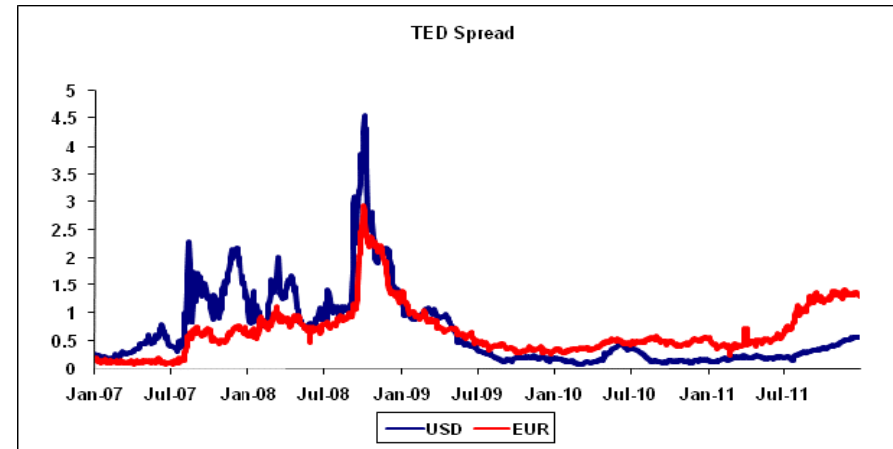
December 2011



# Market Signposts

## Economic data stabilized in the US

Markets In December		
	December	2011
Ireland	5.6	0.6
UK	0.8	-3.5
US	1.0	2.1
NASDAQ	-0.6	-1.8
Europe	0.6	-12.7
Japan	0.0	-18.0
Pacific	0.0	-12.8
World	0.6	-5.7
Bonds	5.3	3.9



Oil	-1.7	-1.3
Gold	-10.4	9.6
Commodity	-2.0	-5.0



# Asset Watch

## ➤ Equities

- The weaker economic outlook and the ongoing European sovereign crisis will curb equity gains in 2012. However valuations remain attractive and therefore we expect single digit gains for equity markets in 2012.

## ➤ Bonds

- Accommodative monetary policy will continue to keep short dated yields lower during 2012, leaving the front end of the yield curve steep. We expect the Merrill Lynch > 5 year index to return 4%.

## ➤ Property

- The budget did however bring some positives, with confirmation that the proposed legislation to outlaw upward only rent review in existing leases is not possible; a reduction in stamp duty; and a new CGT exemption. These are likely to encourage investment activity however risks around the domestic economy and wider Eurozone issues persist.

## ➤ Cash

- The ECB is expected to cut rates further in 2012 and therefore we expect cash to return 0.5%.



# US Economic Review

## ➤ Economy

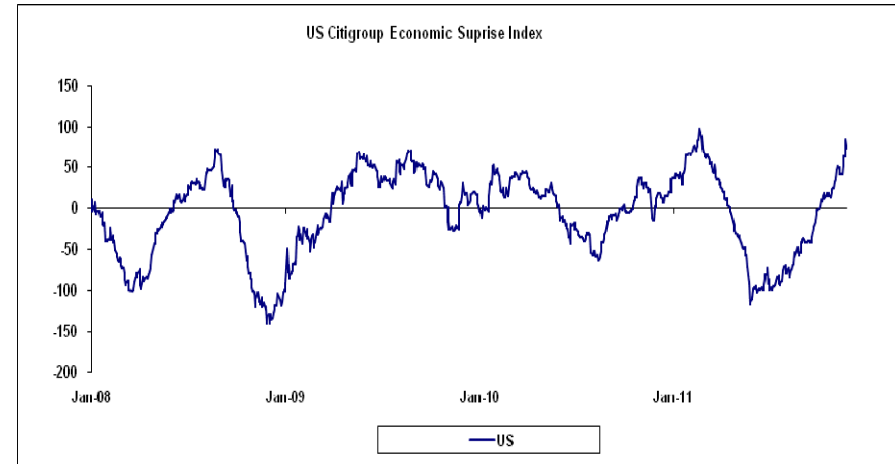
- US Data continued to surprise to the upside.
- ISM Manufacturing and Non-Manufacturing indices held steady in December and continued to point to economic expansion.
- Consumer spending has been more resilient than would have been expected.

## ➤ Interest Rates

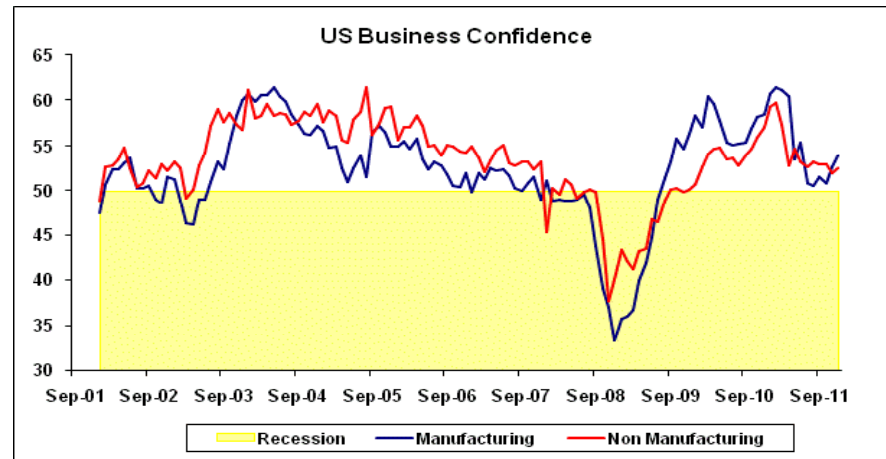
- The Fed has committed to a zero interest rate policy until 2013 but did acknowledge the modest improvement in data.
- Headline CPI eased to 3.4% YoY from 3.6% YoY, while core CPI stands at 2.2% YoY.

## ➤ Stock Stories

- **Amgen (+11%)** A significant 29% dividend increase, the well received announcement of senior management changes and the completion of a \$5bn share buyback boosted Amgen's shares.



## US Inflation



# Eurozone Economic Review

## ➤ Economy

- Eurozone leaders agreed to move towards closer fiscal integration at the EU Summit.
- Europe will also commit an additional €150bln to IMF.
- France agreed €7bln additional deficit adjustment measures.
- The Economic outlook remained weak, particularly for peripheral countries.

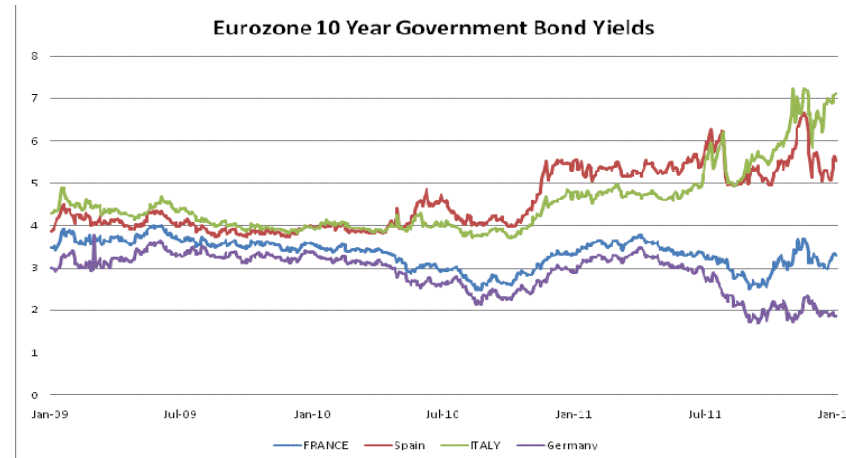
## ➤ Interest Rates

- ECB cut interest rates by 25bp to 1% and provided additional supports to the banking system such as a 3 year LTRO and lower collateral requirements for the banks.
- Eurozone HICP reading was 3.3% YoY in November.

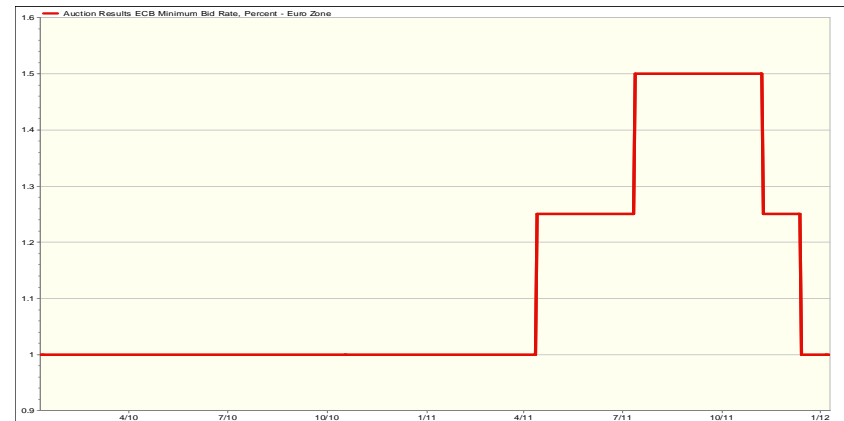
## ➤ Stock Stories

- **Nokia** shares fell 11% after analysts said the company's first Windows Phones shipments were lower than expected
- **Ahold (+10%)** held a positive investor day in November and is a beneficiary of US dollar strength relative to the euro with more than half of its profits generated in the US.

## US \$ Per Euro



## ECB cut interest rates



# UK Economic Review

## ➤ Economy

- The budget deficit was a little better than expected in November as core discretionary spending fell by 1.6% YoY. However receipts growth was much stronger than expected up 7%.
- Consumer confidence has fallen back to 2008/09 levels on concerns of increasing taxes, rising costs and low income growth.
- Housing prices have been weaker than expected and have fallen in December.

## ➤ Interest Rates

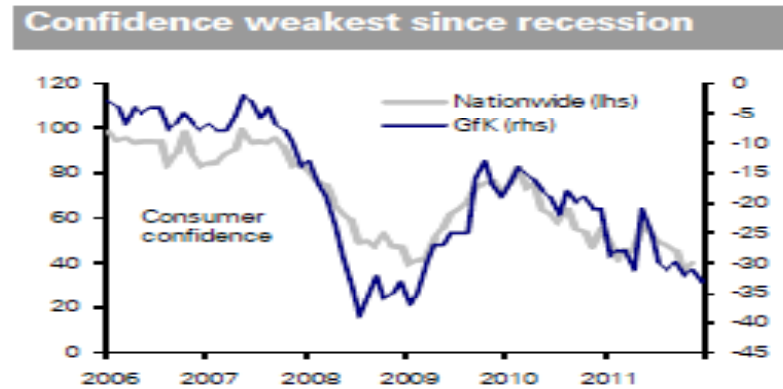
- The Bank of England left Interest Rates unchanged and announced an additional \$75bln worth of quantitative easing.
- UK inflation eased to 4.8% from 5.0% in November.

## ➤ Stock Stories

- **Old Mutual (+19%)** It agreed to sell its Nordic operations for £2.1bn, almost double the value at which analysts had valued the business.
- **Land Securities (-8%)** Concerns over the weak economic backdrop in the UK economy.

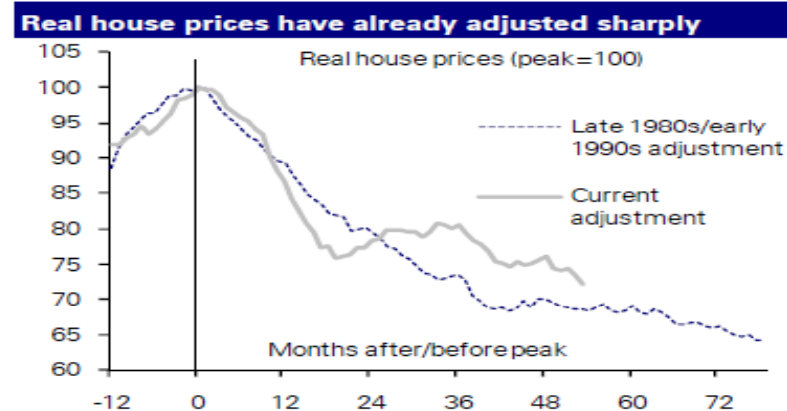
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## UK Growth



Sources: Deutsche Bank, GM Research, GfK, Nationwide

## UK House prices



Source: DB Global Markets Research, ONS, Nationwide, Halifax



# Asian Economic Review

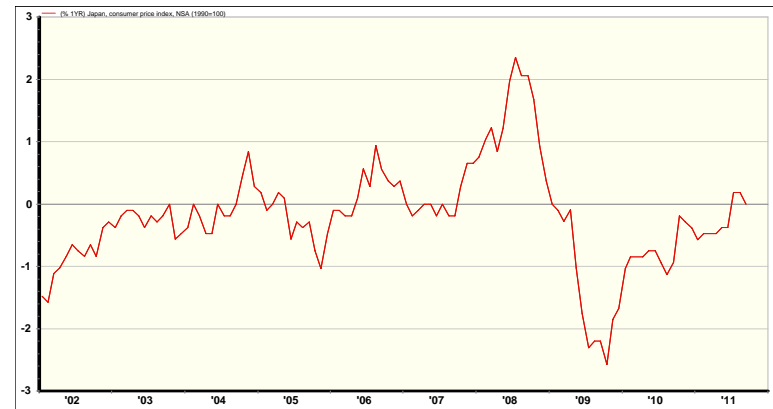
## ➤ Japanese Economy

- The latest industrial production numbers confirmed the weakness in the Japanese economy as industrial production fell by 2.6% MoM.
- Real household spending declined 1.3% in November, signalling an easing in the domestic economy.

## ➤ Chinese Economy

- Concerns continue over the property market in China.

### Japanese Inflation



### Chinese performance



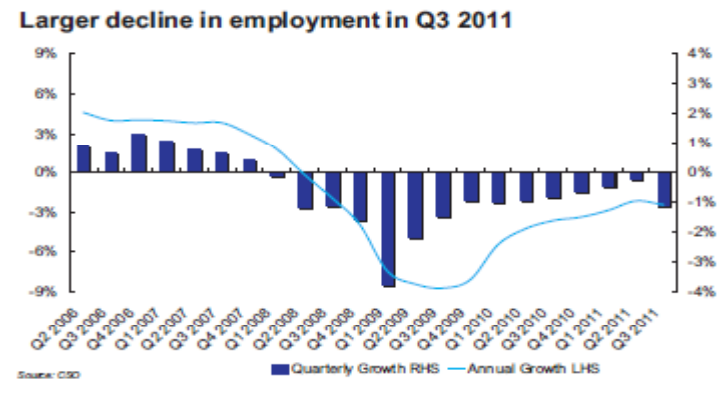
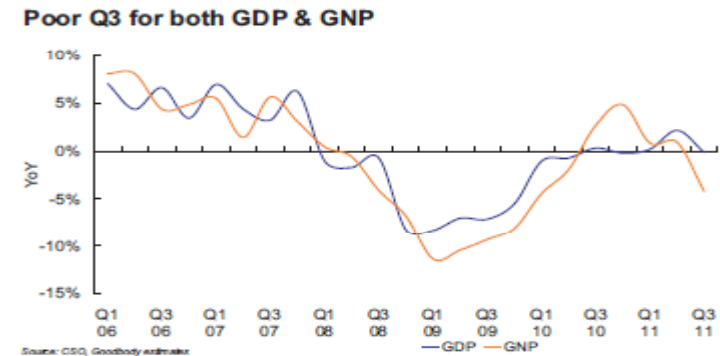
Asian Pacific ex Japan	December
Hong Kong	0.9
Taiwan	3.1
Korea	-1.0
Singapore	-1.7
Australia	-1.5
New Zealand	1.6



# Ireland Economic Review

## ➤ Economy

- The Irish GDP contracted by 1.9% in the third quarter, while GNP contracted by 2.2%.
- Investment was the key underperformer, but exports the only contributor to the economy also slowed.
- Employment fell further in the third quarter reversing any strength that had been evident in the second quarter.
- The government announced €3.8bn worth of deficit reduction measures, most of which had been pre-announced.
- The ISEQ traded 5.6% higher in December, as Index bellwether, CRH, was much stronger after it was included in the FTSE 100 Index.



# Appendix



# Country & Currency Positions

## Currency Position

Currency	
UK £	6.89%
Sweden Kr	0.34%
Australia \$	0.25%
Norway Kr	0.20%
Japan Yen	-0.96%
US \$	-1.03%
Euro	3.04%

As of 4<sup>th</sup> of January

## Country Position

COUNTRY	New Months Weights
United Kingdom	4.00%
Italy	2.50%
Netherlands	2.50%
Spain	2.50%
United States	2.34%
Hong Kong	0.72%
Korea	0.20%
Canada	-0.16%
Singapore	-0.52%
Sweden	-0.97%
Germany	-1.22%
France	-1.83%
Taiwan	-1.87%
Switzerland	-1.94%
Japan	-2.25%
Australia	-4.00%

As of 3<sup>rd</sup> of January



# Disclosure Statement

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