

# Market Review

March 2012



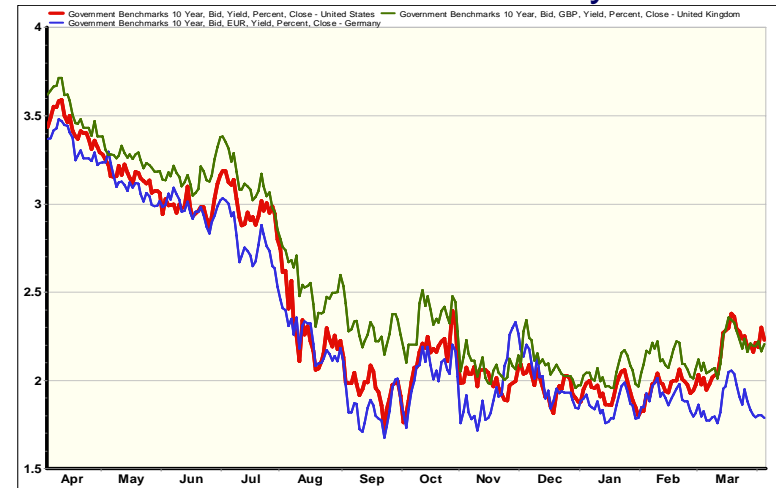
# MARKET SIGNPOSTS

## Markets In March

|         | March | YTD 2012 |
|---------|-------|----------|
| Ireland | 1.4   | 12.2     |
| UK      | -0.9  | 6.1      |
| US      | 3.3   | 12.6     |
| NASDAQ  | 4.2   | 18.7     |
| Europe  | 0.2   | 9.7      |
| Japan   | 3.0   | 18.6     |
| Pacific | -0.3  | 11.0     |
| World   | 1.6   | 11.3     |
| Bonds   | 0.2   | 4.9      |

|           |      |     |
|-----------|------|-----|
| Oil       | -4.2 | 3.2 |
| Gold      | -2.5 | 6.4 |
| Commodity | -2.6 | 0.4 |

## AAA Government bond yields



## GSCI Index



# 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 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

- Consumer spending remains robust despite rising gasoline prices.
- The labour market recovery continues to gain momentum.
- Housing starts and Permits continued to point to a modest recovery in the housing market. But house prices declined.

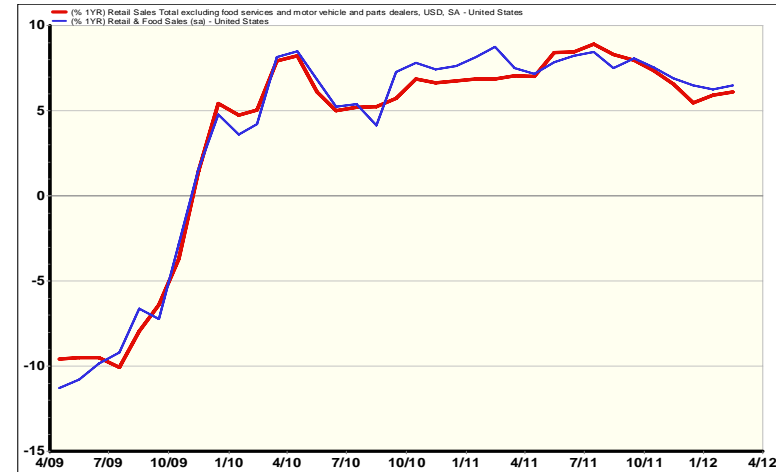
## • Interest Rates

- The Fed has committed to a zero interest rate policy until 2014 but became slightly more hawkish.
- Higher gasoline prices pushed headline inflation higher. CPI remained steady at 2.9% YoY but core inflation eased to 2.2% from 2.3%.

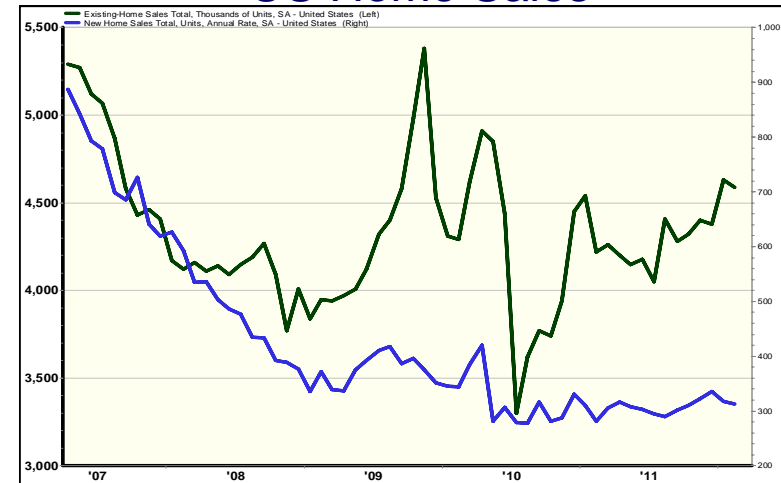
## • Stock Stories

- **JP Morgan (+17%)** JP Morgan announced a quarterly dividend of \$0.30 and a buyback of up to \$12bn, post the stress test, both higher than expected. Banks also benefited from the steeper yield curve in the US as economic data remained firm and the Fed's assessment of the economic outlook improved.

## US Retail Sales



## US Home Sales



# EUROZONE ECONOMIC REVIEW

## • Economy

- Business confidence fell in the Eurozone in March signalling that the economy continued to contract.
- The new Spanish government revealed a significant slippage in its fiscal targets for 2011 and announced an additional austerity programme for 2012.
- The latest data confirmed a severe contraction in credit in Europe at the end of 2011.
- EU leaders announced that the EFSF and the ESM will be allowed to work in parallel.

## • Interest Rates

- ECB left monetary policy unchanged in April.
- Eurozone HICP reading was 2.6% at the end of March.

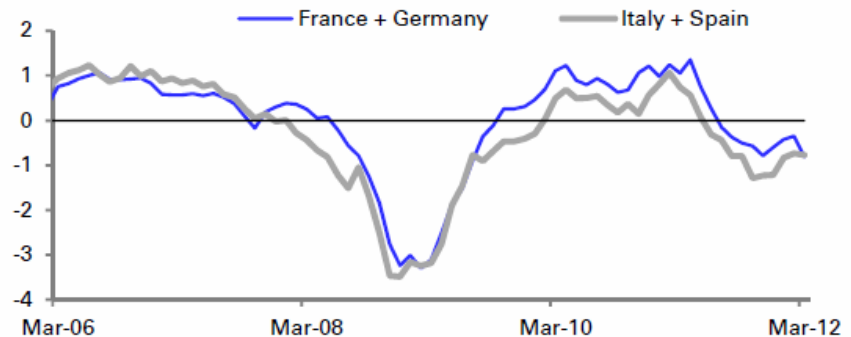
## – Stock Stories

- **Heidelberg Cement (+12%)** Better than expected 4Q2011 results and positive company guidance for 2012, primarily driven by volume growth, were responsible for the strong stock performance.



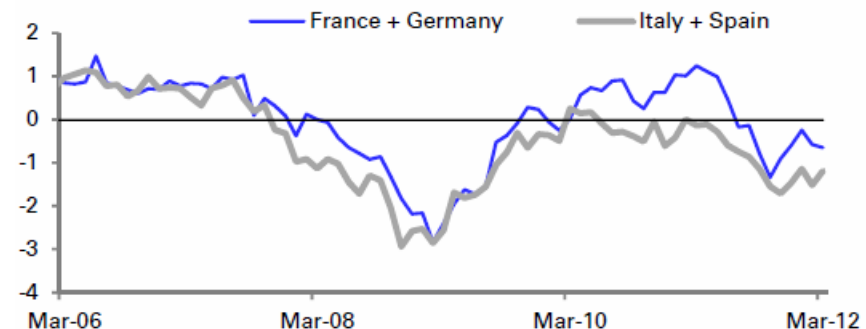
## Eurozone Manufacturing Business Confidence

Panel A: Standardised manufacturing PMIs



## Eurozone Services Business Confidence

Panel B: Standardised services PMIs



# UK ECONOMIC REVIEW

## • Economy

- The UK government confirmed that deficit reduction remains a priority. The governments growth forecast was increased but deficit targets remained unchanged.
- Business confidence confirms a slow improvement in the outlook for the UK economy.
- The labour market statistics confirm a modest improvement in employment.

## • Interest Rates

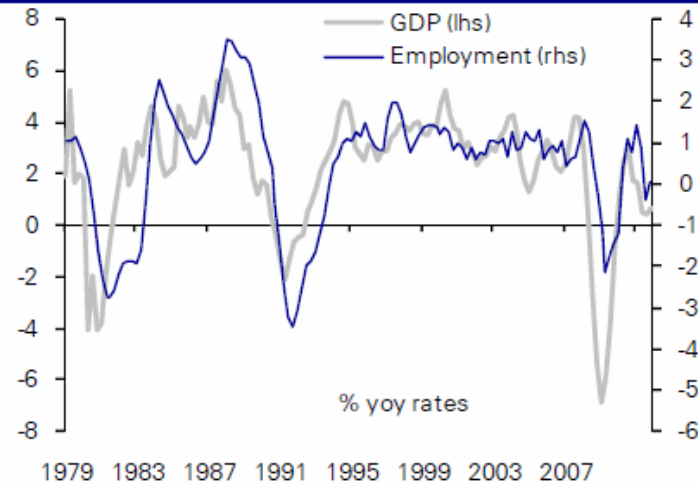
- The Bank of England left Interest Rates unchanged and announced an additional quantitative easing.
- UK inflation eased to 3.4% from 3.6% in February, albeit a slower pace than expected.

## • Stock Stories

- **International Power (+17%)** After a month of press speculation and a rising stock price, IPR received a non-binding indicative offer from GDF Suez of 390p/share for the remaining 30% of the company it does not already own.



Employment has responded less sharply to weak GDP



UK 10 Year Bond Yields

Fall in inflation slows in February



# ASIAN ECONOMIC REVIEW

## • Japanese Economy

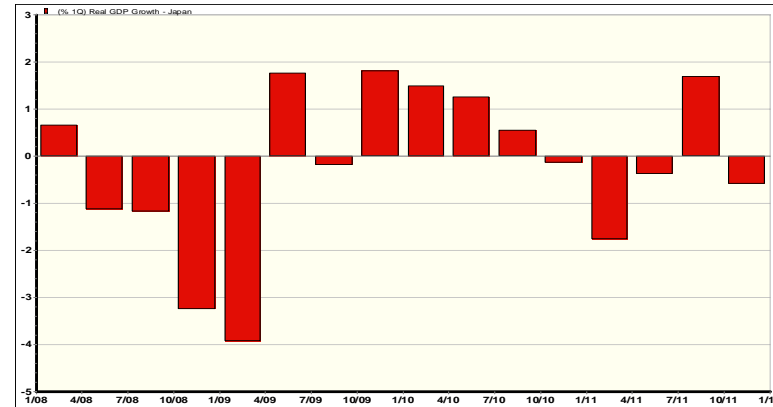
- Fourth quarter GDP was revised higher to -0.2% from -0.6%, reflecting an upward revision to private capital investment.
- Japanese equities outperformed after the BoJ surprised markets and eased monetary policy.

## • Chinese Economy

- The Peoples Bank of China cut the Required Reserve Ratio by 0.5% in February.

| Asia Pacific Ex Japan | February |
|-----------------------|----------|
| Hong Kong             | 8.4      |
| Taiwan                | 7.1      |
| Korea                 | 5.0      |
| Singapore             | 3.9      |
| Australia             | 1.5      |
| New Zealand           | 0.2      |

Japanese GDP



Chinese Stock Market Performance

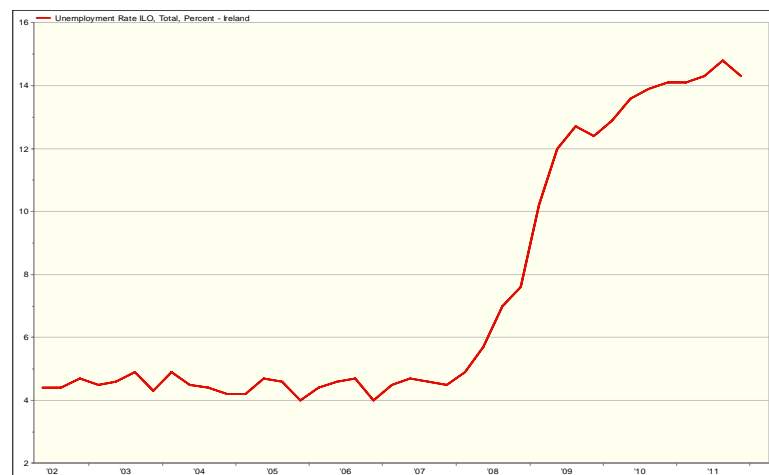


# IRELAND ECONOMIC REVIEW

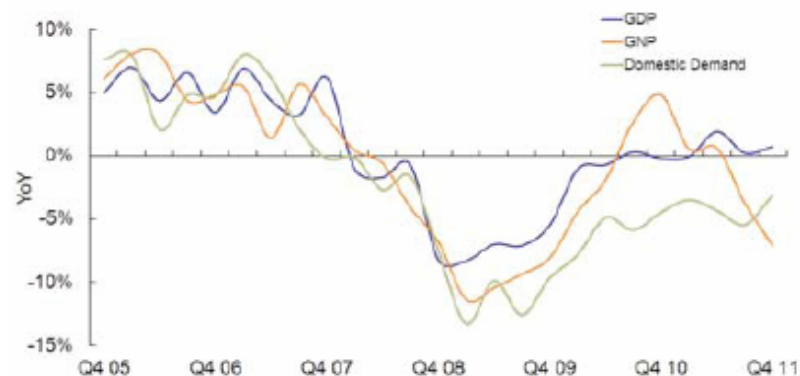
## • Economy

- The Irish Economy grew by 0.7% in 2011, but contracted in the second half of the year, dipping back into a recession.
- Domestic demand remained weak, but export growth slowed from the robust levels seen in the first half of the year.
- The Irish banks earnings reports showed further rises in mortgage arrears.
- The CSO showed that the unemployment rate fell to 14.3% from 14.8% in the fourth quarter.
- The pace of house price declines continued to accelerate in February.

Ireland's unemployment rate



Differing measures of performance



Source: CSO, Goodbody estimates



# Appendix



# Country & Currency Positions

## Currency Position

| Currency     |        |
|--------------|--------|
| Japan Yen    | -1.67% |
| Euro         | -1.42% |
| Australia \$ | -0.96% |
| US \$        | -0.05% |
|              |        |
| Norway Kr    | 0.20%  |
| Sweden Kr    | 0.33%  |
| UK £         | 3.58%  |

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

## Country Position

| COUNTRY        | New Months Weights |
|----------------|--------------------|
| Australia      | -4.00%             |
| France         | -2.44%             |
| Taiwan         | -1.89%             |
| Switzerland    | -1.75%             |
| Sweden         | -1.15%             |
| Canada         | -0.80%             |
| Germany        | -0.60%             |
| Singapore      | -0.45%             |
| Japan          | -0.44%             |
|                |                    |
| Korea          | 0.62%              |
| Hong Kong      | 0.78%              |
| Spain          | 1.28%              |
| United States  | 1.85%              |
| Italy          | 2.50%              |
| Netherlands    | 2.50%              |
| United Kingdom | 4.00%              |

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



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