

***Market Review  
November 2009***

**Irish Life Investment Managers**



# MARKET SIGNPOSTS

## Markets in November

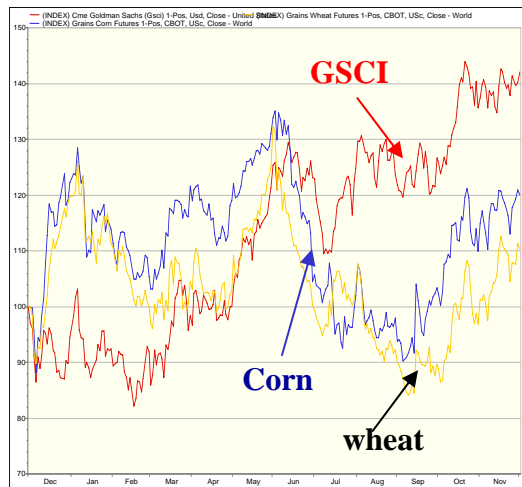
Ireland	-2.1%
UK	3.0%
US	6.0%
NASDAQ	4.9%
Europe	1.3%
Japan	-5.8%
Pacific	1.3%
World	3.2%
Bonds	0.9%

Oil	-0.5%
Gold	13.5%
Commodities	4.0%

## Peripheral Spreads Move out



Soft commodities reverse some recent weakness



## Markets YTD

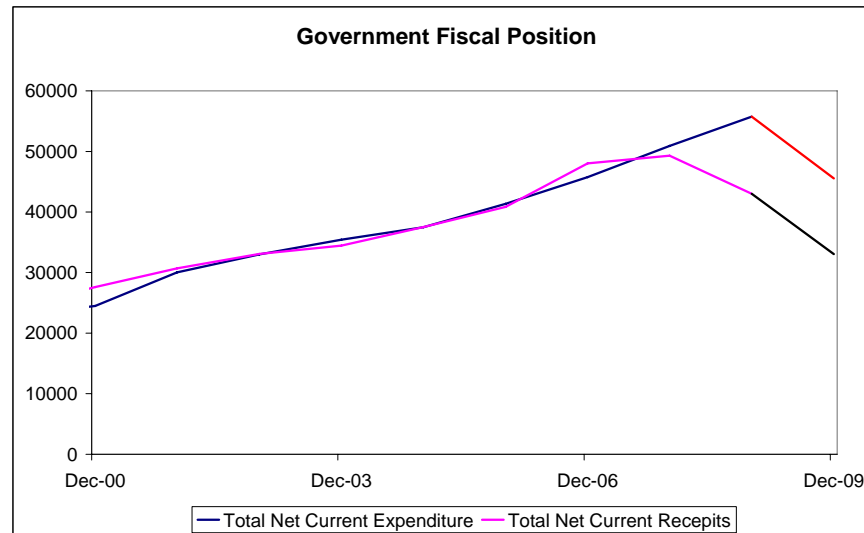
Ireland	19.8%
UK	24.7%
US	24.1%
NASDAQ	36.0%
Europe	23.5%
Japan	0.0%
Pacific	53.0%
World	24.2%
Bonds	5.4%

Oil	7.0%
Gold	33.0%
Commodities	14.0%

# Asset Watch

- Equities** Equity markets recover in line with the less negative outlook for the economy and earnings.
- Bonds** Zero interest rates in the US have set the tone for bond markets in 2009. The ECB has cut rates to 1%. At 3.16% 10 year yields ended the month inside our expected trading range of 3.0% to 3.5%. Investors will continue to focus on country risk/return opportunities. We expect a 5% return in 2009.
- Property** Irish commercial property market continues to suffer illiquidity, with uncertainty around NAMA a constraint in the short term. Strong value correction is attracting overseas investor interest. Economic weakness has and is set to continue to hit rental values. UK property market seeing price stability at the prime end but Continental European markets generally behind the UK in the cycle.
- Cash** ECB has cut interest rates to 1% in the first half of 2009. Cash is forecast to return circa 2.5% in 2009.

# Budget 2010



- The government need savings of €4bln in 2010 or 2.5% of GDP.
- It aims to cut spending by €2.5bln, of which €1.3bln is expected to come from the public sector pay bill.
- The capital budget is expected to be cut by €750mln.
- Tax increases (or new taxes) are suppose to raise an additional €750mln.

# US



## Economy

**Hard economic data continued to improve in the US:-**

- Industrial Production and factory orders rebounded.
- Retail sales were better than expected despite reports of a weaker start to the holiday season.
- Housing market continued to stabilise, although delinquencies continued to rise in the third quarter.
- The third quarter GDP was revised down to 2.8% YoY from 3.5% on the back of weaker personal consumption.

## Interest Rates

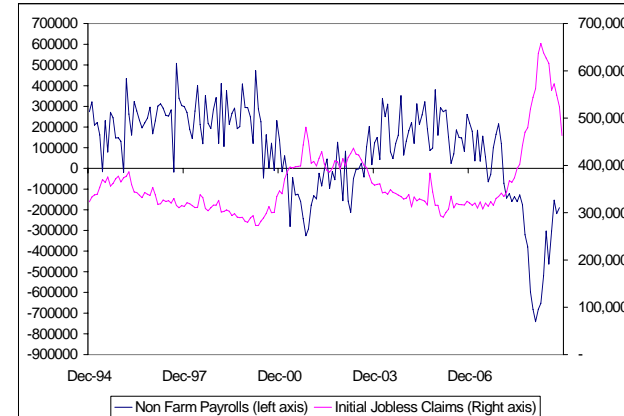
- The Fed left rates unchanged at record low range of 0 to 0.25% and signalled that rates will be left unchanged for an extended period.
- Headline negative inflation eased to -0.2% YoY from -1.3% in October, while core increased by 1.7% YoY.

## Market

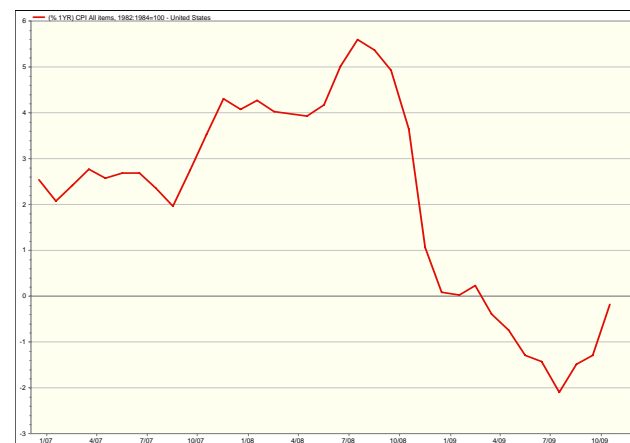
- Merck (+17%) after closing the merger with Schering Plough.
- Lockheed (12%), Fedex (16%), Ingersoll Rand (+12%) outperformed in line with the industrial sector.

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## Labour Market



## US Inflation



# Europe



## Economy

### The Eurozone move out of recession in the third quarter:-

- Policy stimulus, exports and inventory boosted growth.
- The domestic economy remained weak and retail sales has declined for the previous five months.
- Car sales have been boosted by car schemes.
- The leading indicators continue to point to growth in the fourth quarter.

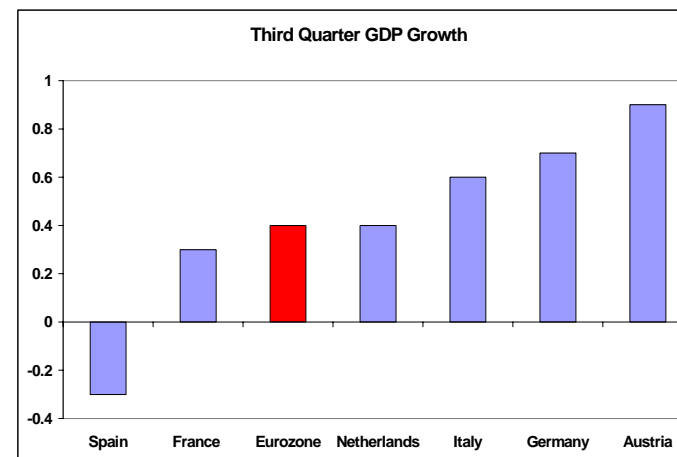
## Interest Rates

- The ECB left rates unchanged at 1.0% in November. It will hold a twelve month LTRO auction in December.
- HICP in the Eurozone was +0.6% YoY in November the first positive reading since May.

## Market

- Swiss Re (+14%) results were significantly ahead of forecasts.
- ING (-12%) continued to underperform after the worse than expected outcome from EU Commission.

## Eurozone GDP



## Eurozone Retail Sales





## Economy

The UK economy continued to inject liquidity into the economy:-

- The government is investing an additional £30bn into RBS and Lloyds.
- Leading indicators continue to point to a recovery.
- Retail sales have been helped by an increase in car sales as a result the governments' scrappage scheme.

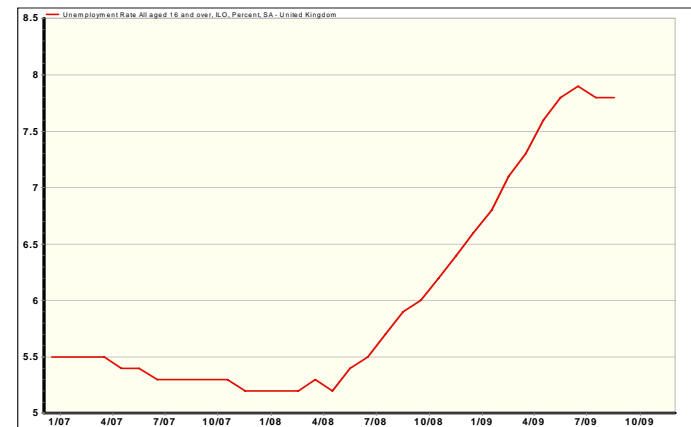
## Interest Rates

- The Bank of England left rates unchanged at 0.5% and increased its QE programme by £25bn.
- Inflation increased to 1.5% YoY, up from 1.1%, while core was 1.9% YoY.

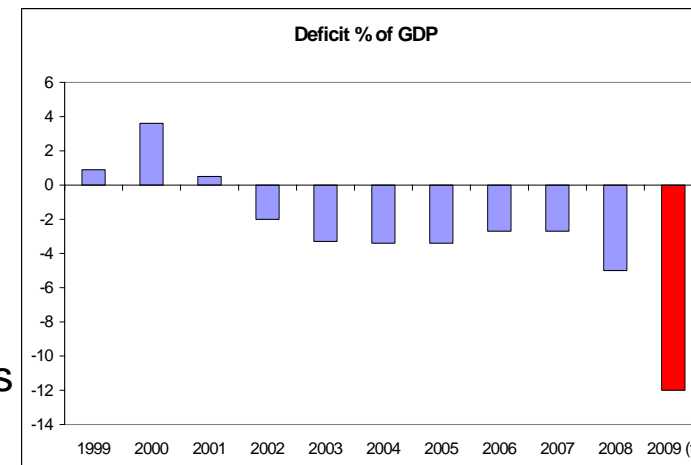
## Market

- Xstrata (+21%) benefited from stronger commodity prices
- RBS (-21%) after the outcome of EU review of its various support packages were worse than expected.

## UK Unemployment Rate



## Government Stimulus



# Japan



## Economy

**Japanese economy grew by 1.2% in the third quarter:-**

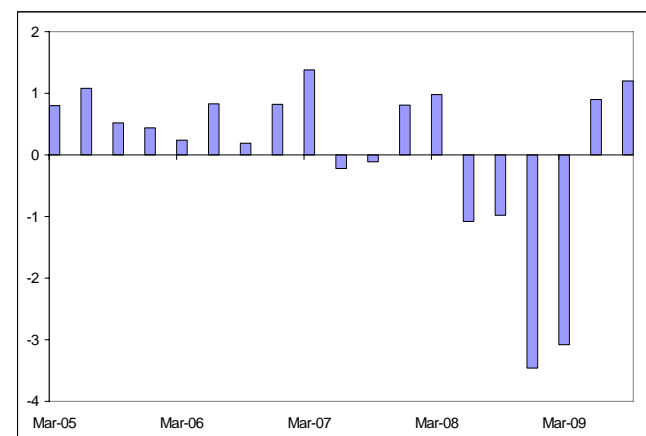
- Fiscal policy and stimulus package boosted consumption.
- Exports and a rebuild in inventories also helped.
- CPI was down -2.5% YoY, while core was -1.1% lower.
- The Bank of Japan left rates unchanged but upgraded its assessment of the economy for the third consecutive month.
- Exports and household spending remained strong in October.

## Asia

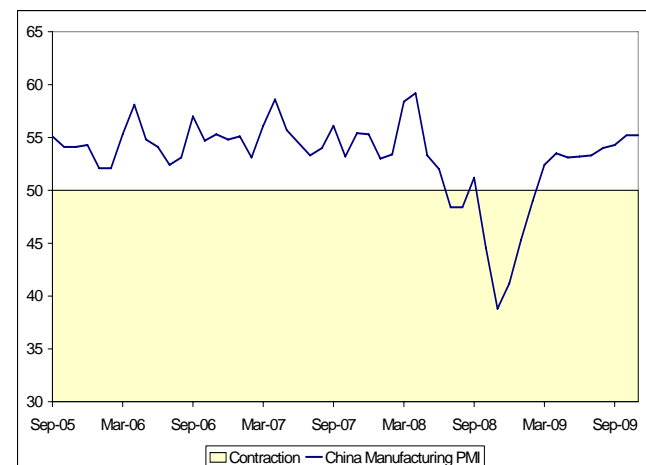
**China:** The Chinese continues to recover strongly as the leading indicators remain robust.

<b>Taiwan</b>	<b>2.7%</b>	<b>Hong Kong</b>	<b>+0.7%</b>
<b>Korea</b>	<b>-0.7%</b>	<b>Australia</b>	<b>1.7%</b>
<b>Singapore</b>	<b>3.8%</b>	<b>New Zealand</b>	<b>-3.4%</b>

## Japan GDP



## Chinese PMI



# Ireland

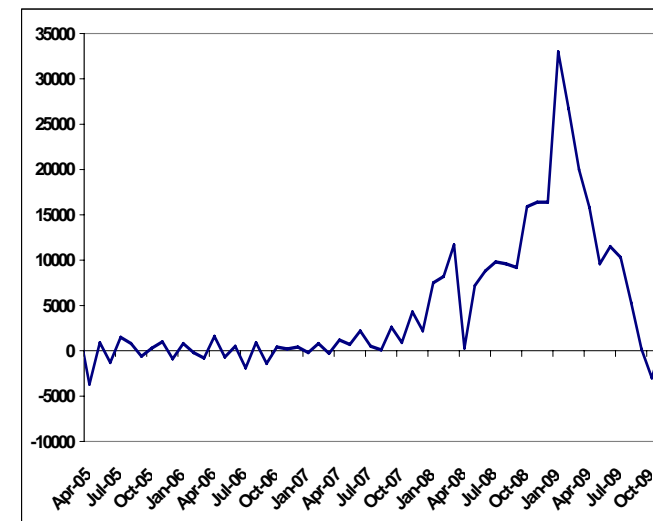


## Economy

Recent data is showing signs of stabilisation for the Irish economy:-

- Retail sales rebounded further in September and are now up 1.6% since April low.
- The live register decreased by 900 in November.
- Industrial production grew by 3.5% in the third quarter.
- Construction sector remains in a deep recession as the PMI has yet to improve.
- The spread between the Irish ten year bond and the German ten year bond widened.

### Live register



Paddy Power	+11.6%	After announcing its move into the French market.
C&C	+11.5%	Plans to expand its cider portfolio with its planned acquisition of Gaymer Cider
IL&P	-34.0%	Following its trading statement

# Appendices

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## Currency Positions

Swiss Fr	3.88%
Australia \$	2.13%
Yen	2.03%
Norway Kr	0.33%
Sweden Kr	0.57%

Euro	-6.03%
US \$	-2.23%
UK £	-0.68%

- Recommended positions as at December 2<sup>nd</sup>.

## Country Positions

Italy	5.00%
United Kingdom	4.09%
US	3.31%
Hong Kong	1.07%
Sweden	1.05%
Singapore	1.03%
Taiwan	0.58%
Korea	0.37%
France	0.16%
Spain	-1.08%

Germany	-5.00%
Australia	-5.00%
Japan	-2.06%
Switzerland	-1.95%
Netherlands	-1.57%

- Recommended positions as at December 2<sup>nd</sup>.

# Disclosure Statement

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