

Weekly International Market Commentary

For use by Private Clients and Professional Advisors

Week ended
11 May 2012

The week was about...

“Growing fears over the impact of Greece’s possible exit from the Eurozone as political parties fail to form a government.”

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The numbers (movements week on week as a percentage)

Market	Local Currency	YTD Local
S&P 500	-1.15	7.62
FTSE 100	-1.27	0.06
DAX	0.28	11.56
CAC 40	-1.02	-0.95
Swiss Market Index	-1.68	0.31
Nikkei 225	-4.55	5.89
Hang Seng	-5.32	8.30

Source: Bloomberg

- **Greece’s possible exit from the euro** area moved to the centre of Europe’s debt-crisis debate, with Euro area officials beginning to weigh the fallout of a withdrawal even as authorities in Athens struggled to form a government. our people looking at opportunities in Europe, even though we don’t want to buy any government bonds.”
- **Spain said it would take over Bankia SA** and prepared to inject public funds into the banking group, which has the highest exposure to Spanish real estate, as part of government efforts to bolster confidence in the country’s lenders.
- **Spanish 10 yr bond yields rose** amid concerns Spain’s financial system has possible hidden losses on banks’ books. Yields rose to 6% having been as low as 4.8% in March.
- **UK manufacturing output rises sharply.** Industrial output fell slightly in March as a result of significant falls in mining and quarrying and utilities output, while manufacturing production reported a strong increase.
- **HSBC Holdings Plc**, Europe’s largest bank, said first-quarter profit rose 26%, beating analyst’s estimates, helped by increased income at its securities unit and a decline in U.S. loan losses. Pretax profit, excluding losses on the revaluation of HSBC’s own debt, rose to \$6.8 bln from \$5.4 bln in the year-earlier period.
- **The euro declined** for a second week to US\$1.2917 and fell to its lowest level in three years against the pound to €1.2440.
- **UK MPC held policy as expected.** The Bank of England’s Monetary Policy Committee voted to keep policy unchanged as had been expected, with Bank Rate held at 0.5% and the stock of asset purchases was fixed at £325bn.
- **The U.K. house-price index fell** to a six-month low in April as demand weakened after a stamp-duty exemption for first-time buyers expired, the Royal Institution of Chartered Surveyors said. The gauge dropped to minus 19 from minus 11 in March.
- **Gao Xiqing, president of China Investment Corp.**, said the nation’s sovereign wealth fund has stopped buying European government debt on concerns about the region’s financial turmoil. “What is happening in Europe right now is of course of concern,” Gao said in an interview. “We still have