

09 March 2010

# GLOBAL MARKET UPDATE

## STRONG OIL PRICES LIFT ENERGY STOCKS; MARKETS FLAT

Global equity markets were little changed on Monday. Higher crude oil prices lifted energy stocks in Europe and retailers rose after a broker upgrade for German group Metro. Defensive telecommunications firms also advanced. These gains offset declines in health care companies after AstraZeneca's cancer drug failed in trials. Chemicals companies were also under pressure. In other news, the European Commission said it was prepared to propose the creation of an European Monetary Fund, similar in style to the International Monetary Fund, to cope with future debt crises in the eurozone. Meanwhile, French President Nicolas Sarkozy said the eurozone is ready to rescue Greece should the government struggle to fund its budget deficit, arguing that the country is under attack from so-called speculators. Sarkozy's comments are among the strongest by an European Union leader to signal the bloc would bail out Greece.

US indices were mixed. Technology shares were supported by broker upgrades for Cisco and Research In Motion. However, health insurers fell after President Barack Obama criticised insurance premium increases and some cases of coverage denial in a speech in Philadelphia.

Asian indices were mixed this morning. Materials stocks declined due to concerns that Chinese demand for metals may stagnate.

### Looking Ahead

Investors will try to see more signs of economic stabilisation when the US Commerce Department's monthly retail sales data for February comes out on Friday. Analysts anticipate a negative impact from last month's severe winter snowstorms. In addition, the Thomson Reuters/University of Michigan preliminary reading on March consumer sentiment and January business inventories numbers will be revealed on Friday. Weekly jobless claims and the international trade deficit will be out on Thursday.

The European Central Bank releases its monthly report tomorrow, which is likely to have a large emphasis on the currency situation as a result of the recent problems in weaker eurozone economies. A broad spectrum of the status of recovery will be provided by industrial production figures from France, the UK, the eurozone, China, Hong Kong and India. Trade balance statistics for France, the UK, Germany and retail sales figures for China and Singapore will also be in focus, this week.

Just a few S&P 500 companies are expected to report results today, including Kroger, the largest US grocery chain and specialty retailers Collective Brands and J Crew.

### Equity Markets

**European** equities were flat on Monday, as declines in pharmaceutical groups offset gains in oil stocks. Drug manufacturer AstraZeneca slid after its cancer drug Recentin failed in a head to head late stage trial with Roche's Avastin in colorectal cancer patients. Gains in energy majors BP, BG Group and ENI were underpinned by strength in the crude oil price, which rose to an eight-week high above \$82 a barrel. Meanwhile, Royal Dutch Shell and PetroChina jointly bid more than \$3 billion for Australia's Arrow Energy.

**US** equities remained largely unchanged on Monday in the absence of any significant economic or corporate news. Telecommunications services providers were among the major gainers, as Sprint Nextel's chief financial officer said he hoped to see revenue declines slowing this year and a return to growth several quarters ahead. Meanwhile, investors welcomed the sale of insurer AIG's American Life Insurance unit, one of its overseas insurance operations, to MetLife.

**Asian** shares were mixed this morning. In Japan, exporters suffered due to a rise in the value of yen. Commodity-related stocks, such as Mitsui and Mitsubishi, also lost ground on account of weakness in gold prices. Chip manufacturers, notably Tokyo Electron, were helped by gains in technology groups in the US. Korean large-cap names KB Financial and Samsung Electronics weakened as investors took profits. Resources and energy stocks, including BHP Billiton and Woodside Petroleum in Australia, were down ahead of key data releases in China. Chinese stocks were dragged down by banks and raw-material producers due to concerns that accelerating inflation will prompt the central bank to tighten monetary policy and lower commodity prices.



as at 08/03/10

Source: Datastream, Price Index Returns in local currency. Past performance is not a reliable indicator of future results

	Market	Close as at 08/03/10	% change 08/03/10	Net change	% change 12 months	% change 5 years	% off peak during past 12 months*
US	US: Dow Jones	10552.5	-0.13	-13.68	59.24	-3.30	-1.61
	US: S&P 500	1138.5	-0.02	-0.19	66.60	-6.64	-1.02
	US: NASDAQ	2332.2	0.25	5.86	80.25	12.47	0.00
Europe	MSCI Europe	1139.0	0.11	1.21	59.57	2.30	-0.93
	UK: FTSE All Share	2864.5	0.12	3.41	60.10	13.91	0.00
	UK: FTSE 100	5606.7	0.12	6.96	58.80	11.89	0.00
	Germany: DAX	5875.9	-0.02	-1.45	60.26	33.65	-2.85
	France: CAC 40	3903.5	-0.18	-6.88	54.02	-4.45	-3.50
	Netherlands: All Share	528.2	-0.16	-0.85	68.10	-5.90	-1.13
	Italy: S&P MIB	22398.2	0.54	120.09	73.69	-30.11	-8.30
	Switzerland: SMI	6851.2	0.05	3.42	58.90	14.56	0.00
	Spain: IBEX 35	11078.3	0.53	58.50	59.70	16.86	-9.36
	Sweden: OMX	1003.4	0.53	5.32	65.18	29.34	0.00
Asia	Japan: Nikkei	10585.9	2.09	216.96	47.58	-10.94	-3.61
	MSCI Asia Pacific ex Japan	419.1	1.39	5.75	68.07	44.95	-3.40
	Hong Kong: Hang Seng	21196.9	1.97	408.90	77.80	52.70	-7.61
	Australia: S&P/ASX 200	4807.9	0.85	40.70	52.85	13.32	-2.88
	China: Shanghai Shenzhen 300	3286.2	0.81	26.42	43.72	NA	-13.23

\*This reflects the % amount that each market has fallen since its highest point in the last 12 months.

## Fixed Income Markets

**Greek** bonds rose and **German** bonds declined as Sarkozy said European countries are ready to rescue Greece if needed. Meanwhile, **UK** bonds fell after the Financial Services Authority (FSA) said it would delay rules requiring institutions to hold more securities, dampening potential demand for gilts. The FSA stated that it would be premature to increase liquidity requirements for financial institutions before the economic recovery is assured. In other developments, Portugal's government announced plans to sell €6 billion (\$8.2 billion) of assets in a bid to convince investors it can trim its budget deficit and reduce debt. **US** Treasuries also weakened amid concerns the government may struggle to find buyers for \$74 billion of securities that it is scheduled to sell this week at current rates. Elsewhere, **Japan's** 30-year bond yields opened higher this morning, before the auction of ¥600 billion (\$6.6 billion) of the debt.

as at 08/03/10		Source: Bloomberg, Merrill Lynch.			
	Market	Close (%)	Change (percentage points)		
			One Day	12 months	5 years
10-year Govt Bond Yields	US	3.72	0.04	0.84	-0.68
	UK	4.10	0.04	1.04	-0.74
	Eurozone	3.17	0.01	0.24	-0.55
	Japan	1.33	0.01	0.02	-0.18
Credit spreads (BBB)	Market	Close (basis points)	Change (basis points)		
			One Day	12 months	5 years
	US	224	-3	-487	114
	UK	287	-2	-633	184
	Eurozone	234	-2	-424	170
Japan	110	0	-156	77	



## The Longer-Term Perspective

Markets historically fall from time to time in the course of their longer-term upward progress. Investors who are willing to accept periods of market volatility and stay invested for the long term are often well positioned to grow their wealth as markets subsequently recover. Fidelity views the market reaction to them as a normal part of the investment cycle that, in itself, creates attractive opportunities for long-term investors.

As the table below demonstrates, while we may experience some short-term weakness in markets, the longer-term performance remains encouraging.

Equity markets as at 08/03/10		Source: Datastream, Price Index Returns in local currency				
	Market	% change 12 mths to 08/03/2010	% change 12 mths to 08/03/2009	% change 12 mths to 08/03/2008	% change 12 mths to 08/03/2007	% change 12 mths to 08/03/2006
US	US: Dow Jones	59.24	-44.28	-2.99	11.40	0.85
	US: S&P 500	66.60	-47.16	-7.74	9.65	4.84
	US: NASDAQ	80.25	-41.52	-7.34	5.30	9.35
EU	MSCI Europe	59.57	-45.56	-12.87	11.76	20.92
	UK: FTSE All Share	60.10	-38.80	-9.62	9.34	17.63
	UK: FTSE 100	58.80	-38.06	-8.47	7.13	16.01
	Germany: DAX	60.26	-43.71	-2.97	18.33	29.04
	France: CAC 40	54.02	-45.13	-16.39	11.16	21.64
	Netherlands: All Share	68.10	-53.10	-11.27	11.90	20.22
	Italy: S&P MIB	73.69	-59.93	-21.32	9.47	16.57
	Switzerland: SMI	58.90	-39.90	-19.89	14.35	30.96
	Spain: IBEX 35	59.70	-45.34	-10.59	22.05	22.67
	Sweden: OMX	65.18	-34.37	-22.04	19.03	28.57
	Asia	Japan: Nikkei	47.58	-43.88	-25.20	9.36
MSCI Asia Pacific ex Japan		68.07	-43.08	8.32	19.08	17.46
Hong Kong: Hang Seng		77.80	-47.02	17.35	23.77	11.61
Australia: S&P/ASX 200		52.85	-40.25	-9.59	19.48	14.85
China: Shanghai Shenzhen 300		43.72	-50.52	75.89	NA	NA

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