

Market Review

April 2012



MARKET SIGNPOSTS

Equity markets retrace

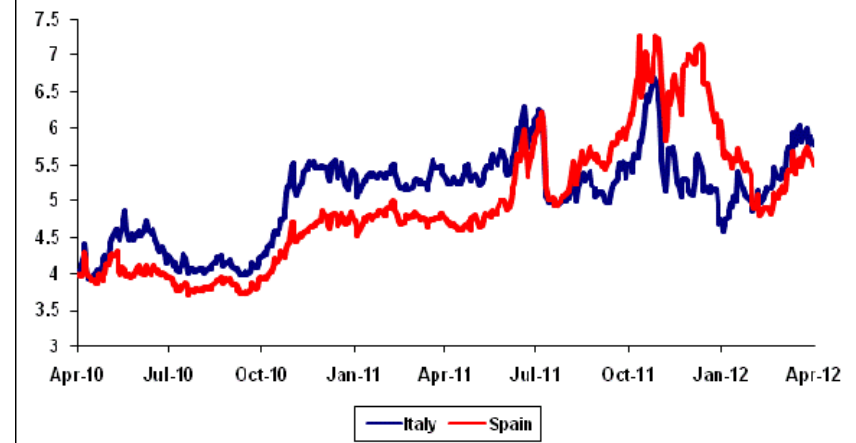


Markets In April

	April	YTD 2012
Ireland	-0.9	11.1
UK	-0.3	5.8
US	-0.6	11.9
NASDAQ	-1.5	16.9
Europe	-3.4	6.0
Japan	-6.1	11.4
Pacific	-0.1	10.9
World	-1.4	9.7
Bonds	-0.2	4.7

Oil	1.3	4.5
Gold	-0.5	5.9
Commodity	-0.8	1.0

10 Year Government Bond Yield



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

- The US economy grew by 2.2% in the first quarter, lower than had been expected.
- Consumer spending, exports, inventories and housing contributed to growth.
- Business investment was weaker than expected while government spending also disappointed.
- Only 120k jobs were created in March, disappointing expectations.

• Interest Rates

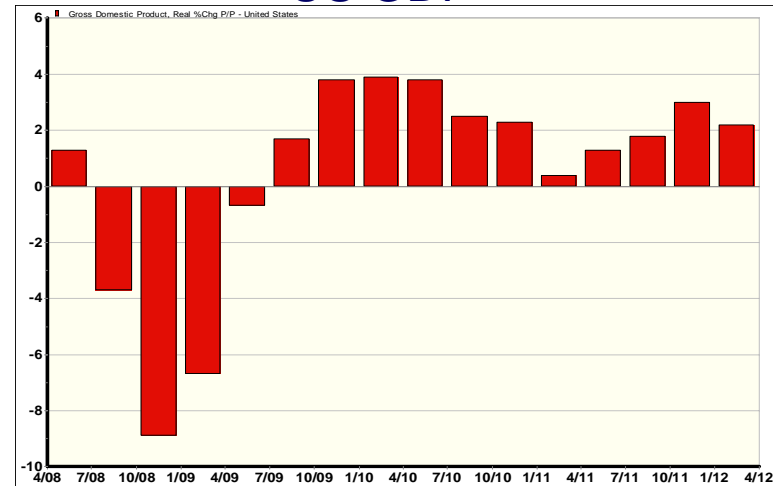
- The Fed has committed to a zero interest rate policy until 2014 but became slightly more hawkish.
- CPI eased to 2.6% YoY from 2.9%, despite higher gasoline prices. Core inflation edged higher to 2.3% from 2.2%.

• Stock Stories

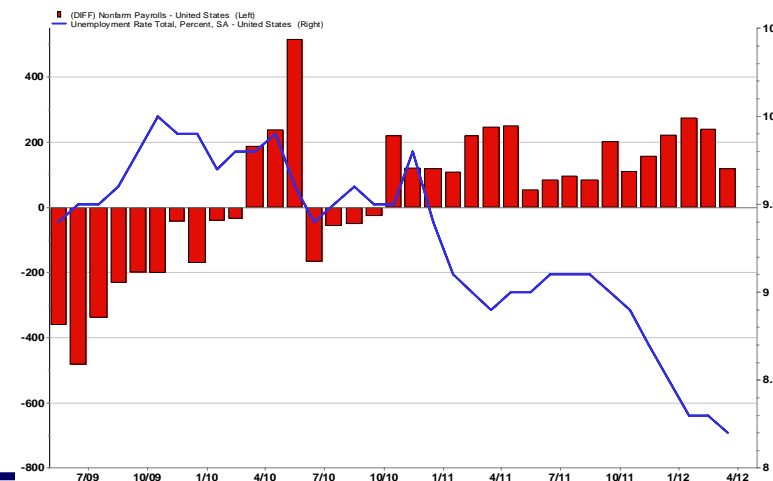
- **Mastercard (+8%)** US bank results through April indicated strong growth in their credit card activities suggesting Mastercard should similarly be experiencing strong volume growth in its card processing operations.



US GDP



US Labour market



EUROZONE ECONOMIC REVIEW

• Economy

- April manufacturing PMI declined to 45.9 from 46 expected, implying the recession has continued into the first month of the second quarter.
- The outlook for Germany remained mixed as retail sales fell, but the labour market continued to improve.
- Political uncertainty in the region increased as the Dutch government collapsed failing to agree austerity, while the government is set to change in France.
- The economic conditions in the periphery weakened especially for Spain and Italy.

• Interest Rates

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

– Stock Stories

- Swiss Re (+4%) Had an investor day where it outlined in more detail how it will achieve its ROE targets across various operations, giving investors more comfort in relation to its objectives. It reaffirmed its strong capital position.



Eurozone Manufacturing Business Confidence

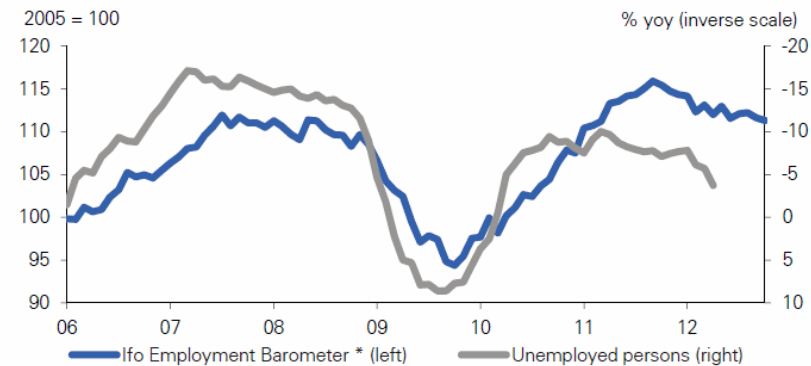
Figure 1: April manufacturing PMIs, not a pretty sight^(a)



German Labour Market

Figure 1: ifo Employment Barometer decreases slightly

% yoy (right, inverse scale), 2005 = 100 (left)



UK ECONOMIC REVIEW

• Economy

- The UK economy moved back into a recession in the first quarter.
- GDP fell by 0.2% in the 1Q12, confirming the worst economic recovery since the great recession.
- Construction was one of the primary area of weakness in the GDP data, while industrial output also weighed heavily on the data.
- Other economic data however was more robust i.e. retail sales and labour market data.

• Interest Rates

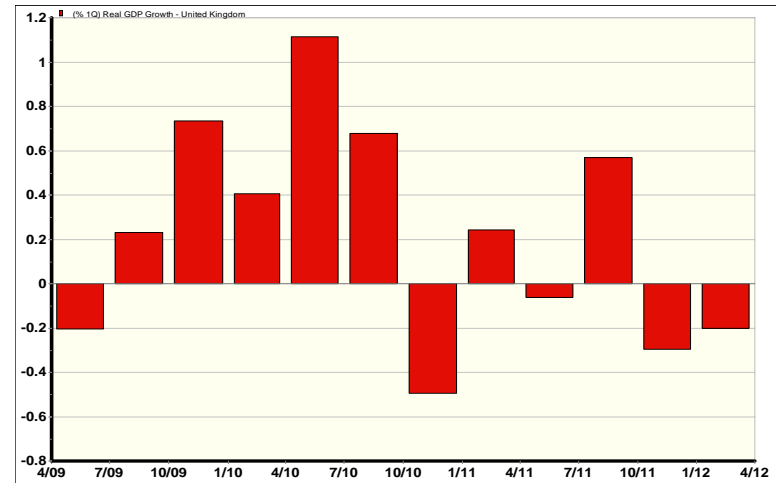
- The Bank of England left monetary policy unchanged but will give further guidance on quantitative easing at their May meeting.
- UK inflation edged higher to 3.5% from 3.4% in February, while core CPI remained unchanged.

• Stock Stories

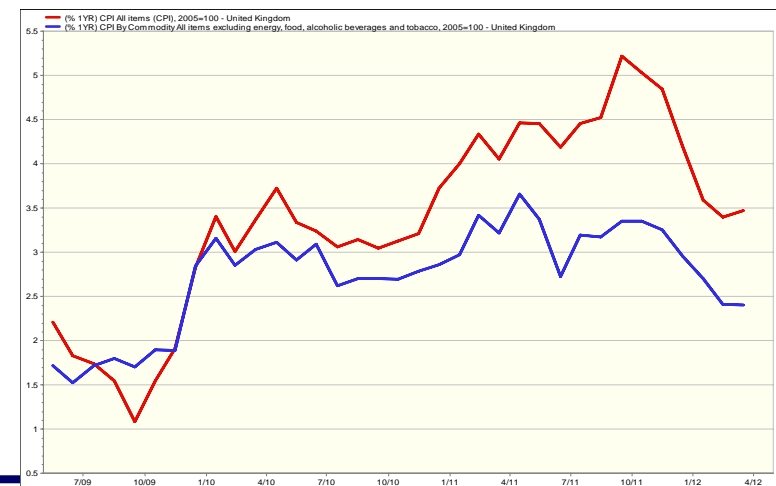
- **International Power (+5%)** After a month of press speculation and a rising stock price, IP received a non-binding indicative offer from GDF Suez of 390p/share for the remaining 30% of the company it does not already own. (March comment)



UK Growth



UK Inflation



ASIAN ECONOMIC REVIEW

• Japanese Economy

- Japanese equities underperformed in April, reversing some of the outperformance that had been seen since the middle of February.
- The economic picture remained benign as exports rose, machinery orders also jumped, but industrial production was weaker than had been expected.

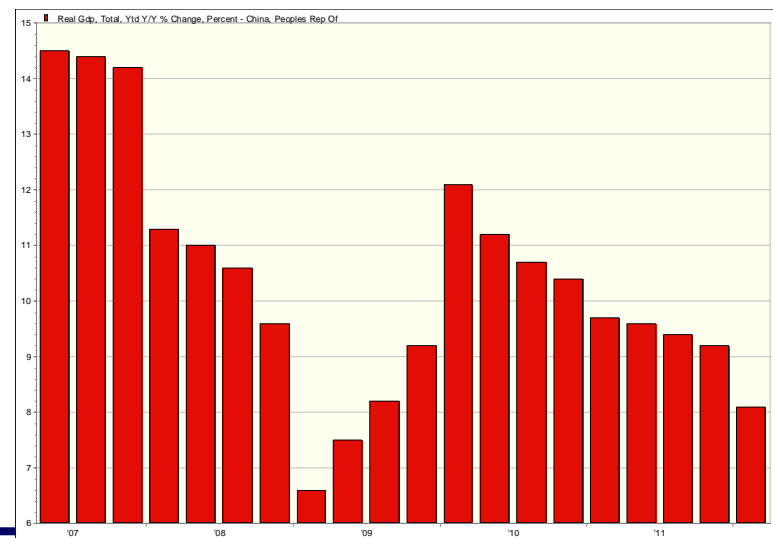
Japanese equities



• Chinese Economy

- The Chinese economy grew by 8.1% YoY in the first quarter.

Chinese GDP



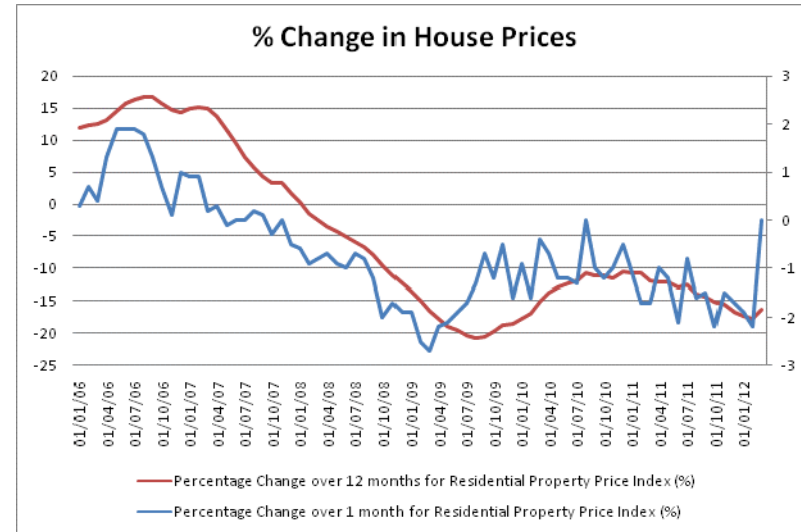
Asia Pacific Ex Japan	April
Hong Kong	1.5
Taiwan	-5.3
Korea	-0.1
Singapore	-0.9
Australia	1.4
New Zealand	0.4



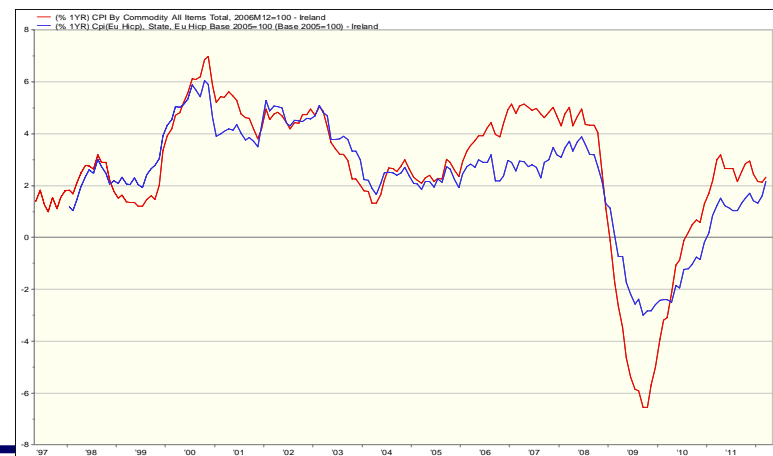
IRELAND ECONOMIC REVIEW

• Economy

- The Troika completed its sixth review of Ireland’s programme and concluded that the fiscal targets are being met by a “healthy margin”.
- Figures from the Central Bank showed that domestic holding of sovereign debt in Ireland has continued to edge higher, now standing at 23%.
- The pace of decline of Irish house prices eased in March as prices were flat in March.
- Irish inflation picked up in March, as CPI is now 2.2% higher than a year ago. Energy prices, airfares and insurance were the main contributors to the surge in prices.



Irish Inflation



Appendix



Currency Positions

Currency Position

Currency	
Euro	-4.05%
US \$	-2.94%
Australia \$	-1.86%
Japan Yen	-0.34%
Norway Kr	0.19%
Sweden Kr	0.32%
UK £	8.68%

As of 2nd May



Disclosure Statement

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**Irish Life Investment Managers
Beresford Court
Beresford Place
Dublin 1**

**Tel (01) 704 1200
Fax (01) 704 1918
Web: www.ilim.com
Email: info@ilim.com**

