



Economic

1 – 4 June

- Chinese manufacturing figures proved to be disappointing in May, falling to 53.9 from 55.7 in April.
- US housing data for April beat estimates. New home sales increased by 6.0%, with analysts speculating that the government tax credit scheme had helped to stabilise the market and boost demand.
- US jobless claims for May came in under estimates and private sector payroll figures increased by less-than-anticipated. Despite this, the unemployment figure for April was downwardly revised from 9.9% to 9.7%, although most of the improvement came from a rise in the employment of temporary workers hired to conduct the national census.
- The French parliament voted to participate in the European Financial Stabilisation Mechanism, which could worsen France's national deficit. The decision was met with a negative reaction by investors.
- The European Commission proposed the formulation of a new body to monitor the financial service industry, with the aim of tightening up the supervision of credit rating agencies.
- Eurozone GDP figures for the first quarter of the year were in-line with estimates at 0.2% growth.
- Japan's Prime Minister, Yukio Hatoyama, resigned from the post, eight months after his initiation, and two months ahead of the next proposed election. Naoto Kan was confirmed as his replacement.

7 – 11 June

- Germany released better-than-expected manufacturing data, with seasonally adjusted figures for April rising by 2.8% following an advance of 5.1% in March. Economists had forecasted a 0.4% decline.
- UK and European interest rates were kept stable following their regular review, and the European Commission issued modestly positive comments regarding future eurozone growth.
- Newly appointed Japanese Prime Minister, Naoto Kan pledged to focus on boosting the country's economy.
- Chinese exports increased by 48.5% year-on-year (y-o-y) in May.
- Japan upwardly revised its first quarter GDP figures to 5.0%.
- US retail sales fell by 1.2% in May behind the expected rise of 0.3%. However, consumer sentiment continued to improve, rising to 75.5 points in June from 73.6 points in May.

Market

1 – 4 June

- BP continued to lead the FTSE 100 index lower as attempts to block the leak off the Gulf of Mexico proved unsuccessful.
- Prudential rejected a revised deal to purchase Asian assets from AIG.
- European banking stocks were hit by an announcement from the European Central Bank which warned eurozone lenders could face up to €195 billion in a potential second wave of losses over the next 18 months.
- Investors bought gold and defensive equities for their safe-haven qualities.
- Rising copper prices helped to support mining names briefly, before falling back as the week came to an end.
- JP Morgan was issued a record FSA fine worth £33.32 million, for mixing client money with its own funds.
- European auto manufacturers did well as local investors began to rebuild their confidence levels.
- Air France KLM led the airline sector upwards after announcing passenger figures improved by 1.6% in May.
- The weakening of the Japanese yen increased demand for export names including Honda, Toyota and Nissan.
- Crude oil stockpiles fell by 1.9 million barrels in the last week of May, almost double the expected amount.

7 – 11 June

- UK markets retreated as the week began, with investors unprepared to commit ahead of the quarterly FTSE 100 reshuffle.
- BP fluctuated on speculation that dividend payments may be suspended until December and subsequent pay outs would be cut from 14% to 10%. Other oil companies fell back too.
- Mining stocks began to recover, helped upwards by rising Chinese export numbers.
- EADS posted gains mid-week after winning a contract from Emirates worth US\$11.5 billion, to build 32 double-decker 'superjumbos', as the airline pushed to increase its market share.
- US pharmaceuticals were boosted by positive joint trial results from Bristol-Myer Squibb and Pfizer.
- Eurozone banks picked up on the back of improving consumer sentiment levels and growth optimism.
- Financials led in Japan as the banking minister, a big supporter of strict regulation, announced his resignation.

Global Economic and Market Summary



Economic

14 – 18 June

- Eurozone industrial production rose by 0.8% m-o-m in May, and 9.5% y-o-y in for April.
- The German Chancellor and French President joined forces in a campaign for tighter financial regulation. They called for a global bank levy and a financial transaction tax.
- France announced its national retirement age would rise from 60 to 62 in 2018 and taxes for top level earners would be increased in an effort to reduce the country's public sector deficit.
- US housing data for May disappointed as both building permit figures and housing starts came in below estimates.

21 – 25 June

- The People's Bank of China announced it would end the currency's peg against the US dollar in order to increase flexibility and allow modest appreciation following pressure from the US and India. Both countries had argued that China's currency policy gave export stocks an unfair advantage over foreign competitors.
- The 2010 Budget was released in the UK, and contained a host of spending cuts and tax increases, with a strong focus on tackling the country's large national deficit. Estimates for economic growth were slow, coming in at 1.2% in 2010 and 2.3% in 2011.
- Germany released positive business sentiment figures for May, which beat expectations topping the highest rating in a year.
- US new home sales fell by 32.7% in May. The decline was the sharpest seen since records began in 1963, and came in well below estimates. The news inflamed concerns regarding the strength of the US economic recovery.
- The US Senate softened initial plans to strip banks of their ability to trade derivatives but discussed the implementation of new rules which will force large institutions to install capital and leverage limits.
- US GDP figures for the first quarter of the year were downwardly revised from 3.0% to 2.7%.

28 – 30 June

- US unemployment figures for the previous week fell from 472,000 to 457,000, exceeding expectations.
- A leading US research group cut its growth reading for China during April to a rise of only 0.3%.

Market

14 – 18 June

- Mining stocks began to rise in line with improving commodity prices.
- BP touched a 13-year low and negative PR continued to spread following the oil spill. Later in the week the stock recovered somewhat after setting up a US\$20 billion escrow fund to finance liabilities linked to the spill.
- Nokia reported weaker-than-expected second quarter sales and warned investors that full year profits may be impacted as a result.
- The Japanese Nikkei index broke the 10,000 points barrier mid-week, led upwards by a surge in buying appetite and confidence levels. Export names did particularly well as fears regarding eurozone debt levels began to ease.
- The FTSE 100 posted its longest winning streak since July 2009 after enjoying seven consecutive sessions of positive performance.
- The Spanish banking group Santander confirmed it would bid to purchase 300 high street branches of Royal Bank of Scotland. Analysts speculated the deal would be worth approximately £1.8 billion.
- BT's stock weakened on rumours of staff strike action.
- High demand from Apple's iPad and 4th generation iPhone handset led the stock high in the US and supported demand for Asian technology names.
- An increase in crude oil stockpiles took the edge off buying appetite. Gold crept up to a fresh record high in reaction to mixed economic data outputs.

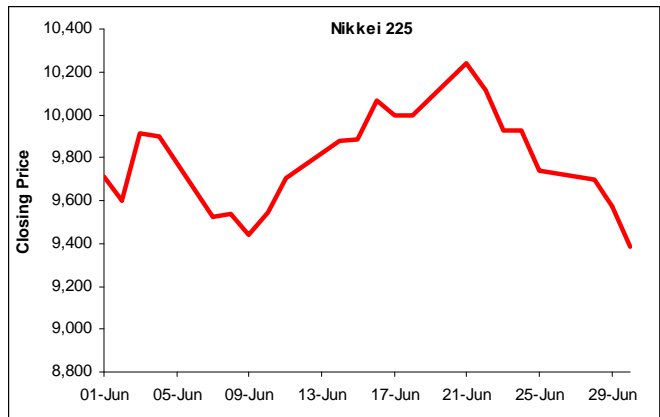
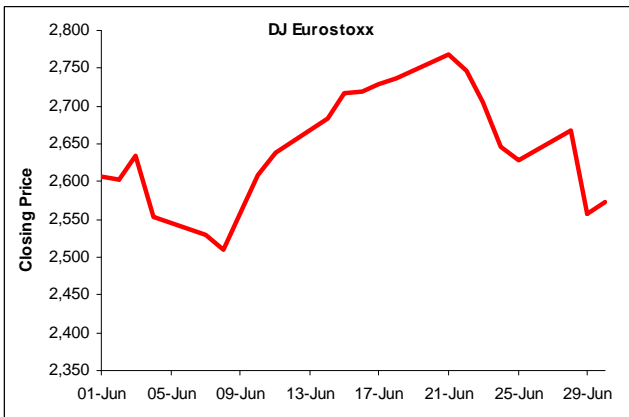
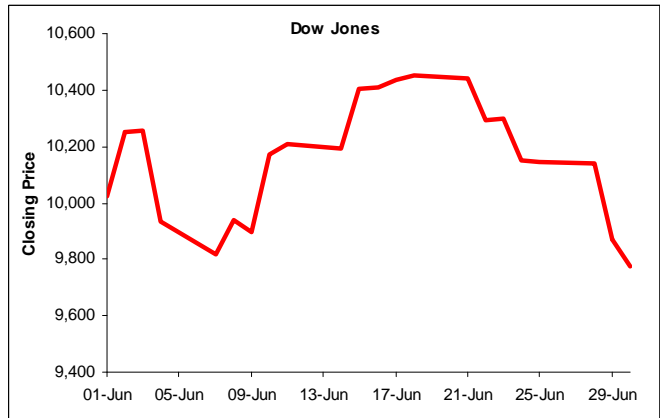
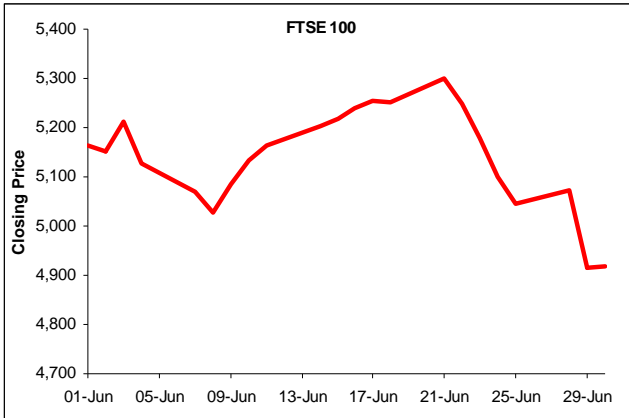
21 – 25 June

- BP continued to suffer as worst-case estimates for the amount of oil spilled rose to 100,000 barrels a day.
- The ratings agency Fitch downgraded the French bank BNP Paribas by one notch to AA-, which led the banking sector lower across Europe.
- Chinese property stocks enjoyed interest from overseas buyers as the local currency depreciated against the US dollar.
- Barclays lost value on speculation it would be the worst effected amongst the UK banks by the introduction of a new sector levy.

28 – 30 June

- European banks fell as many had to approach the EU for an emergency short-term loan in order to meet repayment deadlines.

Global Economic and Market Summary



Graph source: Bloomberg

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