

Pan European Weekly



Overview

- **Better-than-expected corporate earnings and signs of improving economic data drove European stockmarkets higher (in US dollar terms) last week. Relief over the European banking sector stress tests, coupled with upbeat German business and consumer confidence further bolstered sentiment.**
- **A sharp rise in Eurozone mortgage lending in June pointed to a rebound in consumer confidence and an increased willingness by banks to lend to the private sector. Recent improvements in Germany's labour market also helped maintain the overall unemployment rate at 10% for the same period, while inflation accelerated in July.**
- **Spain's budget deficit shrank by almost 25% year-on-year in the first half thanks to higher tax revenues.**
- **In the UK, warm weather and a boost to spending from the World Cup drove retail sales in July, although the prospect of government spending cuts undermined consumer confidence.**
- **Greek truck-drivers ended a week-long strike that caused nationwide fuel shortages amid the crucial summer tourist season, after the government threatened to revoke their licences.**

Sector News

Basic resources: In quarterly results, **BG Group** and **Eni** reported muted output, but **Royal Dutch Shell's** and **Total's** growth were aided by improved margins. **BP's** underlying performance was decent, although the oil spill in the Gulf of Mexico resulted in a significant loss. **Croda's** interim profits raised expectations that the specialty chemicals supplier will do well for the full year. **Rio Tinto** sold a stake in an iron ore mine in Guinea to Chinese company Chinalco.

Consumer services: **Pearson** upgraded its full-year forecast after reporting upbeat interim results; it also acquired Wall Street Institute and completed the sale of IDC. A dip in **Halfords'** like-for-like sales highlighted the tough retail environment, although it mitigated the sales shortfall through cost controls.

Financials: A recovery in business activity, record gross income and an improved risk outlook underpinned Spanish bank **BBVA's** first-half profits.

Industrials: June-quarter results were mostly positive. **MAN** benefited from a pick-up in its key commercial vehicles division and solid growth in its Latin American operations. **MTU Aero Engines** raised its full-year forecast as a rebound in aircraft market boosted earnings. **Schneider's** profits were lifted by better demand and greater operational efficiency. **Rolls Royce's** interim revenues rose despite subdued market conditions.

Pharmaceuticals: **AstraZeneca's** robust second-quarter results were driven by strong performance in emerging markets and key brands, such as Crestor, Seroquel and Symbicort.

Property: **Derwent London** re-entered the commercial property market for the first time in three years with the acquisition of an office and retail building in the West End.

Telecoms: **Wincor Nixdorf's** sales grew in the third quarter, but lower margin products hurt its profits.

Utilities: **Centrica's** better-than-expected first-half results were buoyed by a sharp increase in operating profits. The management, though, maintained its profit guidance for the full year in spite of the solid numbers.

We hold all the companies highlighted above.

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Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD (US\$)	30/07/2010
FTSE All Share	-1.0%	-1.6%	0.8%	-4.4%	2715.4
FTSE 100	-1.0%	-2.9%	0.8%	-5.6%	5258.0
FTSE 250	-1.4%	6.9%	0.4%	3.9%	9948.7
FTSE 350	-1.1%	-1.7%	0.8%	-4.4%	2776.0
FTSE Small Cap	1.3%	0.2%	3.2%	-2.6%	2782.4
FTSE Europe	-0.1%	-3.3%	-0.1%	-23.6%	307.1
FTSE Europe ex UK	0.3%	-3.4%	0.3%	-28.3%	291.7
Germany - DAX	-0.3%	3.2%	1.2%	-6.1%	6148.0
France - CAC 40	1.0%	-7.4%	2.6%	-15.7%	3643.1
Spain - IBEX 35	1.1%	-12.1%	2.6%	-20.0%	10499.8
Italy - FTSE MIB Index	2.0%	-9.6%	3.6%	5.0%	21021.6
Netherlands - AEX	-1.9%	-1.4%	-0.4%	-10.2%	330.6
Portugal - PSI 20	1.6%	-12.9%	3.2%	-20.7%	7371.8
Ireland - ISEQ	-0.1%	-2.0%	1.4%	-10.8%	2915.4
Switzerland - SMI	0.0%	-5.3%	1.3%	-5.7%	6200.8
Sweden - OMX 30	-1.0%	10.0%	0.9%	9.4%	1047.3
Denmark - OMX 20	0.0%	22.0%	1.5%	10.9%	410.8
Finland - OMX 25	0.2%	9.8%	1.8%	-0.1%	2231.9
Norway - OBX	-1.1%	-3.4%	1.2%	-7.6%	327.7
FTSE EPRA	0.4%	-0.1%	1.9%	-7.6%	1255.34
FT350 Real Estate	-0.1%	-9.1%	1.8%	-11.6%	315.72

Source: Aberdeen Asset Managers Limited, Bloomberg, Reuters, IRESS

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