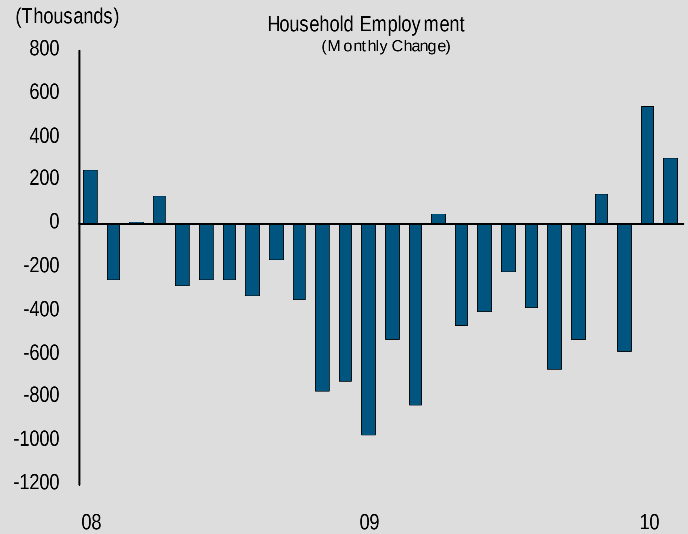
AllianceBernstein

Weekly Highlights: The Global Economy & Financial Markets

For Internal Use Only **March 05, 2010**

World Summary: Global stock markets finished higher this week [DJI: +2.3% NASD: +3.9% DAX: +5.0% NKY: +2.4% HS: +0.9% BVSP: +3.6%; one-week performance as of 4:00 pm]. The US dollar appreciated against the Euro and stayed flat against the Yen. Non-energy commodity prices were mixed with metal prices up 4.9% and ag prices down 3.5%. Gold increased 1.3% and settled at $1132.3 per ounce. WTI crude increased to $79 per barrel.

United States: In February, payrolls fell 36,000, a much smaller than expected decline given that snow storms blanketed much of the country early in the month. The household survey showed actual job growth of 308,000 last month, the second consecutive large gain in this report. The difference between the two surveys may have to do with how jobs are counted. In the payroll survey a worker has to be paid even if they cannot work because of bad weather. In the household survey, people that are unable to work because of bad weather are still counted as being employed. The fact that the jobless rate held steady at 9.7% in February is another sign that the labor markets are healing.



Source: Bureau of Labor Statistics

Emerging Markets: Brazil's industrial production in Jan jumped 1.1% MoM after two consecutive months of small declines. So far in the recovery, IP has lagged other consumer measures in the recovery. We met with the head of the Brazilian central bank and believe they are comfortable with the positioning of the market in anticipating the start of a rate hiking cycle, likely to start this month but less than the market anticipates. In a surprise move, Malaysia has led Asia's interest rate-tightening cycle with its 25bp hike in policy rate to 2.25% this week. Central bank official had spoken about the need for interest-rate normalization, but we did not think the statement actually meant an imminent rate increase. In our view, there is simply no strong economic reason for Malaysia to be so preemptive in light of continued tame inflation, and an economic recovery which still lacks support from private-sector demand and lags its regional peers. We expect the policy rate will be raised a further 75bp before the end of the year and that the required tightening will be relatively modest.

U.S. High Yield: The high yield market was slightly higher for the week (+0.88%). Volatility, as measured by the VIX, fell to the high teens. CCC (+1.16%) credits outperformed BB (+0.81%) credits. Technology (+1.71%) and Diversified Finance (+1.28%) were the best performing sectors, while Refining (+0.10%) was the worst performing sector. There were mutual fund inflows of $314 million. Twelve deals priced this week for $5.58 billion.

Europe: This week saw the Greek government announce additional fiscal measures worth 2.0% of GDP to try and keep this year's planned deficit reduction on track. While the measures have provoked something of a backlash at home they have been warmly welcomed by Greece's euro area partners. So long as Greece delivers on these plans it now seems highly likely that that the rest of the euro area will provide support should Greece need it to get through a difficult refinancing period in April and May.