

Pan European Weekly



Overview

- European stocks came under pressure last week after a downgrade in Ireland's debt rating and weak housing data in the US renewed fears that the global recovery was stalling. The losses were pared by the US Federal Reserve's reassurance to support growth.
- Standard & Poor's lowered Ireland's long-term credit rating one notch to AA- and placed its debt on a negative outlook because of worries over its economy.
- A purchasing managers' index for both the services and manufacturing sectors in Europe weakened in August, while Italian consumer confidence fell after austerity measures were implemented to trim the deficit.
- On a more positive note, factory orders in the Continent rose further in June, indicating a rebound in industrial production. German business and consumer confidence improved in August as the domestic economy continued recovering.
- In the UK, second-quarter GDP grew 1.2% from the previous three months, faster than earlier estimated, led by a pickup in household consumption and a rise in inventories.

Sector News

Basic Resources: BHP Billiton's full-year profits were robust on the back of the strong performance of its petroleum and base metals operations, with cash flow remaining solid ahead of its planned acquisition of Potash Corp. John Wood Group's first-half profits declined, but the company is confident of its second-half prospects because of improving demand for its oil services. Amec's margins expanded as order intake rose.

Industrials: Kingspan's first-half profits grew for the first time in three years because of a recovery in end-markets. Melrose's profits rose substantially, helped by its engineering businesses.

Media: Bloomsbury's interim results were decent, driven by its specialist publishing and Bloomsbury professional divisions. Huntsworth benefited from new business wins and better margins; the PR group also raised interim dividend by 20% given the positive growth outlook. Conversely, Pinewood Shepperton's results weakened, though good prospects in film production have boosted expectations for the second half.

We hold all the companies highlighted above.

Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD (US\$)	27/08/2010
FTSE All Share	0.1%	-2.8%	0.0%	-6.6%	2684.4
FTSE 100	0.1%	-3.9%	0.0%	-7.7%	5201.6
FTSE 250	0.2%	5.1%	0.1%	1.0%	9779.9
FTSE 350	0.1%	-2.8%	0.0%	-6.6%	2743.9
FTSE Small Cap	-0.2%	-0.2%	-0.3%	-4.1%	2770.8
FTSE Europe	-0.3%	-5.7%	-0.1%	-12.7%	299.4
FTSE Europe ex UK	-0.4%	-6.4%	-0.1%	-14.8%	282.5
Germany - DAX	-0.9%	-0.1%	-0.6%	-11.2%	5951.2
France - CAC 40	-0.5%	-10.9%	-0.2%	-20.8%	3507.4
Spain - IBEX 35	0.5%	-15.0%	0.8%	-24.4%	10148.2
Italy - FTSE MIB Index	-0.3%	-14.8%	0.0%	-3.3%	19817.5
Netherlands - AEX	-0.3%	-5.5%	0.0%	-15.9%	317.0
Portugal - PSI 20	-0.1%	-13.0%	0.2%	-22.6%	7366.2
Ireland - ISEQ	-3.1%	-10.3%	-2.8%	-20.2%	2669.7
Switzerland - SMI	0.0%	-5.5%	0.7%	-4.7%	6183.1
Sweden - OMX 30	-0.2%	7.1%	0.8%	4.3%	1018.9

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Denmark - OMX 20	-1.2%	16.9%	-0.9%	3.8%	393.5
Finland - OMX 25	-1.2%	8.0%	-0.9%	-4.0%	2196.1
Norway - OBX	-1.0%	-5.6%	-1.1%	-12.3%	320.4
FTSE EPRA	1.9%	0.2%	2.2%	-9.4%	1259.13
FT350 Real Estate	0.9%	-10.4%	0.8%	-13.9%	311.31

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

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