

Pan European Weekly



Overview

- European equities fell last week as concerns over the withdrawal of global stimulus measures and debt problems in Greece weighed on sentiment, though encouraging GDP data in the UK and US helped mitigate losses.
- The Greek government's €8-billion bond issue was oversubscribed. However, this failed to prevent Greek bond prices from falling sharply. Elsewhere, Spain plans to cut its budget deficit, but Portugal's proposal to reduce its debt disappointed.
- The UK became the last major economy to turn around, though GDP expanded only a meagre 0.1% in the fourth quarter. Further, house prices jumped in January, while consumer prices also rose. On the flip side, Standard & Poor's said UK banks are no longer among the world's most stable.
- Italy's jobless rate climbed in December, unemployment in Germany increased for the first time in seven months in January, while job cuts worsened in the fourth quarter in Spain. Conversely, the number of jobseekers fell in France in December.
- Consumer confidence improved in France in January, but weakened in Italy.
- Inflation accelerated across Europe in January, but slowed unexpectedly in Germany as fears about rising unemployment curbed spending. Nevertheless, Germany raised its 2010 growth estimate amid improving business confidence.

Sector News

Basic Materials: Italy's energy company **Eni** will develop oil fields in Venezuela. Engineering services firm **Amec** acquired a small Australian consultancy. France's **Arkema** completed its purchase of Dow Chemical's acrylic acid business. **BHP Billiton** approved US\$2 billion of capital expenditure to expand iron ore capacity in Western Australia and separately bought Canada's Athabasca Potash.

Financials: Spain's **BBVA** reported strong income growth and good cost control for the full year, but profits fell as the lender took write-downs and provisions in anticipation of a challenging year ahead.

Industrials: **Rolls Royce** will supply engines for up to 90 Jetstar aircraft.

Pharmaceuticals: The US approved **Novo Nordisk's** diabetes drug Victoza. **AstraZeneca's** full-year sales growth was driven by its influenza vaccine; the company will resume its share buyback programme this year. **Novartis'** 2009 sales rose across all divisions, while improved productivity boosted profits.

Utilities: **GDF Suez** plans to partner Areva to develop nuclear reactors. Meanwhile, the former said it has not ruled out future talks with International Power after negotiations broke down earlier.

We hold all the companies highlighted above.

Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD (US\$)	29/01/2010
FTSE All Share	-2.0%	-3.6%	-2.7%	-4.4%	2660.5
FTSE 100	-2.2%	-4.1%	-2.9%	-5.0%	5188.5
FTSE 250	-0.9%	-0.7%	-1.7%	-1.6%	9237.3
FTSE 350	-2.0%	-3.7%	-2.7%	-4.5%	2718.2
FTSE Small Cap	-0.4%	1.1%	-1.2%	0.2%	2807.3
FTSE Europe	-1.6%	-3.8%	-1.6%	-24.0%	305.4
FTSE Europe ex UK	-1.4%	-3.7%	-1.4%	-28.6%	290.7

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Germany - DAX	-1.5%	-5.9%	-3.4%	-8.8%	5608.8
France - CAC 40	-2.1%	-5.0%	-4.0%	-7.9%	3739.5
Spain - IBEX 35	-3.7%	-8.3%	-5.6%	-11.2%	10947.7
Italy - FTSE MIB Index	-3.0%	-5.8%	-4.8%	16.4%	21896.3
Netherlands - AEX	-0.5%	-2.2%	-2.3%	-5.2%	327.9
Portugal - PSI 20	-2.4%	-6.3%	-4.2%	-9.2%	7927.3
Ireland - ISEQ	-2.0%	0.0%	-3.8%	-3.0%	2976.3
Switzerland - SMI	-0.8%	-1.6%	-2.8%	-3.8%	6440.7
Sweden - OMX 30	0.3%	0.2%	-1.7%	-2.6%	953.7
Denmark - OMX 20	2.3%	5.4%	0.4%	2.0%	354.9
Finland - OMX 25	1.1%	1.2%	-0.8%	-2.0%	2057.2
Norway - OBX	1.4%	-2.8%	-0.8%	-4.7%	329.8
FTSE EPRA	0.4%	-1.8%	-1.5%	-3.3%	1233.39
FT350 Real Estate	-0.9%	-7.3%	-1.6%	-8.1%	321.87

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

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