

# Pan European Weekly



## Overview

- European stocks slumped last week amid mounting fears about the stability of debt-laden Eurozone economies. In particular, the cost of underwriting the sovereign debt for Greece, Spain and Portugal rose sharply.
- The Portuguese government sold only €300 million worth of treasury bills of the €500 million auctioned, while Greece faces growing opposition to proposed deficit cuts as workers demonstrated against the austerity measures.
- Elsewhere, Spain raised its budget deficit forecast for 2010 through 2012, while the number of unemployed rose to a record high in January.
- The European Central Bank left key interest rates unchanged and expressed confidence that Greece can curb its budget deficit. The Bank of England also kept its policy rate steady, though it suspended its quantitative easing programme.
- In other news, UK manufacturing activity strengthened in January. Manufacturing in the Eurozone also improved, led by France, Germany and Italy, but Greece, Spain and Ireland posted lower output.
- European retail sales remained flat in December as rising unemployment curtailed consumer spending. German factory orders and industrial production unexpectedly fell.

## Sector News

**Basic Materials:** BP and Royal Dutch Shell's fourth-quarter results were hurt by depressed gas prices and refining margins. BG Group also saw earnings decline, though production rose and its LNG business remained resilient. OMV may undertake gas projects in Abu Dhabi. Rio Tinto completed the sale of its Alcan Packaging unit, further reducing its debt levels.

**Consumer Services:** UK pub operator Fuller Smith & Turner issued a positive trading update but reiterated its cautious outlook.

**Financials:** Switzerland's Zurich Financial Services reported better full-year operating performances across its core businesses, while Spanish insurer Mapfre posted good revenue and premiums growth as its international operations offset tougher domestic trading. Meanwhile, UK's Aviva saw encouraging new business sales in the fourth quarter.

**Industrials:** Dutch courier TNT reported positive trading trends in the fourth quarter. In other news, UK's Rolls Royce won three new contracts.

**Pharmaceuticals:** Novo Nordisk posted solid full-year results, thanks to increasing demand for modern insulins. Roche also delivered healthy numbers on the back of brisk sales of Tamiflu. Results at both GlaxoSmithKline and AstraZeneca were encouraging, as cost cutting measures boosted profits.

**Media:** Pearson's Financial Times acquired Medley Global advisors, further strengthening the FT's position as a global leader in premium financial information.

**Utilities:** French utilities groups GDF Suez and EDF asked Belgium's top court to annul a €250 million nuclear tax imposed by the Belgian government in 2008. In the UK, Centrica will cut its gas prices by an average of 7%, while National Grid expects to raise its full-year dividend following a mild US winter and thus fewer repairs, and a robust performance by its transmission business. Elsewhere, UK energy regulator Ofgem warned that the country faces a risk to energy supplies if the current system is not overhauled, and concluded that £200 billion will need to be spent over the next 10 years to meet government environmental targets and replace ageing assets.

We hold all the companies highlighted above.

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## Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD ( US\$)	05/02/2010
FTSE All Share	-2.4%	-5.9%	-4.7%	-9.0%	2596.7
FTSE 100	-2.5%	-6.5%	-4.8%	-9.5%	5060.9
FTSE 250	-2.2%	-2.9%	-4.5%	-6.0%	9035.9
FTSE 350	-2.4%	-6.1%	-4.8%	-9.1%	2652.3
FTSE Small Cap	-1.2%	-0.1%	-3.6%	-3.3%	2774.2
FTSE Europe	-3.7%	-7.4%	-3.7%	-26.8%	294.1
FTSE Europe ex UK	-4.3%	-7.8%	-4.3%	-31.6%	278.4
Germany - DAX	-3.1%	-8.8%	-4.9%	-13.3%	5434.3
France - CAC 40	-4.7%	-9.5%	-6.5%	-13.9%	3563.8
Spain - IBEX 35	-7.7%	-15.4%	-9.4%	-19.6%	10103.3
Italy - FTSE MIB Index	-4.9%	-10.5%	-6.7%	8.6%	20815.9
Netherlands - AEX	-3.9%	-6.1%	-5.7%	-10.6%	315.0
Portugal - PSI 20	-7.4%	-13.3%	-9.1%	-17.5%	7341.6
Ireland - ISEQ	-2.9%	-2.9%	-4.7%	-7.6%	2890.1
Switzerland - SMI	-2.7%	-4.3%	-4.2%	-7.9%	6264.3
Sweden - OMX 30	-1.9%	-1.7%	-3.1%	-5.6%	935.9
Denmark - OMX 20	-1.2%	4.2%	-3.0%	-1.0%	350.8
Finland - OMX 25	-2.7%	-1.5%	-4.5%	-6.4%	2001.9
Norway - OBX	-3.3%	-6.1%	-4.8%	-9.2%	318.8
FTSE EPRA	-0.7%	-2.5%	-2.5%	-5.7%	1225.30
FT350 Real Estate	-0.5%	-7.8%	-2.9%	-10.8%	320.21

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

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