

Pan European Weekly



Overview

- European stocks rose last week as better global growth prospects outweighed lingering Eurozone debt concerns. Spain's successful government bond sale also boosted sentiment.
- Both the European Central Bank and the Bank of England kept their main policy rates unchanged. In addition, the ECB raised its 2010 growth forecast, though it lowered it for 2011 amid uncertainty in some financial market segments.
- The European Financial Stability Facility was created to help Eurozone members struggling to issue debt. European Union finance ministers also agreed on tougher intervention if member states' economic statistics appear suspect, and are planning a range of sanctions against excessive deficits.
- Germany announced around €80 billion in budget cuts over the next four years, while the UK warned of similar austerity measures.
- Germany and Italy's industrial production increased as the weaker euro boosted exports. France's manufacturing output growth, however, slowed and business confidence fell on concerns that budget cuts may slow the Continent's growth. In the UK, factory output fell, while the trade deficit widened as exports declined in April for the first time in three months, outpacing the drop in imports.
- Consumer prices, meanwhile, accelerated in Germany and France, driven by higher energy costs. Spain's inflation rate also rose on the back of the improving economy.

Sector News

Basic Materials: BP chairman Carl-Henrik Svanberg has been summoned to meet US president Barack Obama to discuss the Gulf of Mexico oil spill.

Financials: Prudential announced solid new business performance for the year to date, particularly in Asia and the US, while continuing to maintain a strict pricing discipline.

Industrials: Schneider and Alstom finalised their acquisition of Areva's transmission and distribution businesses. Saint Gobain's new plant in Germany, which will produce solar panels to cover roofs, marked another milestone in its commitment to the renewable energy sector.

Retail: Halfords' preliminary full-year results showed improving like-for-like sales and operating profits, thanks largely to the good performance of its higher margin divisions. In its trading update, WH Smith reported modest sales weakness, though its travel division continued to outperform.

Travel & Leisure: Despite challenging market conditions, Fuller, Smith & Turner's full-year results were driven by growing sales and an expanding asset base.

We hold all the companies highlighted above.

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Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD (US\$)	11/06/2010
FTSE All Share	0.7%	-3.5%	0.8%	-13.3%	2663.0
FTSE 100	0.7%	-4.6%	0.8%	-14.2%	5163.7
FTSE 250	0.7%	3.8%	0.8%	-6.7%	9662.6
FTSE 350	0.7%	-3.6%	0.8%	-13.3%	2722.2
FTSE Small Cap	-0.5%	-1.3%	-0.4%	-11.3%	2740.1
FTSE Europe	2.1%	-5.2%	2.1%	-25.1%	300.9
FTSE Europe ex UK	2.8%	-5.5%	2.8%	-29.9%	285.5
Germany - DAX	1.8%	1.5%	2.2%	-14.6%	6047.8
France - CAC 40	2.9%	-9.7%	3.2%	-24.0%	3555.5
Spain - IBEX 35	7.2%	-19.9%	7.5%	-32.6%	9561.7
Italy - FTSE MIB Index	4.9%	-15.4%	5.3%	-9.2%	19660.3
Netherlands - AEX	1.4%	-2.9%	20.7%	-3.0%	325.6
Portugal - PSI 20	2.4%	-15.6%	2.8%	-29.0%	7145.1
Ireland - ISEQ	2.2%	2.5%	2.5%	-13.8%	3048.2
Switzerland - SMI	2.0%	-1.8%	20.6%	3.7%	6426.7
Sweden - OMX 30	2.8%	6.8%	15.8%	7.7%	1016.3
Denmark - OMX 20	1.3%	19.5%	7.9%	6.7%	402.2
Finland - OMX 25	3.0%	6.9%	3.4%	-10.1%	2173.3
Norway - OBX	1.9%	-4.7%	3.3%	-14.9%	323.3
FTSE EPRA	0.8%	-6.6%	1.2%	-20.1%	1173.52
FT350 Real Estate	-0.5%	-11.8%	-0.4%	-20.8%	306.13

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

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