

Pan European Weekly



Overview

- **European equities fell last week as the US Federal Reserve's move to maintain loose monetary policy, along with weak economic data from the US, Europe and China, cast fresh doubts over the global recovery.**
- **European industrial production unexpectedly declined in June, but second-quarter growth expanded, led by Germany and France. By contrast, peripheral countries such as Italy, Spain and Portugal reported muted growth, while Greece sank deeper into recession.**
- **Meanwhile, French business confidence held steady. Swiss consumer confidence rose alongside falling unemployment and better retail sales.**
- **Inflation in Germany accelerated because of elevated energy costs. Spain's consumer prices also climbed after a sales tax was hiked to finance the budget deficit. In Sweden, inflation quickened as improved consumer confidence underpinned increased retail spending.**
- **The UK's trade deficit narrowed as exports rose to a two-year high. Unemployment also fell. The Bank of England, however, lowered its growth forecasts for the next few years and expects inflation to slow.**

Sector News

Basic Resources: AMEC formed a joint venture with Shanghai Zone Petrochemical Engineering. **John Wood Group** extended a large contract with Brunei Shell Petroleum.

Consumer Goods: Unilever joined a growing list of global food producers warning about higher prices for key commodities like tea and cocoa.

Financials: Despite the failed AIA bid, **Prudential's** net profits improved significantly from the previous year, driven by strong growth in sales and profits in both Asia and the US.

Industrials: **ThyssenKrupp** reported solid third-quarter earnings and a sharp increase in orders, helped by robust demand. **Schindler** will remain a minority shareholder after its subsidiary ALSO merges with rival Actebis. **Kongsberg Gruppen** won a contract with the Norwegian and Swedish armed forces.

Pharmaceuticals: **AstraZeneca** privately settled several lawsuits related to side effects of its anti-psychotic drug Seroquel. **Novartis** won EU approval to buy a major stake in Alcon Inc from Nestle SA. The US approved **Novo Nordisk's** NovoSeven RT in an 8mg vial to treat haemophilia.

Real Estate: **Development Securities** completed its placement and rights issues. **Shaftesbury** made good progress on its St Martin's Courtyard redevelopment and continued to expand its portfolio.

Retail: **Greggs'** first-half sales and profits grew, but the baker cautioned that costs could escalate because of rising wheat prices.

Travel & Leisure: In its interim statement, **Holidaybreak** reported encouraging education sales, but the challenging market environment weighed on its Hotel Breaks division. **Tui Travel** posted weak results, highlighting uncertainty in the UK and a trend towards late bookings.

Utilities: **E.ON AG's** first-half performance was hurt by higher interest payments and taxes. **GDF Suez** and International Power agreed on an asset tie-up, which will see GDF own 70% of the new firm.

We hold all the companies highlighted above.

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Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD (US\$)	13/08/2010
FTSE All Share	-1.3%	-1.6%	-3.6%	-4.9%	2717.0
FTSE 100	-1.1%	-2.5%	-3.3%	-5.9%	5275.4
FTSE 250	-3.0%	5.1%	-5.3%	1.5%	9782.3
FTSE 350	-1.3%	-1.6%	-3.6%	-5.0%	2777.7
FTSE Small Cap	-1.3%	0.1%	-3.6%	-3.3%	2779.8
FTSE Europe	-2.0%	-3.8%	-5.2%	-10.9%	305.5
FTSE Europe ex UK	-2.4%	-4.3%	-6.0%	-13.0%	289.0
Germany - DAX	-2.4%	2.6%	-5.9%	-8.5%	6110.4
France - CAC 40	-2.8%	-8.3%	-6.3%	-18.1%	3610.9
Spain - IBEX 35	-3.5%	-13.9%	-7.0%	-23.2%	10275.8
Italy - FTSE MIB Index	-2.9%	-11.9%	-6.4%	0.2%	20473.2
Netherlands - AEX	-2.2%	-3.4%	-5.7%	-13.8%	323.9
Portugal - PSI 20	-1.6%	-13.7%	-5.1%	-23.0%	7300.1
Ireland - ISEQ	-3.7%	-5.1%	-7.2%	-15.2%	2824.6
Switzerland - SMI	-0.4%	-3.8%	-1.7%	-5.2%	6294.3
Sweden - OMX 30	-2.7%	8.9%	-7.1%	5.1%	1036.5
Denmark - OMX 20	-1.5%	22.7%	-5.1%	9.3%	413.0
Finland - OMX 25	-1.6%	11.1%	-5.1%	-0.9%	2258.7
Norway - OBX	-4.9%	-3.8%	-8.6%	-10.0%	326.3
FTSE EPRA	-1.2%	-1.3%	-4.8%	-10.5%	1240.23
FT350 Real Estate	-1.5%	-11.0%	-3.8%	-14.0%	309.10

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

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