

Pan European Weekly



Overview

- **European equities rose last week as encouraging earnings reports and economic news overshadowed uncertainty about the results of the EU stress test, which were published after markets had closed.**
- **Seven of 91 banks failed the test. Of these, five were Spanish savings banks, while Germany's Hypo Real Estate and Greece's ATE also fell short.**
- **Economic data were robust. The composite Eurozone purchasing managers' index accelerated in July, as solid growth in Germany offset weakness in Greece and other indebted southern European economies. Eurozone consumer confidence also rose sharply, as did business confidence in Germany and France.**
- **In the UK, second-quarter GDP grew at its fastest pace in four years, thanks to rebounding services, manufacturing and construction. June retail sales were strong, but mortgage approvals fell amid tighter lending conditions and weaker confidence. The Bank of England kept interest rates at a record low of 0.5%.**
- **In other news, Spain, Ireland and Greece sold almost €10 billion worth of debt, but Hungary raised less than planned.**

Sector News

Basic Resources: BP's cap on the leaking oil well in the Gulf of Mexico appeared to be holding. Separately, it will sell US\$7 billion worth of assets to fund liabilities. Dutch **Fugro** won a US\$100 million contract to provide diving support for Petrobras. In earnings news, **Fuchs Petrolub's** quarterly results exceeded expectations. **OMV** expects increased output and improved margins. **BHP Billiton** reported continued production growth in key areas but maintained a cautious short-term outlook.

Financials: Italian bank **Intesa Sanpaolo** sold Cassa di Risparmio della Spezia and 96 local branches to French rival Credit Agricole, while **Vienna Insurance** now fully owns Dutch TBIH. In corporate results, Spanish insurer **Mapfre** reported lower net debt and rising premiums in the first half, but its bottom line was hurt by the higher year-on-year comparison. **Nordea's** second-quarter net profits slipped. **Close Brothers'** trading update showed positive loan growth, stable margins and an improved bad debt ratio.

Industrials: In the UK, a consortium comprising the Onex Corporation and the Canada Pension Plan Investment Board offered to buy **Tomkins**. **Rolls-Royce** won contracts from the Canadian Air Force, Yemen Airways, Garuda Indonesia Airlines and Russian carrier Aeroflot.

Pharmaceuticals: **Roche** posted good half-year results. **GlaxoSmithKline's** underlying results were also strong but profits were dampened by legal costs.

Real Estate: Strong interim numbers from **Unibail-Rodamco** demonstrated its portfolio's resilience. Updates from **Great Portland Estates**, **Helical Bar** and **Land Securities** suggested a slowdown in the property market's rebound.

Telecoms: **Vodafone's** first-quarter sales were boosted by the recovery in Germany and the UK, while growth in emerging markets and data revenue remained robust. Conversely, **Ericsson's** second-quarter sales were affected by telecoms operators' spending cuts and some supply chain bottlenecks.

We hold all the companies highlighted above.

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Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD (US\$)	23/07/2010
FTSE All Share	3.0%	-0.6%	3.7%	-5.2%	2743.6
FTSE 100	3.0%	-1.9%	3.7%	-6.4%	5312.6
FTSE 250	3.3%	8.5%	4.0%	3.5%	10093.7
FTSE 350	3.0%	-0.6%	3.7%	-5.2%	2806.4
FTSE Small Cap	0.8%	-1.1%	1.5%	-5.6%	2747.7
FTSE Europe	2.6%	-3.2%	2.6%	-23.5%	307.5
FTSE Europe ex UK	2.4%	-3.6%	2.4%	-28.5%	290.9
Germany - DAX	2.1%	3.5%	1.6%	-7.2%	6166.3
France - CAC 40	3.1%	-8.4%	2.5%	-17.8%	3607.1
Spain - IBEX 35	4.0%	-13.0%	3.4%	-22.0%	10388.2
Italy - FTSE MIB Index	2.2%	-11.4%	1.7%	1.3%	20604.1
Netherlands - AEX	4.1%	0.5%	3.5%	-9.9%	337.1
Portugal - PSI 20	1.6%	-14.3%	1.1%	-23.2%	7252.7
Ireland - ISEQ	2.2%	-1.9%	1.7%	-12.0%	2918.1
Switzerland - SMI	0.3%	-5.3%	0.1%	-6.8%	6201.3
Sweden - OMX 30	3.6%	11.1%	2.2%	8.3%	1057.8
Denmark - OMX 20	0.4%	22.1%	-0.1%	9.2%	411.0
Finland - OMX 25	3.5%	9.6%	3.7%	-1.8%	2227.2
Norway - OBX	4.5%	-2.3%	5.4%	-8.7%	331.4
FTSE EPRA	6.0%	-0.5%	5.5%	-9.3%	1250.69
FT350 Real Estate	4.8%	-9.0%	5.5%	-13.2%	315.96

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

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