



M3

SECTOR REVIEW

MONTHLY MORNING MEETING MAR 2010. PRESENTED BY iFAST FINANCIAL PTE LTD ©

REGIONAL MARKETS UPDATE

EUROPE (4.0 STARS – VERY ATTRACTIVE)

GERMANY

- Industrial production fell 2.6% m-o-m in Dec 09, after a revised 0.7% gain in Nov 09
- Factory orders fell 2.3% m-o-m in Dec 09, after a revised 2.7% gain in Nov 09
- ZEW economic sentiment survey fell to 45.1 in Feb 10, down from 47.2 in Jan 10
- German IFO Business Climate index fell slightly to 95.2 in Feb 10, down from 95.8 in Jan 10
- Preliminary estimates for PMI manufacturing rose to 57.1 in Feb 10, up from actual 53.7 in Jan 10 while preliminary estimates for PMI services fell to 51.7 in Feb 10, down from actual 52.2 in Jan 10
- Actual GDP stalled at 0.0% change q-o-q in 4Q09 after a 0.7% growth q-o-q in 3Q09

FRANCE

- Industrial production fell 0.1% m-o-m in Dec 09, after a revised 0.6% gain in Nov 09
- Business confidence indicator remained unchanged at 91 in Feb 10, after a revised 91 in Jan 10
- Preliminary estimates for PMI manufacturing fell to 54.6 in Feb 10, down from actual 55.4 in Jan 10 while preliminary estimates for PMI services fell to 54.7 in Feb 10, down from actual 56.3 in Jan 10
- Preliminary GDP estimates grew by 0.6% q-o-q in 4Q09 after a revised 0.2% q-o-q growth in 3Q09.

UNITED KINGDOM

- Industrial production rose 0.5% m-o-m in Dec 09, after a revised 0.3% gain in Nov 09
- Nationwide consumer confidence rose to 73 in Jan 10, up from a revised 70 in Dec 09
- PMI manufacturing rose to 56.7 in Jan 10, up from a revised 54.6 in Dec 09 while PMI services fell to 54.5 in Jan 10, down from 56.8 in Dec 09
- Rightmove House Prices index rose 3.2% m-o-m in Feb 10, after a 0.4% gain in Jan 10

MARKET OUTLOOK

France GDP surprised the market with a better than expected 0.6% quarter-on-quarter growth in 4Q 2009, beating economists' expectation of a 0.5% quarter-on-quarter growth. This came after a revised 0.2% quarter-on-quarter growth in 3Q 2009. GDP growth was helped by gains in production and household's consumption expenditures which rose by 0.6% and 0.9% respectively.

On the other hand, Germany GDP underperformed economists' expectations as it stalled unexpectedly in 4Q 2009, remaining unchanged growth quarter-on-quarter. Their recovery is losing momentum after consecutive (quarter-on-quarter) growth in 2Q and 3Q 2009 which saw the nation being one of the first developed nations to exit from recession. While recovery in exports helped pulled GDP up, the lack of domestic demand prevented the country from propelling forward.

Europe has been plagued with growing debt concerns which dragged down performances of global markets alongside European markets. While Greece was attracting most of the focus, the concerns propagated to the rest of the PIIGS (Portugal, Italy, Ireland, Greece and Spain) economies as investors scrutinized their unhealthy balance sheets. On 11 February 2010, European leaders came to an agreement (post an unscheduled discussion) to provide assistance for Greece if needed, though coming short of providing any insights or details about the bailout. Meanwhile, Greece has yet to officially request for assistance and is resolute on aggressively reducing their debts problems through the austerity plans proposed. However, they have indicated a wish to be able to raise funds at a normal rate while the market presently demands a large premium to hold their debts.

European markets are trading sideways while awaiting the announcement of a formalized plan. Till date, EU leaders have yet to come to an agreement on the structure of the bailout and the responsibilities of each sovereign. As of 25 February 2010, DJ Stoxx trades at a PE ratio of 9.3X and 8.8X based on forecasted 2010 and 2011 earnings, remaining attractively priced among developed markets and we maintain our rating on Europe at 4 stars "Very Attractive".

RECOMMENDED FUNDS: PARVEST EUROPE DIVIDEND (EUR)