



MARKET ANALYSIS

April 2009

The month of March may turn out to be the month when markets bottomed out, although a number of analysts still feel that the current bear market has one more down leg to go. Overall this has been a month where markets have reacted positively to the economic data issued even if some of this data remains grim, perhaps evidence that investors have regained their appetite (or maybe because cash now offers so little potential).

Once again the major news stories of the month came from the United States. The latest US economic data generally surprised on the upside which gave weight to the argument that the US, being first into recession, is likely to be first out. A plethora of Congressional testimony from Treasury Secretary Geithner and Federal Reserve chairman Bernanke about bailout plans seemed to encourage investors and appease politicians whilst US Treasury plans to buy up \$100 billion of toxic assets via a combination of TARP and private funds seemed to provide further reassurance.

Despite these encouraging signs there were sufficient events and pieces of data to remind markets that the global recession is deep and far from over. Concerns remain about protectionism, whilst a number of world leaders still seem to disagree on the steps that need to be taken to aid recovery. The first week in April sees the G20 summit in London. This will be very interesting, not only in terms of what may be achieved but also in the resolution of contrasting positions, especially from the likes of France, Germany and the UK.

The European Central Bank decided to cut interest rates last month to 1.5%, this still places the ECB rate some way ahead of the Bank of England and US Treasury Reserve rates but shows that the Eurozone, albeit more slowly, is also committed to following a low interest rate policy, although quantitative easing still seems to be being ruled out for now.

The month ended with further data supporting the theory that the US economy was at or close to the bottom, which encouraged Asia, along with further evidence of narrowing credit spreads and oil prices reaching a four month high. This may be the time to consider increasing exposure to equity based investments as the doom and gloom feeling seems to be slowly abating.

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Key Data

	31/3	27/2	+/(-)%
FTSE 100	3926.14	3830.09	2.5
Dow Jones	7608.92	7062.93	7.7
CAC	2807.34	2702.48	3.9
DAX	4084.76	3843.74	6.3
Nikkei 225	8109.53	7568.42	7.1
Hang Seng	13576.02	12811.57	6.0
£ = \$	1.43		
Euro = \$	1.325		
£ = Euro	1.08		

Interest Rates

Bank of England	0.5%
European Central Bank	1.5%
US Treasury Reserve	0.25%



UK – The FTSE100 Index closed the month 2.5% higher, despite falls in retail sales, especially in the non food area. The fourth quarter gross domestic product figures were confirmed as the worst since 1980, with particular weakness in the manufacturing and construction sectors. The Bank of England reduced interest rates to 0.5% and the Treasury announced the first set of quantitative easing measures, despite the consumer prices index (CPI) jumping by 0.9% during February. The government also suffered the embarrassment of the failure of the first bond auction in seven years. Although these events continued to paint a negative picture investors do seem to be more willing to re-enter markets, prompted mainly by the brighter picture from the US. April sees the UK hosting the G20 summit, which will be a major test for the credibility of the increasingly unpopular Prime Minister Gordon Brown.

Europe – European stocks have responded positively to the latest US economic data, with the German DAX rising by 6.3% and France's CAC up by 3.9%. Eurozone economic data remains weak, with German economic sentiment down to a new record low and French fourth quarter GDP contracting by 1.1%. Concerns also remain about the health of a number of Eurozone economies prompting speculation that the next meeting of the European Central Bank (ECB) on 2 April will see interest rates lowered to 1%. Again most European eyes are cast on the G20 summit, with the main hope that a coherent approach can be hammered out by the world leaders present.

US – US markets had a strong March, helped by news of the latest bailout package and encouraging economic results which suggests that things may finally be bottoming out. President Obama focused his attention on the problems faced by major automakers GM and Chrysler, with both companies being given deadlines to meet before further assistance is given. In the case of the former a change of leadership has resulted, and although many in Detroit find it hard to accept that the White House can have such influence the reality is that both GM and Chrysler are dependent upon Washington for their survival. President Obama's role at the G20 will be watched with great interest, not only what he has to say, but how it is said, this summit is also an opportunity to change the way the world views the US.

Asia Pacific – Asian markets have been helped by the rally in US stocks, and with the yen also weakening Japanese manufacturers in particular have been encouraged, although the Japanese trade balance remains negative and retail data pointed to yet further weakness. However markets have followed the lead set by the US, as it is likely that the first beneficiaries of any improvement in the American economy will be the Asian markets.

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