

Following strong gains in October, all the equity markets reported here suffered losses in November, with equities in Japan, Hong Kong and Emerging Markets reporting the largest drops. In the UK and US losses were more modest, though both the FTSE 100 and S&P 500 were thankful for a rally in the markets towards the end of the month.

Unsurprisingly, events in the Eurozone remained the main headline in November. Any positive sentiment that remained following the summit of Eurozone leaders in October was lost as news that the cost of borrowing in Italy had hit an all time high since the introduction of the single currency. This resulted in an austerity package being passed through the Italian parliament and the resignation of the Prime Minister Silvio Berlusconi. The cost of borrowing in France and Spain also increased and for a while the cost of borrowing in the UK was lower than Germany. Meanwhile, the European Central Bank voted to lower the headline interest rate by 0.25% to 1.25%, with a further 0.25% reduction widely anticipated at the beginning of December.

In the UK, the Chancellor's Autumn Statement delivered on 29 November confirmed the government's aim to reduce the budget deficit, though George Osborne had to admit that borrowing would be higher than anticipated for the next couple of years, whilst growth was expected to suffer for the next three years. The news did much to highlight the argument between those who believe that budget cuts are hampering growth prospects and those who believe that the national deficit must be tackled immediately.

Across the Atlantic the US economy remains beset with problems, with consumer spending and the level of imports both down in November. Third quarter GDP growth was revised downwards from 2.5% to 2% which whilst disappointing, still shows stronger growth in the US than in the UK or Europe.

In currency markets, the US Dollar strengthened against both Sterling and the Euro, whilst Sterling was up against the Euro. All three movements were the opposite of what happened in October as investors continue to remain unsure as to which currency provides the safest bet in the current economic environment.

Key Data			
	31 Oct 2011	30 Nov 2011	+/(-)%
FTSE 100	5,544.22	5,505.42	(0.7)
S&P 500	1,253.30	1,246.96	(0.5)
EuroStoxx50	2,385.22	2,330.43	(2.3)
Nikkei 225	8,988.39	8,434.61	(6.2)
Hang Seng	19,864.87	17,989.35	(9.4)
MSCI EM	995.00	928.32	(6.7)
Crude Oil (Brent)	\$109.76	\$111.25	1.4
Gold	\$1,724	\$1,748	1.4
£ = \$	1.612	1.561	(3.2)
Euro = \$	1.415	1.333	(5.8)
£ = Euro	1.139	1.171	2.8
FTSE Index Linked Gilts	2,986.66	3,164.57	6.0
FTSE Gilts All Stocks	2,729.41	2,786.87	2.1
Interest Rates			
Bank of England Base Rate			0.5%
ECB Refinancing Rate			1.25%
US Fed Funds Target Rate			0.00% -0.25%

UK

Unemployment figures for September announced in this month showed that the unemployment rate increased to 8.3%, its highest level since 1996. Amongst the 2.62 million people unemployed are over 1 million 16-24 year olds, whilst unemployment amongst females was at its highest for 23 years. The government was keen to set the figures amongst the backdrop of global economic uncertainty whilst the opposition called for stimulus to help save and create jobs.

EUROPE

Macroeconomic data out of Europe continued to disappoint, largely as a result of the ongoing debt crisis. Industrial orders in the Eurozone dropped 6.4% in November, their lowest month on month drop since December 2008. The largest drop was seen in crisis hit Italy, down 9.2%, but there were also falls for France (6.2%) and Germany (4.4%). Consumer confidence across the Eurozone also fell for the fifth consecutive month to reach its lowest level since August 2009.

US

Fears that politicians in the US might become distracted by the Presidential elections due in November 2012 were renewed following the failure of a congressional committee to agree on a strategy to reduce the national deficit. This latest failure may force \$1.3 trillion in automatic spending cuts due for 2013 and the lapse of many of the stimulus measures which have been seen to support growth over the last two years, albeit limited growth.

ASIA/PACIFIC

Equities across the Asia-Pacific region suffered a poor month as exports continued to fall in the face of uncertainty in Europe and the US. Year on year exports from Japan were down 3.7%, a figure much worse than analysts had anticipated. Shares in Japan have also been hampered by the fallout from the high profile scandal at Olympus Electronics which has been seen to harm the Japanese business reputation.

EMERGING MARKETS

International companies have warned that slowing sales in Emerging Market economies, recently the main area of growth for many industries, could lead to further job losses and lower growth expectations. Many factors have been blamed for this drop, with investors in Eastern Europe pointing to political interference as a factor, whilst high inflation in Latin America and Asia has impacted on consumer spending power.

FIXED INTEREST SECURITIES

A key headline figure in respect of the cost of borrowing for EU countries appears to be the 7% yield on 10 year bonds. This is the level at which Greece, Ireland and Portugal required bailout funds and also the level which prompted the recent austerity drive in Italy. The cost of Italian debt has recently fallen to slightly below the 7% mark although Spain is approaching the 7% figure. As a comparison, the cost of 10 year debt in the UK and Germany is around 2.3%, whilst the rate for France is around 3.2%.