

Global Market Outlook

The second quarter of 2010 ended in a downbeat mood, with fears of a double dip in both economies and equity markets, amongst great uncertainty about the economic and corporate environments. China is feared to be slowing, Europe is feared to be bouncing along the bottom and the United States is feared to be just trundling along. We believe that markets present one of the better opportunities of 2010 right now, but don't disagree that the outlook remains highly uncertain.

Equity markets in the second quarter were marked by some sharp corrections, with the Eurozone crisis at the heart of the enveloping negative sentiment. The MSCI Europe Index was down 5.93% in euros and 14.84% in U.S. dollars.

Bond markets had a very varied quarter. Top-rated AAA government bonds performed in a stable fashion – the yield on 10-year U.S. treasuries fell from 3.9% to 2.9% over the quarter. But the story in Europe was of very different and contrasting country outcomes.

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