Amundi
ASSET MANAGEMENT

Transcript - Market Review #6 in video - February 2012 with Alain Pitous

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Hello and welcome to our February Market Review. Starting immediately with the key events of the past month.

There was a positive start to 2012 as the downgrade of 9 Euro zone countries including France had to a large extent previously been anticipated and therefore didn’t have a negative effect on the markets.
However, not all problems have been resolved: Greece and Portugal continue to be a cause for concern. This is especially true for Portugal which is the only country to have seen an increase in its 10 year spread with Germany.

The situation in Greece will remain fragile even if an agreement is reached to solve its short term problems. However an injection of almost 500 Billion Euros of liquidity by the ECB through 3 year loans to banks has helped the markets.

This support of the banking system has greatly contributed to the recovery in equity and bond prices.

There has also been some economic good news. In the US, GDP has continued to grow into the 4th quarter of 2011, albeit at a sluggish rate.

Emerging country economies are continuing to grow but at a slightly reduced rate. These countries, especially China, seem to be in a position to put in place the required measures to avoid an overly severe slowdown.
Finally, in Europe recent indicators lead us to conclude that there will be a moderate recession for the Euro zone.

The intervention of the ECB end of December 2011 reassured the markets and gave a bit of a boost to equities and bonds, particularly those of corporates. However, we are maintaining our scenario for moderate global economic growth in 2012, carried by emerging market economies and the reduction of extreme risk in Europe.

But the austerity measures are weighing down on the Euro zone and Germany cannot continue to act as the only motor of growth amongst all these countries. Therefore we will not switch to blissful optimism.

As indicated in January, we are continuing to pursue investments, capitalising on the weak valuations of certain sectors and values.

For equities, it is time for a return to the financial sector. However everything is of equal interest and one must be selective.

In geographic terms, we believe that emerging markets remain the most attractive. The US as well, but to a lesser extent.
In Europe, the situation is very slowly improving but the risks are still present.
We are retaining our position slightly underweighted in European equities.

On corporate bonds, there has been a clear improvement in conditions since the beginning of the year. We are maintaining our position on this investment class: their risk-return ratios remain very favourable.

Finally on the currency side, we are continuing to favour the US dollar against the Euro on a long term horizon: we believe that the European currency is currently overvalued against the US dollar.

Clearly, these convictions should be adapted to suit each investor's profile and reviewed in accordance with current events.

Thank you for your attention. Please let me know what you thought of this video by writing to me at the address below and equally I'd be happy to answer any questions you have.
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See you next month for the next edition of Amundi's Market Review.