

Week ending Friday 5th March
Market Monitor



A more positive outlook

By Anne D. Picker, Chief Economist
 produced by **ECONODAY**

Global Markets

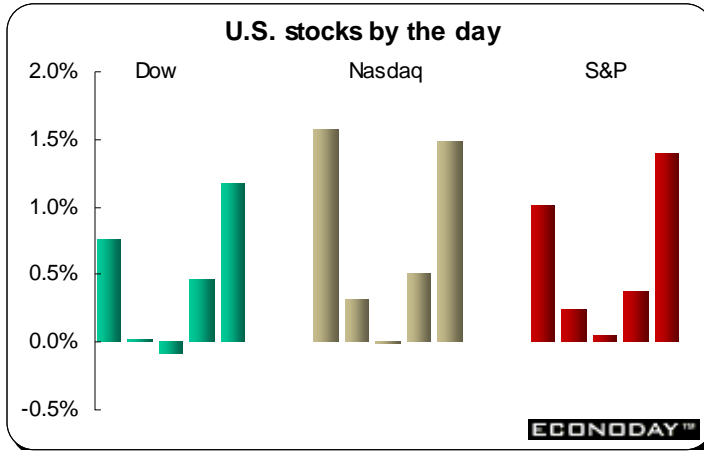
Stocks were up everywhere but in Shanghai last week as Greece moved towards a resolution of its debt woes and economic data indicated that the recovery is continuing. On Monday, a slew of purchasing managers' surveys indicated that manufacturing is now growing in most of Europe and North America. The icing on the cake is the U.S. employment situation report that shows the January unemployment rate unchanged at 9.7 percent and employment down 36,000 — less than the consensus estimate. The impact of the dreadful snowy weather is difficult to discern. Many analysts said that Friday's data point to a gradual stabilization of the labor market but at a high unemployment rate and with adverse compositional and structural components. It remains an open question as to whether this stabilization will lead to the monthly gains needed to meaningfully improve the employment, consumption and economic growth outlook in a sustained fashion.

On the week, all indexes followed here with the exception of the Shanghai Composite were up. So far in 2010, the FTSE leads with an increase of 3.5 percent and Nasdaq follows with an increase of 2.5 percent.

Global Stock Market Recap

	Index	2009	2010		% Change	
		Dec. 31	Feb 26	Mar 5	Week	2010
Asia						
Australia	All Ordinaries	4882.7	4651.1	4773.4	2.6%	-2.2%
Japan	Nikkei 225	10546.4	10126.0	10369.0	2.4%	-1.7%
	Topix	907.6	894.1	910.8	1.9%	0.4%
Hong Kong	Hang Seng	21872.5	20608.7	20788.0	0.9%	-5.0%
S. Korea	Kospi	1682.8	1594.6	1634.6	2.5%	-2.9%
Singapore	STI	2897.6	2750.9	2790.3	1.4%	-3.7%
China	Shanghai Composite	3277.1	3051.9	3031.1	-0.7%	-7.5%
India	Sensex 30	17464.8	16429.6	16994.5	3.4%	-2.7%
Indonesia	Jakarta Composite	2534.4	2549.0	2578.8	1.2%	1.8%
Malaysia	KLCI	1272.8	1270.8	1299.8	2.3%	2.1%
Philippines	PSEi	3052.7	3043.8	3069.6	0.9%	0.6%
Taiwan	Taiex	8188.1	7436.1	7666.3	3.1%	-6.4%
Thailand	SET	734.5	721.4	724.0	0.4%	-1.4%
Europe						
UK	FTSE 100	5412.9	5354.5	5599.8	4.6%	3.5%
France	CAC	3936.3	3708.8	3910.4	5.4%	-0.7%
Germany	XETRA DAX	5957.4	5598.5	5877.4	5.0%	-1.3%
North America						
United States	Dow	10428.1	10325.3	10566.2	2.3%	1.3%
	NASDAQ	2269.2	2238.3	2326.4	3.9%	2.5%
	S&P 500	1115.1	1104.5	1138.7	3.1%	2.1%
Canada	S&P/TSX Comp.	11746.1	11629.6	11975.1	3.0%	1.9%
Mexico	Bolsa	32120.5	31634.5	32436.5	2.5%	1.0%

United States



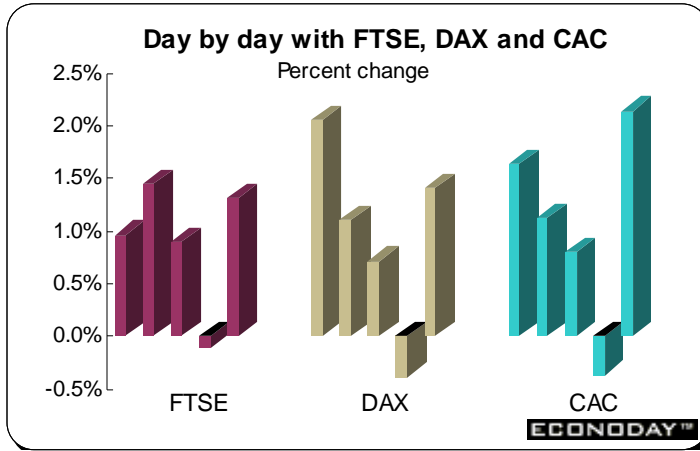
North American stocks were up last week with gains that vaulted them over their year end 2009 levels. Investors were exuberant on Friday after the employment report showed only a small loss in jobs and an unemployment rate that remained at 9.7 percent for the second month. And other employment data released prior to the big one on Friday showed signs of improvement as well. Other economic data boosted investor morale. The PMIs showed strength in manufacturing and the factory

orders data underlined that improvement. Pending home sales sank — but housing data can be difficult to read for direction during the winter months.

According to the Beige Book put together by the regional Fed banks, the economic recovery continues to spread at a modest pace across the country. But severe snow storms dampened some of the recent momentum. The 12 banks reported further improvement in economic activity from their last report in January. However, they said the improvements were modest, with consumer spending increasing while the labor market remains weak. The Fed said that labor markets remains soft with little wage pressure. The recent increase in home sales is largely attributable to the first time homebuyer tax credit, and brokers in most districts are anxious about its looming expiration in April. Commercial real estate remained weak or had declined since the last report. But some districts noted signs of stabilization, with increases in leasing or steadying vacancies.

The regional Feds confirmed the signs of growing manufacturing strength with increases in production as businesses work to meet accelerating global demand. In spite of that, businesses are continuing to show weak demand for loans and most businesses said that banks remain wary of lending.

Europe

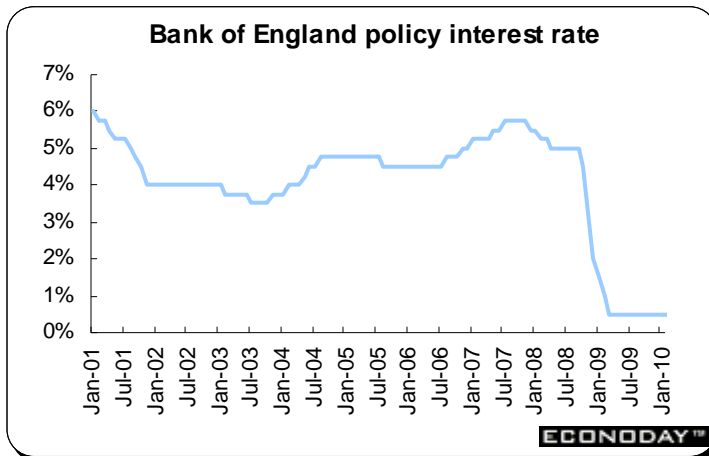


After hesitating on Thursday, the FTSE, DAX and CAC were up last week. The FTSE is one of the few indexes that is above its year-end level, up 3.5 percent. One of the major factors that helped stocks last week was the announcement of further Greek austerity measures. George Papandreou, the Greek prime minister, announced an additional €4.8 billion (\$5.6 billion) of deficit cuts, hoping to convince European allies and investors that he can tame the country's deficit and avert a wider crisis.

Wednesday's announcement of new Greek austerity measures to ease its budget crisis combined with upbeat U.S. economic data to boost investor sentiment. Under pressure from the European Union to deal with mounting debt crisis, the Greek government announced sweeping new austerity measures, saying it will freeze pensions, slash civil service bonuses and increase sales tax on fuel, tobacco and alcohol.

Economic data during the week helped bolster optimism as the manufacturing purchasing managers' surveys showed growth in all major countries except Spain. However, equities wilted slightly after the services sector survey expanded at a slower pace than had been expected.

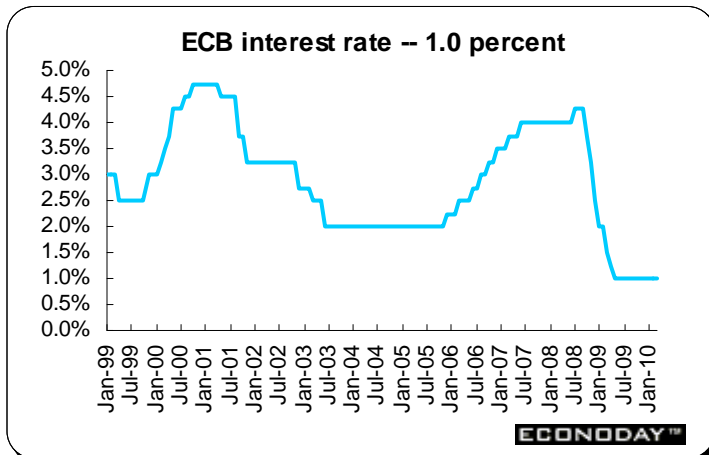
Bank of England



As expected, the Bank of England left its key interest rate at 0.5 percent where it has been since March 2009. At the same time, the monetary policy committee continued the pause in its quantitative easing program at Stg200 billion but left the door open to further expansion if required. In recent speeches, MPC members have stressed that the door is open to further quantitative easing, with the decision not to extend it in February qualified as a 'pause' rather than a full stop.

Economists, however, take the view it will be a lengthy pause, and the vast majority believe the next move will be a tightening.

European Central Bank

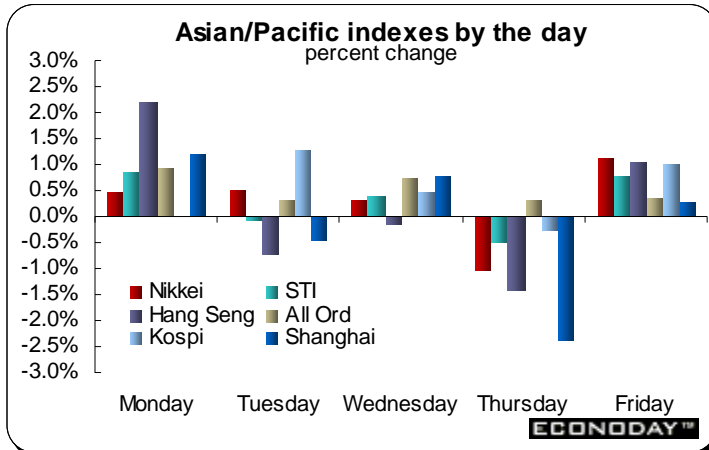


As universally expected the European Central Bank left its key interest rate at a record low 1 percent. While the ECB isn't expected to raise interest rates before the fourth quarter, it has started to unwind its emergency lending programs. In December the ECB tightened the terms of its final tender of 12-month loans and said it will discontinue its six month loans after March. Lackluster consumer spending thanks to high unemployment and Greece's fiscal problems will probably complicate

the ECB's return to normal monetary policy.

At his post governing council press conference, President Jean Claude Trichet announced new steps to return the ECB to its previous system of injecting liquidity into the financial system and restrict the occasions on which it meets in full banks' demands for funds. Mr Trichet said financial market conditions were returning "progressively to normal" and voiced concern that delaying implementation of its exit strategy could distort investors' behavior, sowing the seeds of a future crisis. But the pace of action remains gradual. The ECB will continue to provide unlimited liquidity in weekly and monthly offers until at least October. Mr Trichet was less upbeat on eurozone growth prospects. He said that the recovery was on track but is likely to remain uneven.

Asia Pacific



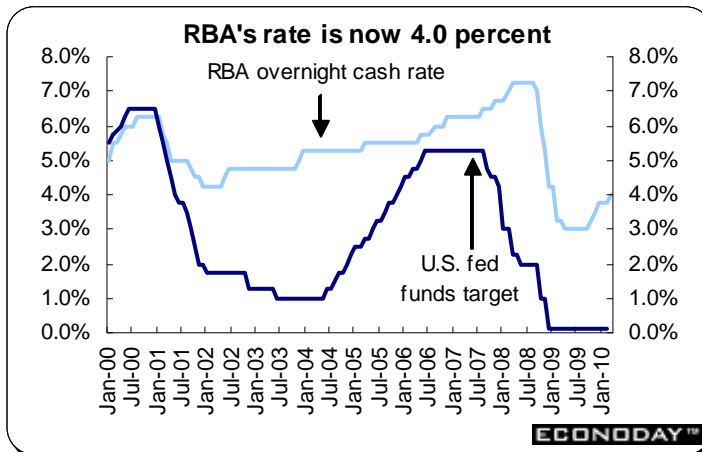
All indexes followed here ended the week in positive territory with the exception of the Shanghai Composite which edged down 0.7 percent. Stocks gained on increasing optimism that the economic recovery will be sustained. The Hang Seng snapped a three day losing streak on Friday on the positive sentiment. However, the Shanghai Composite continued to be spooked by worries that the relentless monetary policy tightening would hurt growth and

earnings.

A steady weakening of the yen provided an additional boost for Japanese stocks as export related stocks gained ground. A softer yen helps increase overseas profits when they are repatriated — an important factor given that March is the end of the Japanese fiscal year. And speculation that Bank of Japan might ease monetary policy to fight deflation weakened the yen against the dollar and lifted market sentiment. Most stocks ended in positive territory amid speculation that BoJ will step up its efforts to fight deflation. Press reports have stated that the Bank has begun examining plans to further ease its already ultra-loose monetary policy and may make a decision on such a move as early as the two day meeting beginning on March 16.

The Bank of Japan is being pressured by Finance Minister Naoto Kanto to do more to stabilize prices. He said that he would like to see the consumer price index turn positive by the end of the year. Some observers see the comments as setting a deadline for the BoJ to act. But the finance minister himself said they only reflected his “hopes”. Current and former officials say the BoJ came under much greater pressure in 2001 when Japan became the first country to use quantitative easing. But many BoJ officials now think that policy had little effect. Core consumer prices, excluding food and energy, fell by 1.2 percent in January compared with a year ago. Since 1999, Japan has only escaped deflation for short periods.

Reserve Bank of Australia



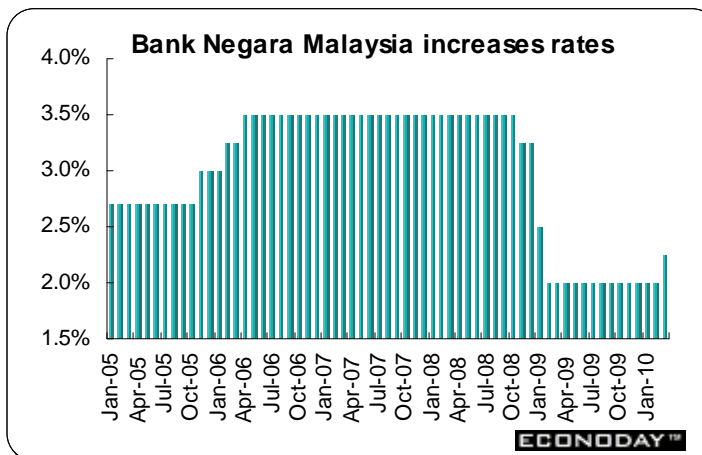
As expected, the Reserve Bank of Australia increased its policy interest rate — the overnight cash rate — for the fourth time in five meetings by 25 basis points to 4 percent. Recent reports show that company profits surged in the fourth quarter and manufacturing expanded at the fastest pace in more than two years. And retail sales data which were released earlier were up more than expected. Fourth quarter GDP data which was announced the day after the meeting showed that the

economy grew the most since the first quarter of 2008.

Today's increase is the first from a Group of 20 central bank to raise borrowing costs in 2010. The RBA was also the first in the world to increase rates three times last quarter. In his statement after the meeting's conclusion, Governor Glen Stevens said that the appropriate rate should be closer to average and today's move is a step in that direction. Borrowers still face lower than average rates. He also noted that growth in 2010 is likely to be close to trend.

The rate increase widens the gap between Australia's cash rate target and the U.S. fed funds rate to 375 basis points, the most since January 2009. The difference between the Australian and UK benchmarks is now 350 basis points, the widest since 1990. The spread has helped send the Australian dollar to a 25-year high versus the pound.

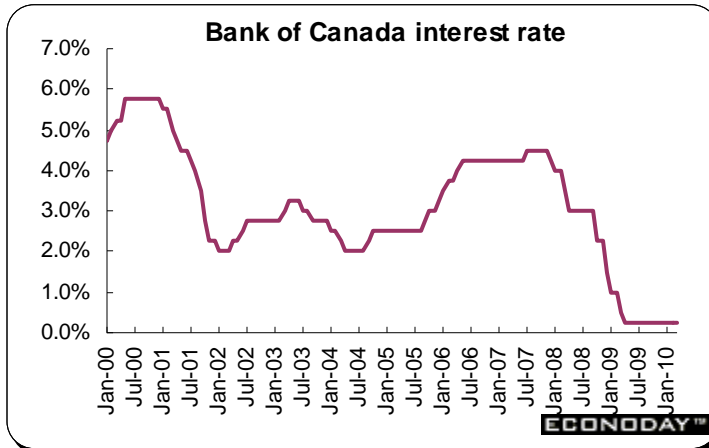
Bank Negara Malaysia



Bank Negara Malaysia increased its interest rate to 2.25 percent from a record low of 2 percent. It said that it wanted to avoid financial imbalances as the economy recovers. Thus far Australia, China, India and Vietnam have tightened monetary policy to fight inflation and avert asset bubbles in the Asia/Pacific region. Malaysia became only the second Asian country after Australia to raise interest rates in the current cycle to reflect a strengthening economy. The Bank

said it was raising rates even though the inflation threat was "modest" because the economy was recovering from the crisis, removing the justification for emergency measures. It said the rate rise was a move towards "normalizing monetary conditions and preventing the risk of financial imbalances that could undermine the economic recovery process." The move, which had been signaled by Zeti Akhtar Aziz, the central bank governor, leaves Malaysia with a continuing ultra loose monetary policy, although economists said rates might rise by up to 75 basis points before the end of the year.

Canada

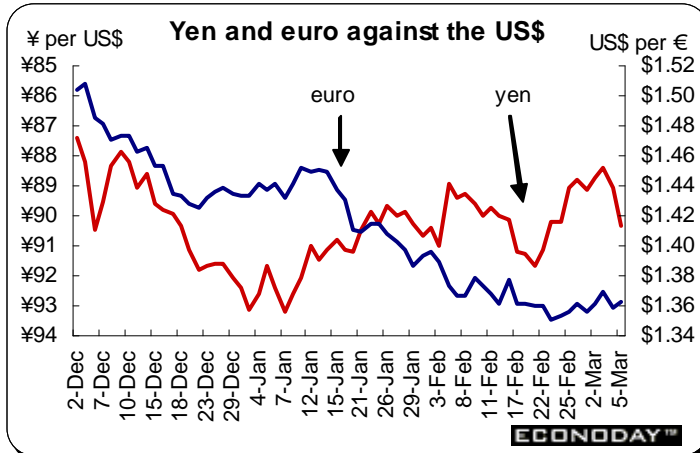


As expected, the Bank of Canada kept its key lending rate at 0.25 percent where it has been since April 2009 and reiterated its commitment to remain on hold until mid-year. The Bank of Canada has an inflation target range of 1 percent to 3 percent and is focused on the 2 percent midpoint. The BoC's core CPI measure which excludes eight volatile items is currently at 1.9 percent but largely due to a base year effect — prices dropped significantly in January 2009.

Fourth quarter GDP expanded at an annualized rate of 5 percent — the strongest since the third quarter of 2000 — and was much stronger than most analyst expectations. However, the BoC said that despite the surge in GDP, the basic economy is largely unchanged. The surge was due to domestic spending and an export recovery. The Bank also said that inflation was under control. It cited the strong Canadian dollar and low U.S. demand the primary drags on the economy.

The bank said the expansion pushed Canada's output to a level "slightly higher than the Bank had projected." Governor Mark Carney has said there must be a transition towards private expenditures instead of government stimulus to create a sustained recovery. The bank's statement dropped a reference made in January to inflation risks being "tilted slightly to the downside." The statement also omitted a reference to the central bank having flexibility even with the key interest rate close to zero.

Currencies



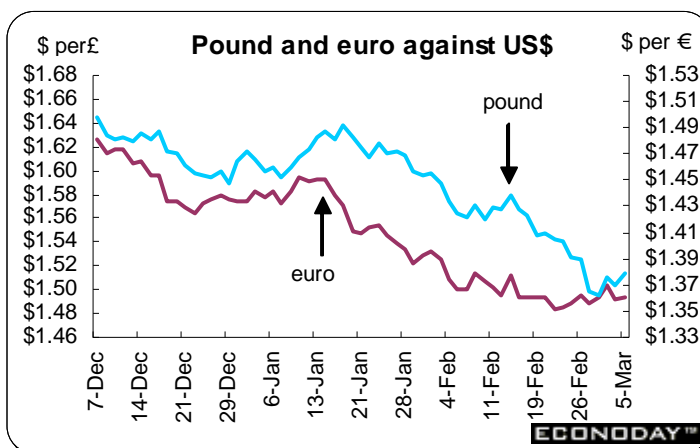
The U.S. dollar was mixed against its leading counterparts last week. Despite the ups and downs of the euro, the pair was virtually unchanged on the week. The yen sank against the dollar especially after Friday's employment report. However, the dollar lost ground against the commodity currencies of Canada and Australia.

The euro fluctuated with Greece's fortunes — rising when fears abated and sinking when investors became risk averse. The euro

rallied Wednesday amid indications that the crippling Greek debt crisis may soon come to an end. Under pressure from the European Union to deal with runaway deficits, the Greek government announced new austerity measures, saying it will freeze pensions, slash civil service bonuses and increase sales tax on fuel, tobacco and alcohol.

On Friday, the dollar initially rallied following the jobs number, though it later reversed course as the better mood enveloping the markets encouraged investors to move away from perceived safe havens. The main focus of interest before the U.S. data were released was the yen. The Japanese currency had moved lower as traders absorbed news that the Bank of Japan was considering a further loosening of its already ultra-loose monetary policy.

It is worth noting that short-term borrowing rates in yen have dipped below those of the dollar for the first time in six months, prompting some to suggest that the yen will once again take over from the U.S. dollar as the world's favorite carry trade. This will cheer Japanese politicians, who were getting distinctly uneasy as the yen again moved through the ¥90 to the dollar level.



The pound sterling came under attack last week. And although it regained a little ground during the week, sterling has in reality been sliding for weeks. But it is wrong to blame these jitters mainly on the economy, even though it remains fragile and recent signals are mixed. Another possible explanation is Prudential's mammoth bid for AIG's Asian operations, which required the British insurer to find £23.3 billion worth of dollars. But it was mostly politics that undermined the pound.

At the start of 2010, the Conservative opposition was well ahead of the Labour Party in the polls and the Tories looked on course to win. But the Conservatives' lead has been eroding leading to worries that there could be a hung Parliament and no resolution of the country's deficit problems.

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But Britain has some things going for it as a sovereign borrower. Although public debt may be rising fast, the starting point was lower than in other big advanced economies. At 14 years, the average maturity of British government debt (gilts) is exceptionally long, which means that a smaller portion has to be refinanced each year than elsewhere.

Selected currencies — weekly results

		2009	2010		% Change	
		Dec 31	Feb 26	Mar 5	Week	2010
<i>U.S. \$ per currency</i>						
Australia	A\$	0.898	0.896	0.908	1.4%	1.2%
New Zealand	NZ\$	0.727	0.698	0.697	-0.1%	-4.1%
Canada	C\$	0.955	0.950	0.970	2.1%	1.6%
Eurozone	euro (€)	1.433	1.362	1.362	0.0%	-5.0%
UK	pound sterling (£)	1.617	1.525	1.515	-0.7%	-6.3%
<i>Currency per U.S. \$</i>						
China	yuan	6.827	6.826	6.826	0.0%	0.0%
Hong Kong	HK\$*	7.753	7.762	7.753	0.1%	0.0%
India	rupee	46.525	46.085	45.615	1.0%	2.0%
Japan	yen	93.125	88.830	90.330	-1.7%	3.1%
Malaysia	ringgit	3.427	3.403	3.364	1.2%	1.9%
Singapore	Singapore \$	1.405	1.406	1.299	8.2%	8.2%
South Korea	won	1164.000	1159.850	1140.300	1.7%	2.1%
Taiwan	Taiwan \$	31.985	32.072	31.918	0.5%	0.2%
Thailand	baht	33.400	33.040	32.650	1.2%	2.3%
Switzerland	Swiss franc	1.035	1.074	1.074	0.0%	-3.6%

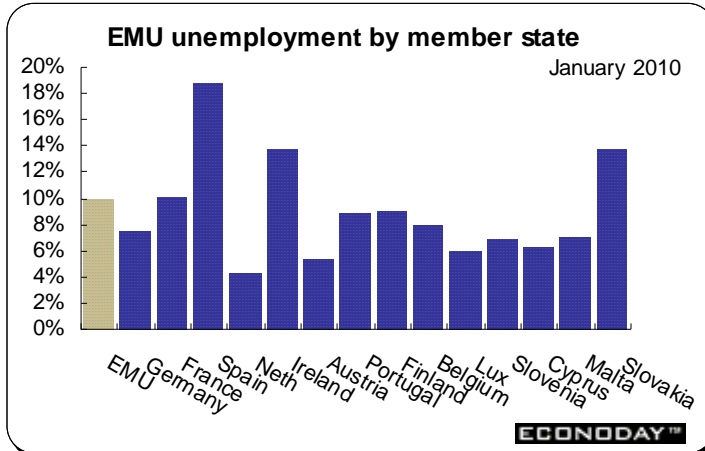
*Pegged to U.S. dollar

Source: Bloomberg

Indicator scoreboard

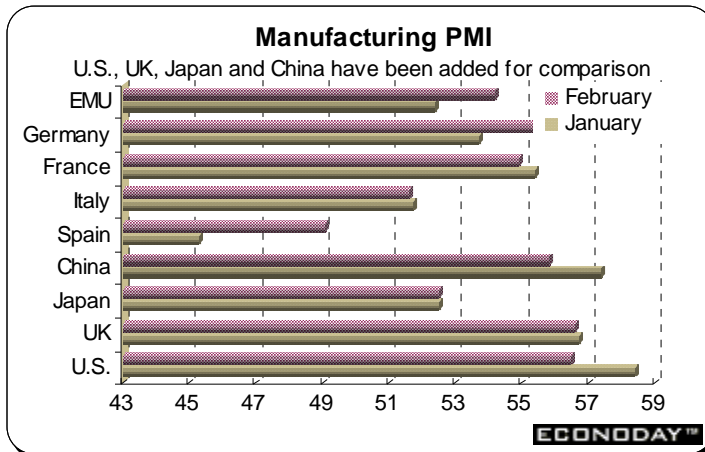
Europe

Eurozone



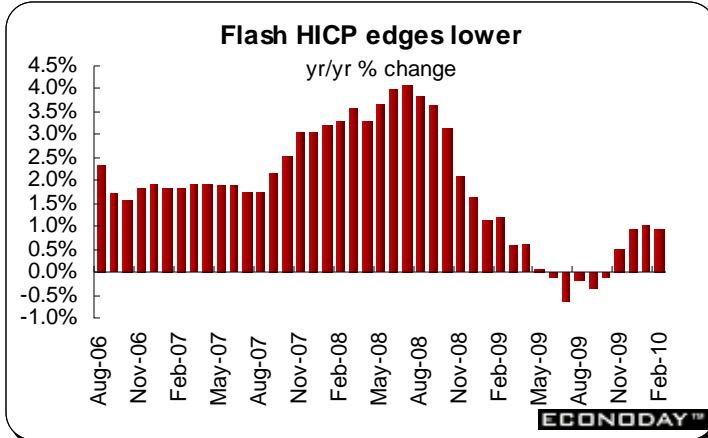
January unemployment rate was 9.9 percent, unchanged from December. The stable rate masked a 38,000 increase in the number out of work, although the gain here was well down from the 70,000 advance seen in December. The total number of unemployed at the start of the year was 15.683 million, up 2.204 million on a year ago. Regionally, the jobless rate was unchanged in Germany (7.5 percent) but edged up a tick in both France (10.1 percent) and Italy (8.6 percent).

Spain edged 0.1 percentage point lower but at 18.8 percent, it remains alarmingly high.

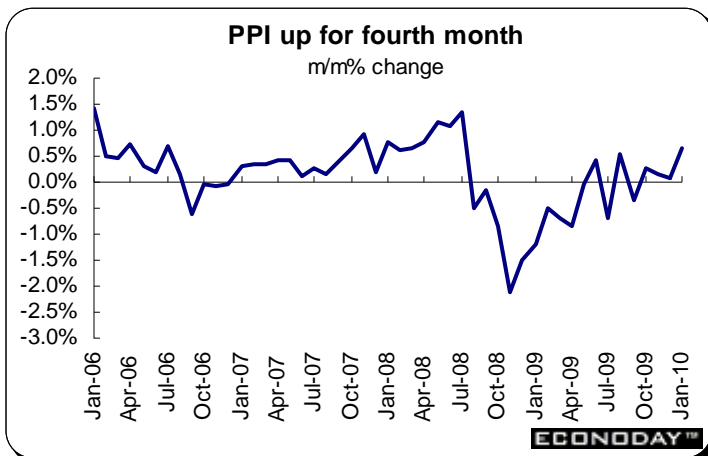


February PMI manufacturing index was 54.2, up from 52.4 in January. This was the strongest level since August 2007 and constituted the fifth consecutive month above the key 50-growth threshold. Output grew at its fastest pace since March 2007 with capital, consumer and intermediate goods all making headway. New orders rose at their fastest rate in two years, helped by stronger global demand and inventory rebuilding, while backlogs were up for the fourth month running. Delivery delays similarly

increased, reflecting the combination of low inventory levels and a rising demand for raw materials. As a result, purchasing costs firmed again and now stand at close to a one-and-a-half year high.

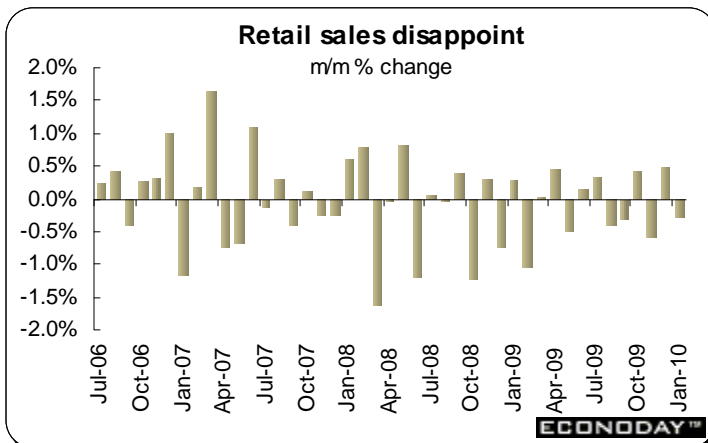


February flash estimate of the harmonized index of consumer prices was up 0.9 percent on the year, slightly below January's 1.0 percent rate. As usual there are no details provided in the flash estimate but national data suggest that that weak domestic demand remains a major hindrance to higher prices.

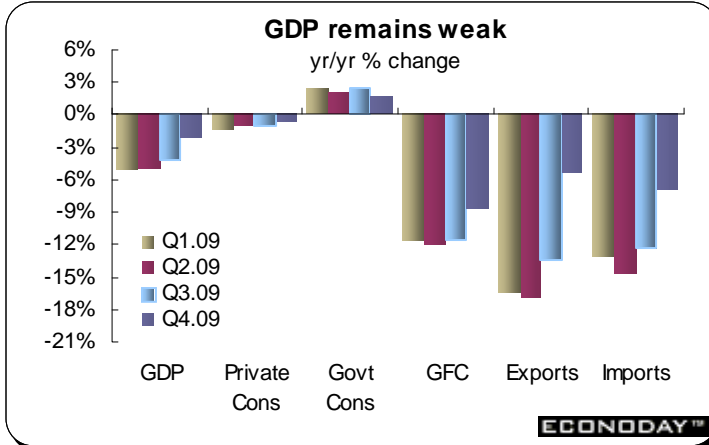


January producer prices excluding construction were up 0.7 percent and were down 1.0 percent on the year. As usual, developments in the headline index were largely dictated by the oil market where prices rose another solid 2.0 percent on the month. Excluding oil, the PPI edged up 0.2 percent and was down 1.0 percent on the year. Intermediate prices were up 0.5 percent on the month, consumer durables were up 0.2 percent while consumer nondurables edged up 0.1 percent.

Regionally producer prices climbed quite sharply on the month in a number of countries, including Germany (0.8 percent), France (0.7 percent) and Spain (1.0 percent).



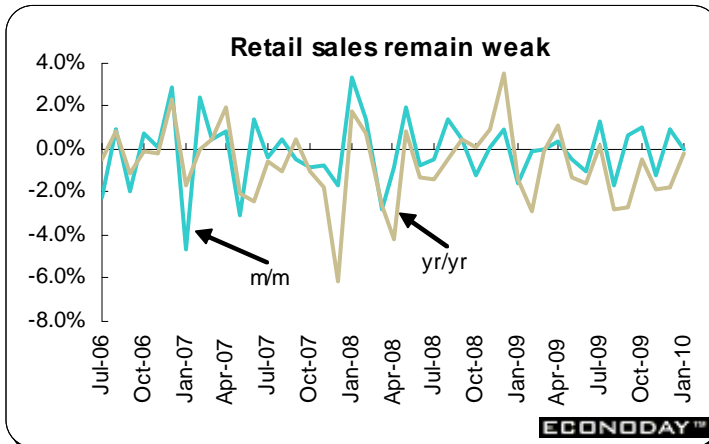
January retail sales were down 0.3 percent and were 1.3 percent lower than a year ago. However, December saw a sizeable revision with the originally reported unchanged reading from November now adjusted up to a 0.5 percent gain. Purchases of non-food products excluding automotive fuel, sank 0.6 percent, more than wiping out the previous month's 0.5 percent advance. Food, drinks & tobacco edged down 0.1 percent.



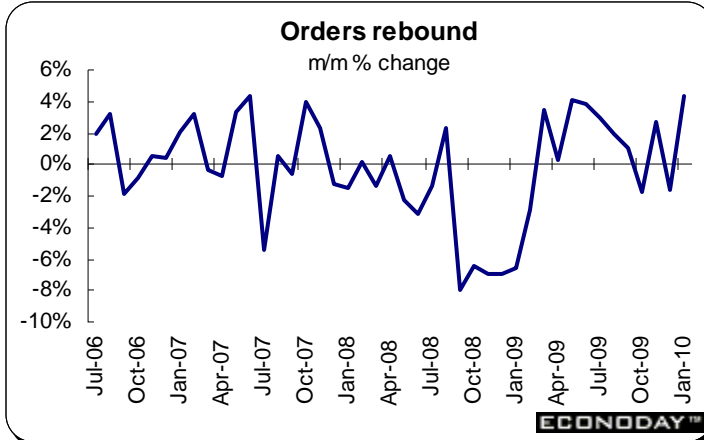
Fourth quarter gross domestic product edged up an unrevised 0.1 percent and was down 2.1 percent when compared with last year. As expected, it was weakness in domestic demand that lay behind the failure of the economy to build any momentum. Private consumption was unchanged on the quarter while fixed investment dropped a further 0.8 percent and government consumption slipped 0.1 percent. Inventories had a neutral impact upon the bottom line. Export volumes were up a

quarterly 1.7 percent which, taken together with a 0.9 percent increase in imports, provided for a 0.3 percentage point contribution from the foreign trade sector.

Germany



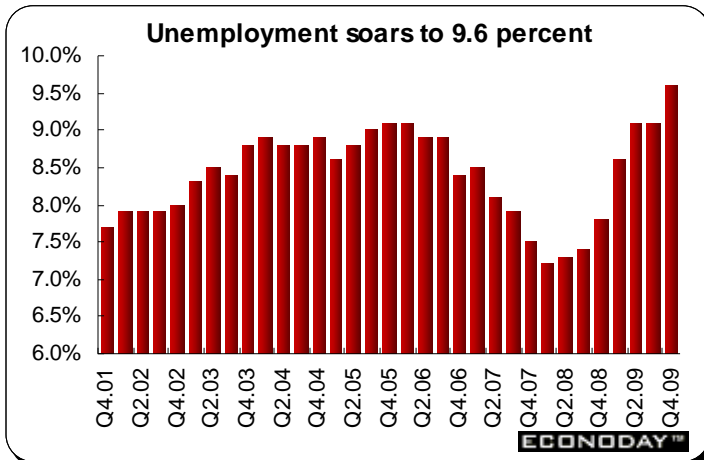
January retail sales were unchanged and down 3.4 percent when compared with last year. On the year, real non-food purchases dropped 3.9 percent within which mail orders slumped more than 10 percent and the other goods category fell almost 8 percent. Clothing & shoes were down a relatively modest 1.4 percent while furniture & household goods were off 2.0 percent. Food and drink sales declined 2.3 percent on the year and gas stations slumped by 3.4 percent.



January manufacturing orders soared by 4.3 percent and were up 19.6 percent when compared with last year. The January leap was led by domestic demand as orders placed at home jumped 7.1 percent on the month. Within this, capital goods were up 10.0 percent while basics climbed a more than solid 5.5 percent. The only decline was in consumer and durables (down 1.1 percent) but this followed a 4.6 percent advance in December. Foreign orders gained a more modest 1.9 percent. Basics led the

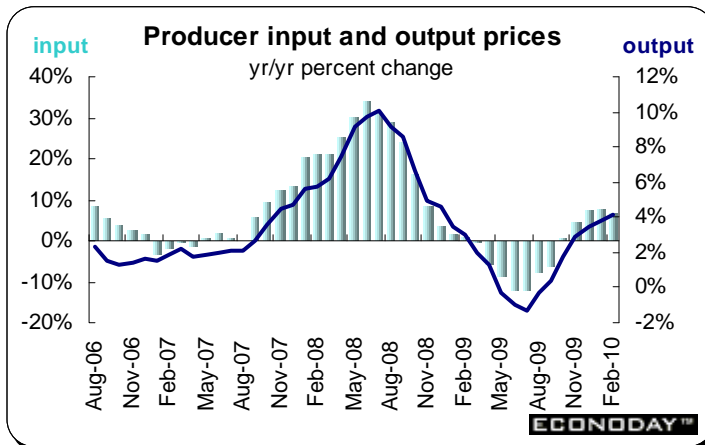
way with a 6.6 percent increase and were supported by a 1.9 percent climb in consumer and durable goods. By contrast, capital goods slipped 0.6 percent for the second month in a row. The increase in overseas orders was entirely attributable to the other EMU countries (up 6.0 percent) as non-EMU demand declined 0.7 percent.

France



Fourth quarter ILO unemployment jumped to 9.6 percent for mainland France while total unemployment also jumped 0.5 percentage points to 10.0 percent. Metropolitan unemployment now strands at 2.727 million, a gain of 145,000 over the third quarter when it rose just 9,000. Including overseas territories, the number out of work has reached 3.4 million.

United Kingdom

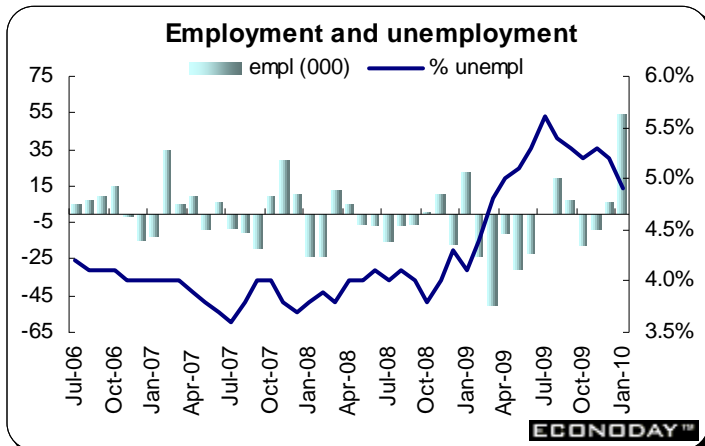


February input prices edged up 0.1 percent and were up 6.9 percent from a year ago. Output prices were up 0.3 percent and 4.1 percent on the year. Input prices were held in check by fuel costs which were down 2.6 percent on the month. However, the decline here was offset by increases in imported metals and chemicals (both up 0.9 percent), imported parts & equipment and food materials (both up 0.6 percent) and home food materials (up 0.6 percent). The most significant

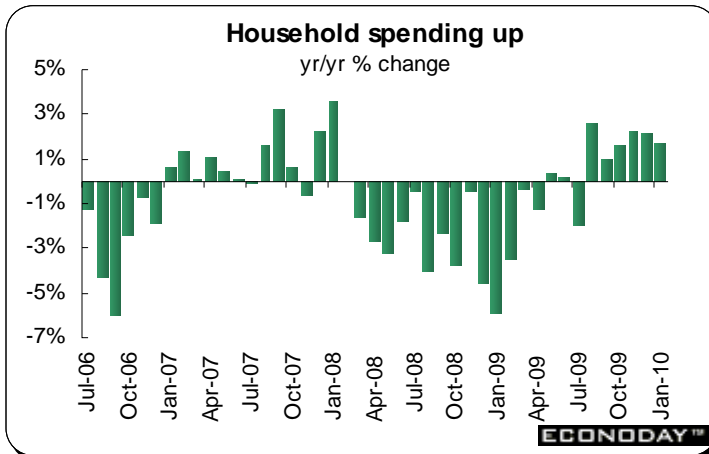
impact on output prices came from chemicals prices which were up 0.6 percent on the month. Other increases of note were seen tobacco & alcohol (up 0.5 percent), electrical & optical (up 0.4 percent) and the other products category (up 0.3 percent). Core output prices matched the overall index with a monthly 0.3 percent increase, lifting the underlying annual rate by 0.3 percentage points to 2.9 percent.

Asia Pacific

Japan



January unemployment rate was 4.9 percent and below analysts' expectations of a 5.1 percent rate. The number of unemployed was 3.23 million, an increase of 460,000 or 16.6 percent from the previous year. Employment declined by 790,000 or by 1.3 percent from the previous year to 62.13 million.

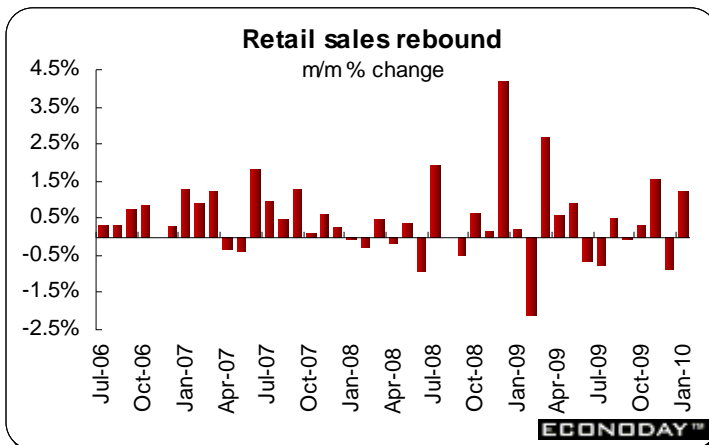


January household spending was up by 1.7 percent on the year and somewhat less than the 2.6 percent increase that analysts were looking for. Most of the major categories saw an increase in expenditures with the exception of clothing & footwear which was down 3.7 percent, education which plummeted by 8 percent and medical care which was down by 1.6 percent. The largest increases in expenditures were for transportation & communication (up 11.3 percent), furniture &

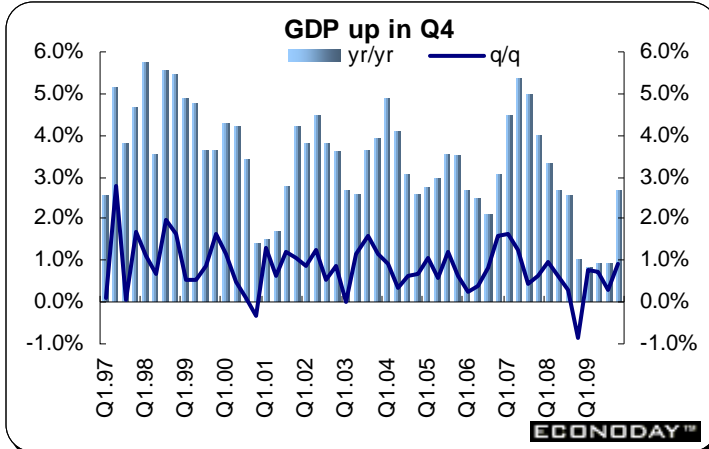
household utensils (up 10.2 percent) and housing (up 6.4 percent). However, the outlook for spending remains bleak as jobs continue to be hard to find and deflationary pressures point to further erosion in nominal incomes.

Asia Pacific ex Japan

Australia

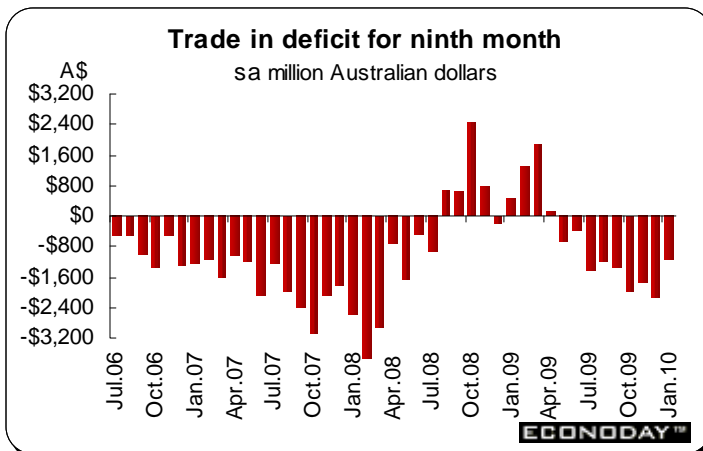


January retail sales rebounded and were up 1.2 percent after sinking 0.9 percent in December. Sales were up in five industry groups including department stores (7.2 percent), clothing, footwear & other personal accessories (2.9 percent), other retailing (1.4 percent), food (1.3 percent) and household goods (0.6 percent). Sales were down however in cafes, restaurants & takeaway food services (down 3.1 percent).



Fourth quarter gross domestic product was up 0.9 percent on the quarter as expected and 2.7 percent on the year. This was a vast improvement over the third quarter when growth increased by just 0.3 percent and 0.9 percent on the year. On the year, nonfarm GDP was up 2.5 percent. On the expenditure side, growth was driven by private gross fixed capital formation of machinery & equipment which was up 10.9 percent on the quarter and contributed 0.8 percentage points

to growth. Public gross fixed capital formation was up 10.2 percent and contributed 0.6 percentage points to growth. Household final consumption expenditures were up 0.7 percent and contributed 0.4 percentage points. Offsetting the growth was imports of goods & services which were up 7.7 percent but subtracted 1.6 percentage points from growth.

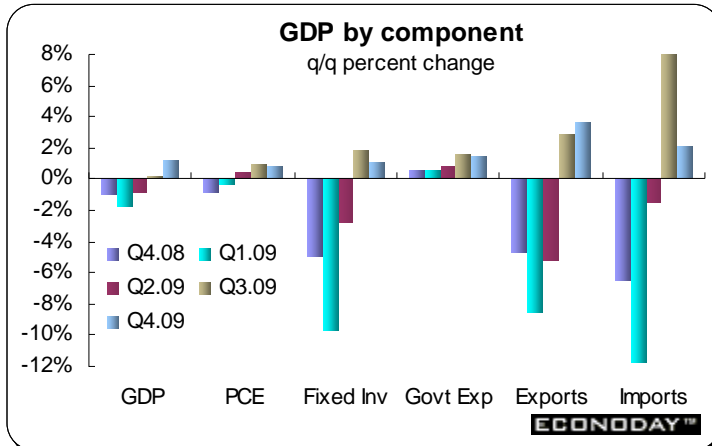


January merchandise trade deficit was A\$1.176 million, a decrease of A\$998 million on the deficit in December 2009. Exports were up 1.4 percent while imports dropped 3.3 percent. Non-monetary gold exports jumped 15 percent while non-rural goods were up 1 percent. However rural goods were down 2 percent. Imports of consumption goods were up 2 percent mainly due to the 30 percent jump in textiles, clothing & footwear. Capital goods imports edged down 1 percent thanks to the 6 percent

drop in machinery & industrial equipment.

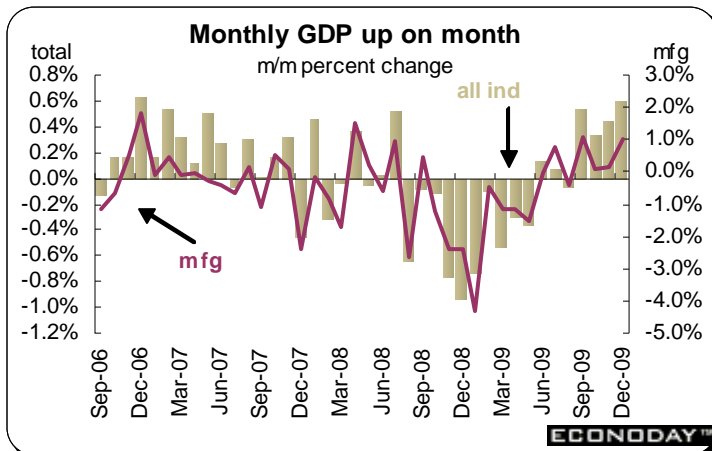
Americas and Canada

Canada



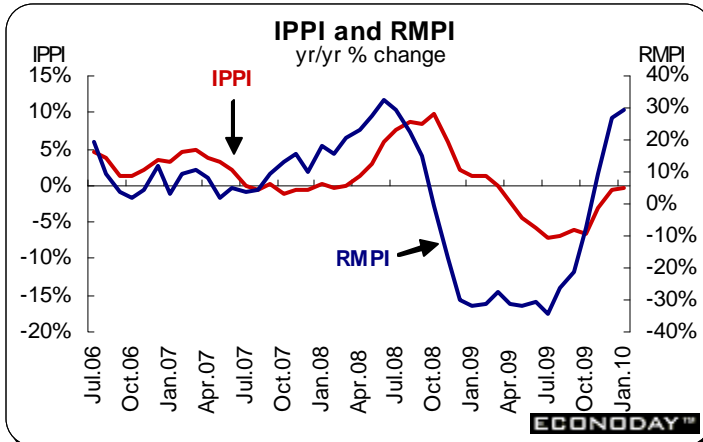
Fourth quarter gross domestic product was up 1.2 percent but is still 1.2 percent below a year ago. The fourth quarter rebound reflected gains by most of the main GDP expenditure components. Household consumption matched its third quarter increase with another 0.9 percent increase on the quarter and strength here was compounded by a 1.6 percent advance in fixed investment. Government spending was up 1.4 percent increase and exports surged 3.7 percent. Import growth

slowed to 2.2 percent on the quarter, down from the 8.0 percent leap last time allowing the net foreign trade balance to make a useful positive contribution to the bottom line. Final domestic demand advanced 1.1 percent. Inventories were drawn down for the fourth quarter in a row. By industry, goods producing output was up 2.1 percent while service sector activity was up 0.8 percent. Within the overall industrial production advance, manufacturing was up 1.1 percent, energy 2.8 percent and construction 2.2 percent. Services were underpinned by a 2.8 percent quarterly increase in wholesale and a 0.7 percent gain in retail trade. Transporting and warehousing were up 1.4 percent and the financial sector expanded 0.9 percent.



December monthly gross domestic product was up 0.6 percent and was unchanged on the year. Goods producing sector output was up 1.0 percent. Within this, manufacturing expanded 1.0 percent while mining & oil & gas extraction jumped 1.6 percent, a leap matched by the utilities sector. With construction advancing 0.5 percent, the only decline was in agriculture, forestry & fishing where output slipped 0.2 percent. Service sector production was up 0.4 percent with sizeable contributions

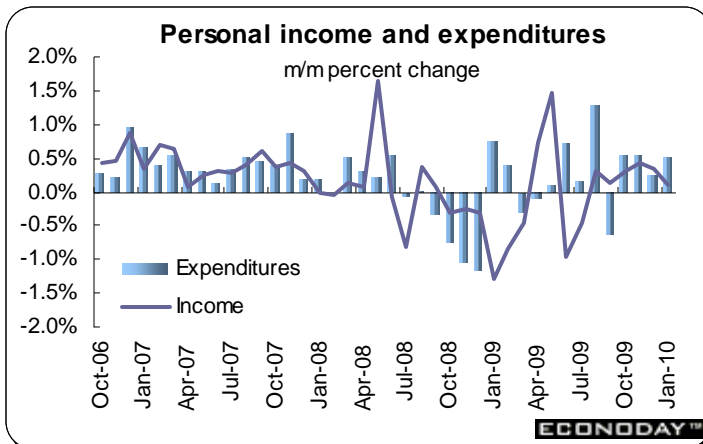
from wholesale (1.5 percent) and transportation (1.0 percent). Retail trade posted a 0.7 percent increase while accommodation & food was up 0.6 percent.



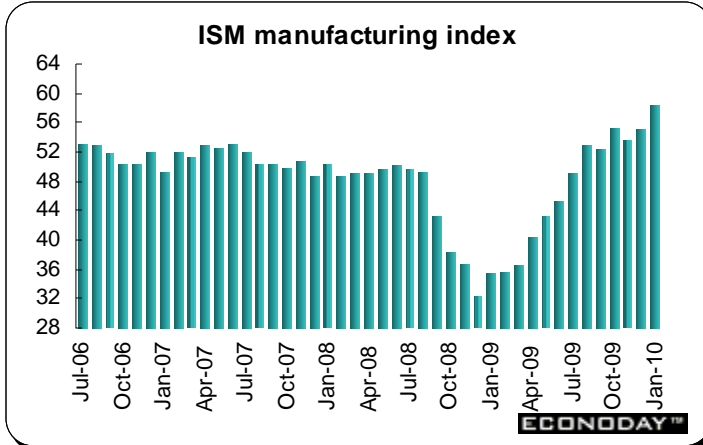
January industrial product price index was up 0.3 percent but was down 0.3 percent on the year. Excluding petroleum & coal prices the IPPI edged down 0.1 percent after two monthly gains. Petroleum & coal prices rebounded 4.4 percent after declining 1.4 percent in December. Higher prices here were the biggest contributor to the IPPI increase followed by primary metal products (up 1.7 percent). The increase in primary metal products was offset mainly by a decline in motor vehicles & other

transportation equipment which were down 0.7 percent. The 1.1 percent appreciation of the Canadian dollar against the U.S. dollar contributed to a price decrease for a number of products, including motor vehicles. If the exchange rate used to convert these prices had remained unchanged, the IPPI would have risen 0.6 percent instead of 0.3 percent. January raw materials price index (RMPI) jumped by 3.3 percent and was up 29.3 percent on the year. The RMPI was pushed up by rising prices for mineral fuels, particularly crude oil (up 5.6 percent). Prices for non-ferrous metals and animals & animal products made smaller contributions to the January increase of the RMPI. Excluding mineral fuels, the RMPI posted a 1.2 percent gain in January, nearly the same as December's advance to continue the upward trend that prevailed throughout 2009.

United States

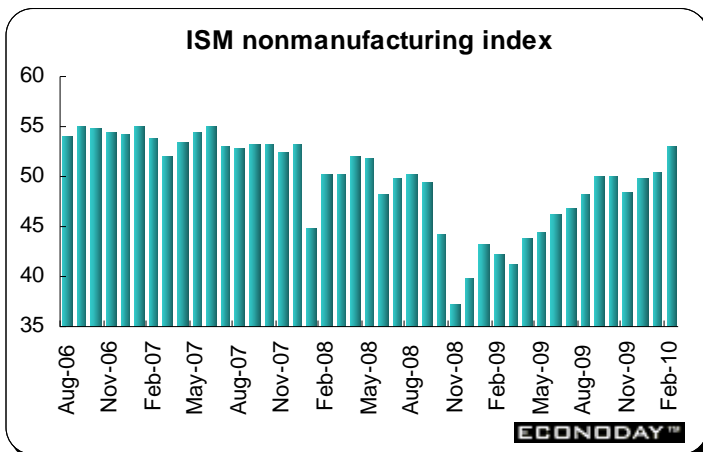


January personal income edged up 0.1 percent and was up 1.1 percent on the year. Wages & salaries were up 0.4 percent but are down 1 percent on the year. Personal consumption expenditures were up 0.5 percent and 3.5 percent on the year. Nondurable spending was up 1.8 percent thanks to gasoline expenditures. Durable spending inched up 0.1 percent.

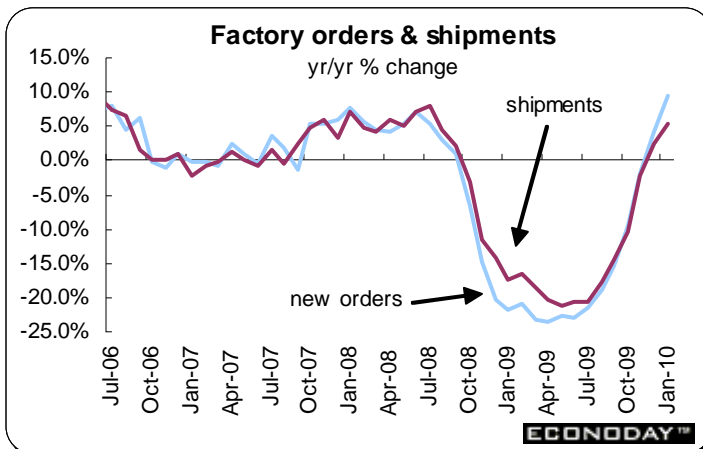


February ISM eased to 56.5 from 58.4 in January. The employment index climbed nearly 3 points to a very strong 56.1 and offering an indication that spare capacity is being used up. Slowing deliveries also helped the main index as did strength in inventories. New orders moderated to 59.5 breaking a string of exceptionally strong plus-60 readings. Backlog orders show special strength, up 5 points to 61.0 and are supporting what is increasingly becoming a positive outlook for employment. Other

readings include easing gains for production, strength in both exports and imports and continued month-to-month pressure for prices paid.

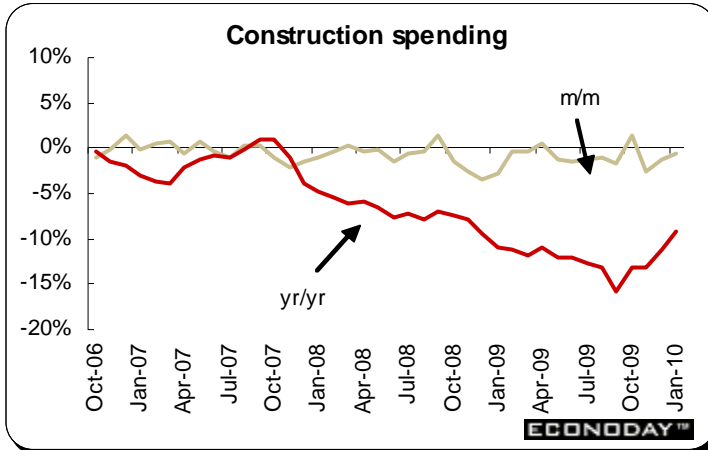


February ISM nonmanufacturing index was up 2.5 points to 53.0 to signal month-on-month growth for the bulk of the U.S. economy. Employment jumped 4 points to 48.6 for the best reading since April 2008. New orders recorded a robust reading of 55.0 — the strongest rate of month-to-month growth since August 2007. The business activity index climbed to 54.8 from 52.2 in January.



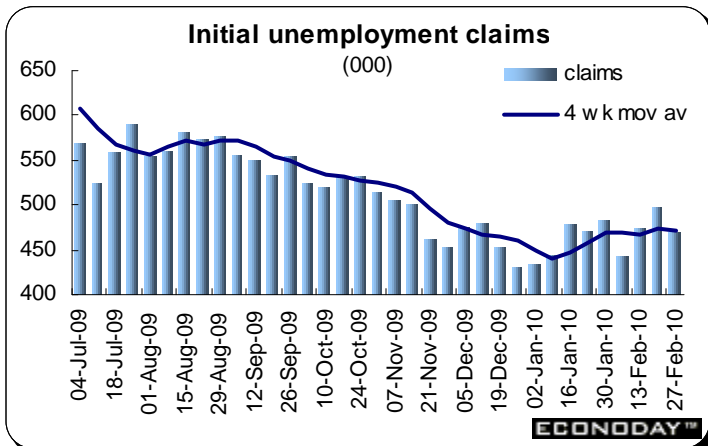
January factory orders were up 1.7 percent and were up 9.5 percent when compared with last year. Orders for nondurable goods were up 0.9 percent. Durable goods orders were revised to a gain of 2.6 percent. Factory shipments were up 0.3 percent following gains of 1.8 and 1.6 percent in the prior two months. Factory inventories increased 0.2 percent and are likely to continue to rise as a building cycle begins. Unfilled orders were unchanged, also an improvement from two prior months of decline

consistent with a tightening in available capacity.



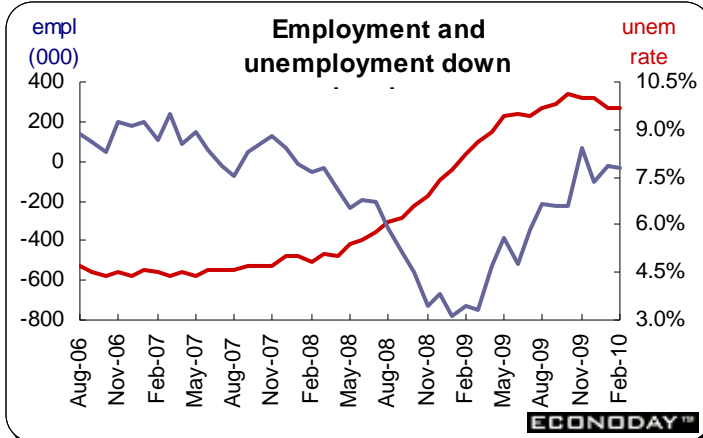
January construction spending dropped a less than expected 0.6 percent to a seasonally adjusted rate of \$884 billion after sinking a revised 1.2 percent in December. On the year, total construction has declined by 9.3 percent. Private construction spending also dropped 0.6 percent for the 10th consecutive monthly decline. Total private construction spending was down 14.3 percent on the year. However, private residential construction spending was up 1.3 percent on the month after

dropping 2.8 percent in December. This was more than offset by a decline in the vulnerable private nonresidential sector which was down 2.1 percent after declining 0.7 percent in the previous month. Public construction spending was down 0.7 percent — its 6th consecutive decline but is up 2.1 percent on the year.



Jobless claims for the February 27 week were down by 29,000 to 469,000. There were no special factors. The prior week was revised 2,000 higher to 498,000, a level reflecting foul weather in many sections of the country. The four-week average, which helps smooth out volatility, was down by 3,500 in the week to 470,750. Continuing claims for the February 20 week were down 134,000 to 4.500 million. The unemployment rate for insured workers was 3.5 percent, down from 3.6 percent in the prior

week.



February employment was down 36,000 while the unemployment rate remained at 9.7 percent for the second month. BLS said that the massive east coast snow storms may have affected the numbers. Construction jobs dropped 64,000 but manufacturing jobs edged up 1,000 and mining was up 4,000. Service providing jobs were up 42,000 following a 20,000 increase the month before. Temporary help was up 48,000. But government jobs were down by 18,000 despite the hiring of 15,000 temporary

Census workers. At the federal level, the U.S. Postal Service cut 9,000 jobs. Local governments cut their work forces by 31,000 in the latest month.

Bottom line

Economic data were mixed last week but the PMIs suggested that activity is expanding albeit moderately. Both Australia and Canada reported solid fourth quarter 2009 GDP advances. The Reserve Bank of Australia increased its policy rate to 4 percent while the Bank Negara Malaysia increased its rate to 2.25 percent. The Banks of Canada and England along with the European Central Bank left their policy interest rates unchanged. Despite fiscal woes, investor risk appetite continues to improve.

This week's economic news focuses on industrial production and merchandise trade data. In the U.S. retail sales will be the focus — just how did all that snow impact spending anyhow?

Looking Ahead: March 8 through March 12, 2010

The following indicators will be released this week...

Europe

March 8	Germany	Retail Sales (January)
March 9	UK	Merchandise Trade Balance (January)
March 10	Germany	Merchandise Trade Balance (January)
	France	Industrial Production (January)
	Italy	Industrial Production (January)
		Gross Domestic Product (Q4.2009 final)
	UK	Industrial Production (January)
March 12	EMU	Industrial Production (January)

Asia/Pacific

March 11	Japan	Gross Domestic Product (Q4.09 second estimate)
	Australia	Employment/Unemployment (February)

Americas

March 11	Canada	International Trade Balance (January)
	United States	Initial Unemployment Claims (week ending prior Saturday)
		International Trade Balance (January)
March 12	Canada	Employment Report (February)
	United States	Retail Sales (February)
		Consumer Sentiment (March preliminary)

Anne D Picker is Econoday's chief economist and the author of *International Economic Indicators and Central Banks*.

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