42 Week
October 12, 2009
Biweekly Insight

# EQ Research

*We comment. You decide.*

## *Key Events*

- Support for the most popular Slovak political party SMER is falling according to Focus agency (currently at 35.3%).

- The government proposes a 2010 budget with a deficit of 5.5% of GDP.

- Sentiment of private equity investors in Central Europe has been improving recently

- Shares of cinema industry, whose ticket sales are up during this economic crisis, could be an interesting counter-cyclical investment.

- The Slovak software champion Eset has partnered with Intel to sell its anti-virus software together with Intel's hardware.

- Bratislava top retail space prices edge down amid the economic crisis.

- Do not expect large tax decreases from the new government of Christian coalition CDU/CSU with Free Democratic Party in Germany.

- Globally, banks will have to write down an additional USD 1500 bn before the end of 2010 having written down USD 1300 bn since the onset of the crisis.

- The G-20 group will replace G-8 as the premiere platform for seeking solutions to the global economic problems.

| | 3M | | | Over Night | | |
|---|---|---|---|---|---|---|
| **Money Rate[1]** | Open | Close | 2W Change | Open | Close | 2W Change |
| **US $ LIBOR** | 0.285 | 0.28438 | - 0.00062 | 0.215 | 0.19625 | - 0.01875 |
| **EURO LIBOR** | 0.705 | 0.69875 | - 0.00625 | 0.28125 | 0.27075 | - 0.0105 |
| **EURO EURIBOR** | 0.75 | 0.74 | - 0.01 | - | - | - |
| **EONIA** | - | - | - | 0.34 | 0.34 | 0 |

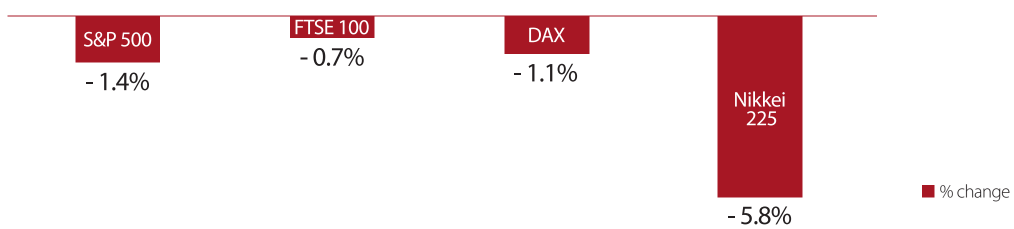
Source: http://markets.ft.com/ft/markets/researchArchive.asp

| Currency[1] | Open price | Close price | 2W Change | % change |
|---|---|---|---|---|
| **EURUSD** | 1.4802 | 1.4671 | - 0.0131 | - 0.89% |
| **GBPUSD** | 1.6418 | 1.5939 | - 0.0479 | - 2.92% |
| **USDJPY** | 89.6298 | 88.6289 | - 1.0009 | - 1.12% |
| **EURGBP** | 0.9016 | 0.9205 | 0.0189 | 2.10% |

[1] Opening date September 23rd , Closing date October 7th

Source: http://markets.ft.com/ft/markets/researchArchive.asp

**% 2W change**



# *Political* **News**

## Popular support for the strongest political party in Slovakia is declining

It seems that the economic crisis and some turbulence on the political scene due to the alleged corruption scandals of the coalition partners are affecting the popular support for SMER party According to the September public opinion poll by Focus Agency, 35.3% of eligible voters would cast their vote for SMER party. In comparison to January this constitutes a significant drop from 46.9%. A more detailed opinion poll results suggest that the party is losing voters mainly in regions most affected by the economic crisis, central and eastern Slovakia. The table shows support for the first 10 political parties:

| PARTY | 9/2009 | 8/2009 |
|---|---|---|
| Smer | 35,3 | 38,5 |
| SDKÚ | 13,4 | 14,3 |
| KDH | 11,2 | 9,9 |
| SNS | 8,6 | 8,5 |
| SMK | 6,2 | 6,3 |
| HZDS | 6,1 | 6,8 |
| Most - Híd | 5,8 | 5,2 |
| KSS | 3,3 | 2,1 |
| SaS | 3,2 | 3,4 |

Source: Focus

We carried out a simple numerical exercise and summed up the total support for coalition parties (SMER, HZDS, SNS) and the center-right opposition parties (SDKU, KDH, SMK, MOST, SaS). The result is 50% for the coalition parties vs 39,8% for the opposition parties. This simple count suggests that an enormous difference between coalition and opposition support declined significantly and this opens up room for a potentially interesting pre-election campaign before the general election planned for June 2010. Any analysis of the formation of the future government are complicated by the fact that SMER seems to have a reserved stance toward future cooperation with the nationalist SNS party. In the likely case of SMER winning the general elections, the party will probably try to approach some of the current opposition parties which poses a further complication for forecasting a structure of the future government.

### Analysis:

*At present it is very difficult to forecast the future coalition structure of the new government. In case of a successful campaign even a victory for the opposition parties cannot be excluded since the difference between the coalition and opposition support is declining. In essence, at least three scenarios are possible:*

1. *If the old coalition stays in power, no significant change in economy policy is expected.*
2. *If the center-right parties enter a coalition with SMER, pressure on speeding up of structural reforms in at least some of the critical areas can be expected ( business environment; education, research and science; social affairs; rule of law; health care).*
3. *If the opposition parties win the election, radical economic reforms can be expected (as was the case during 2002-2006)*

# *Economic* **News**

The National Bank of Slovakia and Finance Ministry has adjusted their growth estimate for the Slovak economy in 2009. The central bank has increased its estimate of the economic contraction from 4.2% to 5.6% while the MinFin has become more optimistic by cutting the estimate of the contraction to 5.7% (from 6.2%). The current estimates of the two institutions are thus close now to the market consensus (5.2%). We also concur that the economic contraction this year will be in the 5-6% interval.

### Analysis:

*Both institutions converged to what is now a realistic assessment of the Slovak economy contraction this year. The recent figures suggest that the Slovak economy might have reached the bottom of the current downturn. However, the signs of the recovery are weak and a more robust revival is unlikely before the end of this year. As both institutions suggest, the growth to trend-level is unlikely to recur before 2011-2012 (only very small growth is forecast for 2010). However, for the economy to return a high growth path from before the election a comprehensive set of reforms cutting across all critical fields is necessary. This, however, is realistic only under certain political scenarios. In this respect, the general elections in 2010 are of critical importance.*

Growth rates of the Slovak economy 2008-2012

| INSTITUTION | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| NBS | 6,4 | -5,6 | 2,9 | 4,2 | n/a |
| MinFin | 6,4 | -5,7 | 1,9 | 4,1 | 5,4 |

Source: NBS, MinFin

## The 2010 budget in deep deficit

The Finance Ministry unveiled its plan for the government budget for the period 2010-2012. The budget is based on the expectation of a low economic growth (1.9%) in 2010 as the country is expected to gradually recover from the crisis. The total 2010 revenues of the general government budget should come to EUR24bn while the expenditures are budgeted to amount to EUR27.7bn (41% of GDP)meaning the deficit is expected to come in at EUR 3.7bn (5.5% GDP). This means a reduction of the deficit from this year's expected 6.3% of GDP.

**Analysis:**
*The suggested government budget goes some way toward consolidation of public finances after the deficit has increased significantly in 2009 due to the effects of the economic crisis. It should be viewed positively that the government targets a Stability and Growth Pact (SGP) criterion of 3% of GDP deficit, although only in 2012. However, some commentators suggest that the pace of consolidation should be faster as increasing public debt means extra interest costs for the budget. Given that 2010 is an election year, the proposed budget is not a surprise to us – faster consolidation would likely have some depressing effect on domestic demand impacting what will be a fragile recovery in 2010. If the expectations of the budget deficit in2009-2010 realize , Slovakia should have a public debt at around 41% of GDP (EU's SGP suggests 60% limit to the public debt), which is below EU average. Further issues arise when considering the efficiency of government expenditures – room for improvement clearly exists.*

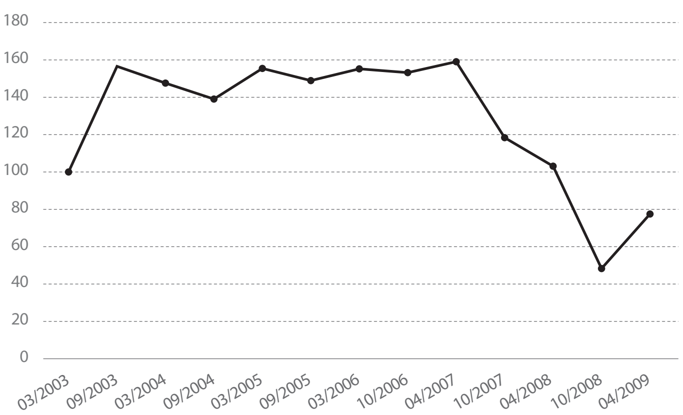
# *Business* News

## Private equity in Central Europe – light at the end tunnel?

As the financial and economic crisis triggered by the events in the US and Western Europe unfolded in Central Europe, the mood of private equity financiers reached rock bottom. In fact, the sentiment of private equity investors has been deteriorating since summer 2007 as the sub-prime crisis erupted in the U.S. Since then the mood of PE investors took a nosedive reaching the bottom in the Fall 2008, according to a recent study by Deloitte consulting company. The most recent results of the Deloitte's survey from April 2009 indicate that the mood of PE investors is improving (see graph).

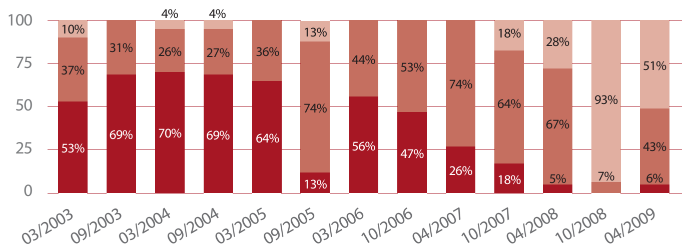
The other two graphs – one showing the expectations of the overall economic climate and one showing expected market activity – also show sizeable improvement when compared with Fall 2008. Both graphs suggest that the ratio of those who believe in stagnation rather than further deterioration has significantly increased. Although still small, the ratio of those investors who expect improvements in economic climate and market activity has also increased. Finally, the proportion of those expecting the increase in the return on investment rose from a record low of 5% (October 2008) to 18 % (April 2009).

Central Europe PE Confidence Index

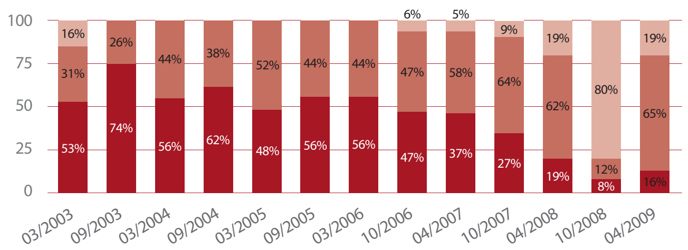



Source: Deloitte

For this period, I expect the overall economic climate to:




For this period, I expect the overall economic climate to:




Source: Deloitte

**Analysis:**

*The survey suggests that the mood of private equity investors is markedly improving. The economic crisis has left many distressed opportunities and lower valuations. This seems like a great opportunity for investors who have ready cash or pre-arranged financing. As markets further stabilize and investors take notice of many opportunities, the fund raising activity may also pick up. With the Central European region likely to remain in sub-trend growth area, it is unprobable that we would see substantial increase in valuations further opening possibilities for investors.*

## Are you looking for counter-cyclical assets?

Most sectors suffer in a time of crisis – revenues fall, profits plummet due to the existence of fixed costs, firms are shedding workers. However, there are sectors which are relatively resilient to the crisis. Energy, telecom, retail with basic foodstuffs are all examples of sectors which do relatively well in a time of crisis.

We have recently spotted one more sector which is resilient to the economic crisis – in fact, this sector is doing spectacularly well in the current recession. Slovak association of film distributors published data stating that the number of visitors during the first seven months of this year increased by one third. Although, we might conjecture that a part of the hike might be due to the increase in the number of shopping centers in Slovakia, the evidence from abroad consistent with the Slovak experience suggests that it is a more general sectoral phenomenon. It seems that in a crisis people are on a quest for a cheaper form of entertainment (cinema) rather than expensive bars and restaurants. A movie instead of lavish Friday night party in the time of crisis? Evidence suggests that at least during this recession people preferred cinemas to more expensive forms of entertainment.

**Analysis:**

*Reducing the risk for a given return is one of the principal objectives of a typical investor. This is why he/she tries to include anti-cyclical assets into his/her portfolio so that at least a part of a portfolio performs in a crisis. Figures from cinema ticket sales suggest that cinema company shares could be an interesting addition to the investor's portfolio. However, we conjecture that a substitution effect (from bars/restaurants to cinemas) might be happening only during a severe downturn when people are significantly altering their behavior. In a time of a mild recession the counter-cyclicality of this investment might not be that strong.*

## The World Champion in the Making?

According to the local press, the Slovak company Eset will be distributed its anti-virus software in collaboration with the Intel. The contract of Eset with this major U.S. hardware company is among the most significant partnerships a Slovak company has ever concluded. In 2008 the company – the sixth biggest anti-virus producer in the world - reported sales of EUR 50 mil and profit of EUR 33 mil.

**Analysis:**

*Esset has been one of the most successful Slovak companies established after 1989. Given its great products and strong bottom line it has been courted by investors for some time (but has not agreed on an entry for any of them). We believe the company is poised for growth in the coming period especially after signing the partnership with Intel. We also opine that the company would benefit from the entry of private equity or strategic investor to further refine their management processes and bolster product launches.*

## Bratislava prime retail space price edge down

The economic crisis in 2008-2009 has pushed down the prime retail rents in most world locations, according to global survey by Cushman&Wakefield. The most expensive location continues to be 5th Avenue with the annual rent EUR 13 027 per square meter while Avenue des Champs Elisees is the most expensive street (EUR 7 732) in Europe. For the top ten most expensive streets in Europe see the table.

| *City* | *Location* | *US/sqft/yr* | *€/sqm/yr* |
|---|---|---|---|
| Paris | Avenue des Champs Elusees | 1.009 | 7.732 |
| Milan | Via Montenapoleone | 887 | 6.800 |
| Rome | Via Condotti | 848 | 6.500 |
| London | New Bond Street | 768 | 5.885 |
| Zurich | Bahnhofstrasse | 685 | 5.246 |
| Paris | Rue du Faubourg St. Honore | 625 | 4.787 |
| Paris | Avenue Montaigne | 625 | 4.787 |
| Milan | Via della Spiga | 613 | 4.700 |
| Milan | Corso Vittorio Emanuele | 600 | 4.600 |
| Dublin | Gralton Street | 568 | 4.356 |

Source: Cushman&Wakefield

Bratislava prime space rent amounts to EUR 900 lagging behind other Central European capital cities Prague (EUR 1980), Budapest (1200) and Warsaw (1008). Sofia and Bucharest also have higher prime retail rents (EUR 960). Slovakia is thus 42nd in the ranking of 60 countries surveyed for prime retail according to their most expensive shopping street. The prime rent in Bratislava has decreased by 6.3% y-o-y (June 2009) on the back of some retailer cancelling their plans and falling retail revenues driven by the economic crisis.

**Analysis:**

*Reportedly, in Europe there are on average about 800-900 sqm of retail space per 1,000 inhabitants while only 560 sqm in Bratislava. This suggests further expansion of retail space in Bratislava in the years to come, although probably at a somewhat slower pace than in pre-crisis years. Several project have been delayed or postponed due to the crisis and we envisage that they will come on stream only gradually as both developers and financiers have grown more cautious.*

## Further write-downs in the pipeline

According to the semiannual Global Financial Stability Report issued by the International Monetary Fund (IMF), the global financial sector has „improved markedly since April 2009 and extreme tail risk abated". Financial markets have picked up, emerging markets risks receded, banks have increased their capital bases and credit markets have re-opened. Although vulnerabilities exist, the world financial system is no longer on the brink of collapse.

Globally, banks balance sheets continue to be a cause for concern as not all bad assets have been fully written down or provisioned against. Since the onset of the crisis, the total write-downs in banks amounted to USD 1300 bn. According to IMF's estimates further EUR 1 500 bn needs to be written down before the end of 2010 meaning that the total write-downs in banks since the start of the crisis will come in at USD 2 800 bn (USD 3 400 bn for the whole financial sector). While a part of the write-downs would be related to toxic assets and real-estate projects from pre-crises period, a substantial share is due to asset write down caused by the recession (mostly defaulted loans by troubled companies or delinquent individuals). Data show that credit delinquencies are rising across credit classes in both US and the euro zone. Given the weakness of the banks balance sheets it is unclear whether the banks will be able to support the nascent recovery of the world economy.

### Implications for Slovakia.

- *The IMF report suggests significant risks to the on-going recovery of the world economy emanating from the continued financial sector weakness. Should the recovery come to a halt as governments disengage both from financial sector support and real economy interventions, there would be immediate impact on Slovakia through both trade and investment channels.*
- *The report also suggests rising default rates in banking globally caused by the recession. Given how hard Slovak economy was hit by the crisis, balance sheet deterioration in Slovak banking is expected as well even though the sector was sound before the onset of the crisis.*

## Centre-right victory in Germany: Do not expect large tax decreases though

The general election in Germany – Slovakia's largest trading partner – were held on Sunday 27th September. The Christian CDU/CSU coalition won the election with 33.8% of vote followed by social democratic SPD with only 23% of the vote, a major setback compared to the 2005 elections. The Free Democratic Party (FDP) was able to collect 14.6% of the vote making a strong showing. The Left with 11.9% of the vote somewhat mitigated the failure of the left-of-centre parties in this year's election. The Green party secured 10.7% of the valid votes.

Although CDU/CSU's performance was weaker compared to the 2005 elections, it will be able to create center-right coalition with Free Democrats due to the strong showing of FDP, as was announced by party officials. Naturally, Merkel should stay in the office of the chancellor.

Germany is the engine of the European economy and Slovakia's largest trading partner. What are the implications of the elections for the Germany's economic policy? Much of the otherwise quite boring pre-election campaigning centered around tax issues. While CDU suggested reduction in the lowest bracket of income taxes, CSU displayed even more penchant for tax cutting mentioning also reduction of VAT on some services, most notably hospitality industry. The FDP showed intentions to do away with the current tax system in its entirety suggesting a new income tax system based on three brackets only 10, 25, 35%. Naturally, the parties left of the centre SPD focused mostly on tax increases (the slight exception being SPD's intention to cut the lowest income tax bracket rate but paid by a hike on the highest end of the bracket spectrum).

What can we expect from the new center-right government on the tax/fiscal front? Despite the pre-election campaigning, the ruling coalition will see the room for tax cuts severely limited. The estimates of the fiscal deficit in 2009 highlight a fiscal shortfall in excess of 4% of GDP. The economic crisis has led to declining revenues and government's increased expenditures has pushed the country's budget into a relatively high deficit (from an essentially balanced budget in 2009). While parties may try to pay partial lip service to their promises, it is not likely that they would stick to the pre-election tax-cutting plans in full.

### Implications for Slovakia.

*The election results are largely positive for the Slovak economy, or so it seems. A large share of Slovakia's exports ( about a quarter) goes to Germany's markets and tax increase by the left-of-centre parties would likely have an immediate depressing effect on Germany's demand. In this particular sense, Germany's elections results are positive news for Slovakia. It remains to be seen whether the ruling coalition's economic policy will conduce to corporate sector restructuring that could have short-term costs.*

# A new beginning of the world economy coordination?

Leaders of G-20 – a group of 20 most important developed and developing countries – met in a summit in Pittsburgh to seek solutions to the pressing problems plaguing the world economy. The summit took place amidst the global economic and financial crisis (the worst since the Great Depression in the 1930's) showing signs of abating and recovery of the main world economies. Despite the fact that the current crisis is coming to an end, the leaders met to discuss further measures to support a world economy and seek ways to prevent future financial and economic crises. It should be commended that participants of the summit included not only countries of G8 but also many developing countries which should conduce to finding solutions which reflect also the interests of less developed countries. It is precisely the fact that G-20 replaces G-8 as the main platform for coordinating the world economy which is among the chief accomplishments of the Pittsburgh summit.

### Further major conclusions of the summit:

- Leaders of G-20 expressed support for the new framework for coordinating the world economy – a framework for strong, sustainable and balanced economic growth.
- In the area of macro-economic policy leaders showed commitment to seek putting more emphasis on private sources of domestic demand from public sources. Leaders called on countries facing economic imbalances to take measures to reduce them.
- In the area of financial sector reform leaders showed commitment to undertake many technical measures which should make the global financial sector more stable and resilient to crisis. Excessive risk-taking by financial institutions should be discouraged (for example by restructuring compensation structures of top executives of financial institutions so that they reflect long-term value creation). Higher transparency of the markets should be achieved. Infrastructure of international financial and donor institutions should be further reformed.
- Leaders of G-20 expressed their support for free world trade and called for an early conclusion of the Doha WTO round.
- Consistent with the framework of strong, sustainable and balanced growth G-20 leaders committed to take further measures contributing to environmental preservation and use of clean energy sources.
- A strong commitment to support poverty stricken countries was expressed (by supporting international development banks).

### Implications for Slovakia.

- *Slovakia is a part of an interlinked world economy and will be affected by many of the suggested measures (although mostly indirectly). G-20 initiatives create a framework for stabilizing the world economy - this is very important for the Slovak economy which is one of the most open trade-wise. Re-energizing the world economy and spurring its growth is thus key for the recovery of the Slovak economy and G-20 initiatives should conduce to it*
- *Furthermore, G-20 called on countries with current-account surplus to support domestic sources of the economic growth. Since Germany belongs to such countries, a stimulus for Germany's domestic demand would be welcome news for the Slovak exporters.*
- *Slovakia's financial sector proved resilient to the current financial crisis even though it will likely show reduced profitability in the months to come ( not only because of the euro introduction which nearly eliminated FX-related revenues). Measures by G-20 should further bolster the long-term stability of the sector.*

# *World Financial Markets* **News**

The recent rally in global markets ran out of steam as investors began to expect government moves to withdraw the extraordinary measures taken to tackle the financial crisis. Equity markets moved downward and commodities retreated while government bond markets rallied.

The first clear indication of a shift came with a joint announcement by the Federal Reserve, European Central Bank, Swiss National Bank and Bank of England that some of the previously adopted emergency operations to provide dollar liquidity would be reduced from October.

Central banks will prepare their exits from unconventional policies shortly, with (interest) rate normalisation expected in the fourth quarter for some of the smaller central banks and in 2010 for the major ones. The risks of a fixed income sell-off from current levels have increased.

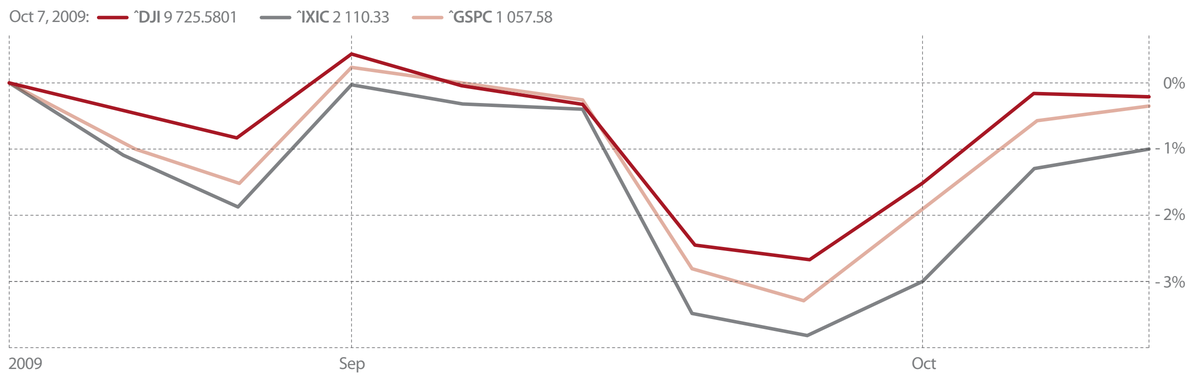
| Index[1] | Open price | Close price | 2W Change | % 2W change |
|---|---|---|---|---|
| S&P 500 | 1 072.69 | 1 057.58 | - 15.11 | - 1.4% |
| FTSE 100 | 5 142.60 | 5 108.90 | - 33.70 | - 0.7% |
| DAX | 5 705.88 | 5 640.75 | - 65.13 | - 1.1% |
| Nikkei 225 | 10 405.53 | 9 799.60 | - 605.93 | - 5.8% |

[1]Opening date September 23rd , Closing date October 7th

Source: http://markets.ft.com/ft/markets/researchArchive.asp

## US

A high jump in the numbers of Americans who lost their jobs last month hit investor hopes of a swift recovery and reduced confidence in financial markets already nervous about the business outlook. The jobless data did not suggest enough spending firepower to sustain strong spending in the Christmas season and beyond.



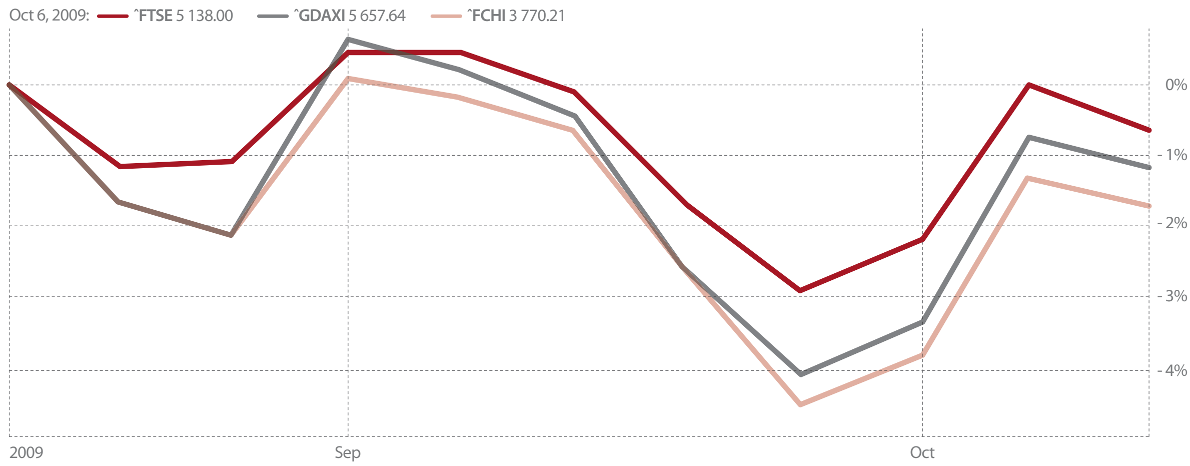

Source: http://finance.yahoo.com/

| Index | Open price | Close price | Change | % 2W change |
|---|---|---|---|---|
| Dow Jones (^DJI) | 9 830.63 | 9 725.58 | - 105.05 | - 1.1% |
| S&P 500 (^GSPC) | 1 072.69 | 1 057.58 | - 15.11 | - 1.4% |
| Nasdaq (^IXIC) | 2 125.43 | 2 110.33 | - 42.10 | - 2.0% |

Source: finance.yahoo.com

# EU

Manufacturing data in the euro zone, UK were considered disappointing by the markets and a set of data elsewhere offered mixed signals. However, the International Monetary Fund sounded a more positive note as it upgraded global economic forecasts for the first time in more than two years.



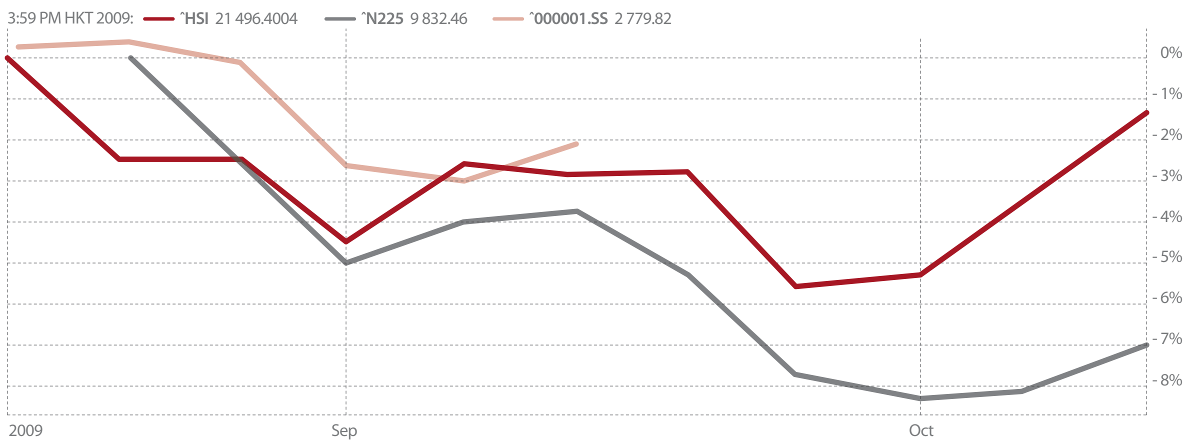

Source: http://finance.yahoo.com/

| Index | Open price | Close price | Change | % 2W change |
|---|---|---|---|---|
| CAC 20 (^FCHI) | 3 822.60 | 3 756.41 | - 66.19 | - 1.7% |
| FTSE 100 (^FTSE | 5 142.60 | 5 108.90 | - 33.70 | - 0.7% |
| DAX (^GDAXI) | 5 705.88 | 5 640.75 | - 65.13 | - 1.1% |

Source: finance.yahoo.com

# Asia

In spite of a better than expected Japanese data on unemployment, industrial production and retail sales, markets declined due to weak US jobs and manufacturing data and Japanese housing starts.




Source: http://finance.yahoo.com/

| Index[1] | Open price | Close price | Change | % 2W change |
|---|---|---|---|---|
| Shangai composite (000001.SS) | 2 897.81 | 2 779.43 | - 118.38 | - 4.1% |
| Hang Seng (^HSI) | 21 655.62 | 21 241.59 | - 414.03 | - 1.9% |
| Nikkei 225 (^N225) | 10 405.53 | 9 799.60 | - 605.93 | - 5.8% |

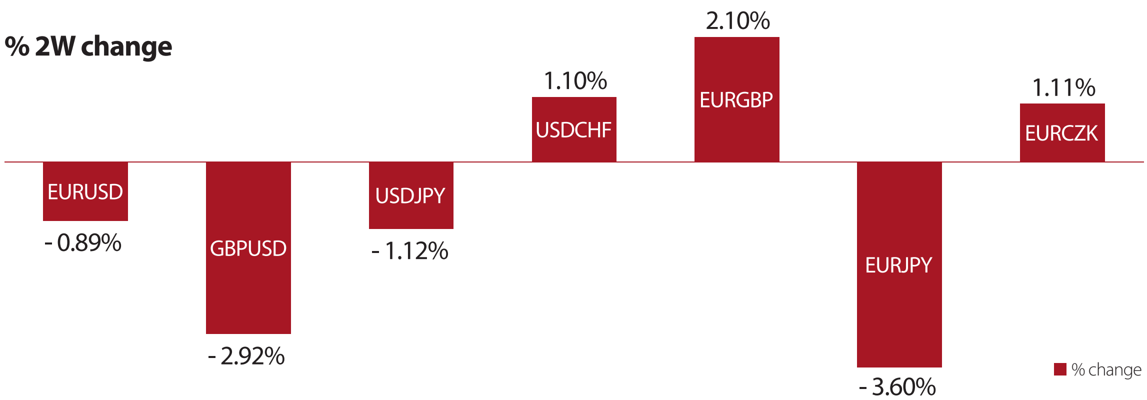
Source: http://markets.ft.com/ft/markets/researchArchive.asp

# Currency markets

Sterling depreciated against the euro, sinking to a five-month low after comments from Mervyn King, governor of the Bank of England, stating the pound's fall was helpful in rebalancing the UK economy. Increased risk aversion in the currency markets offered some support for the yen, and to a lesser extent, the dollar. The Japanese currency climbed to an eight month high against the dollar although Hirohisa Fujii, Japan's finance minister, denied that he supported a stronger yen but his comments led to some confusion in the markets. The euro, meanwhile, lost some ground after Jean-Claude Trichet, president of the ECB, argued that the US should step-up its rhetoric of "strong dollar" policy.

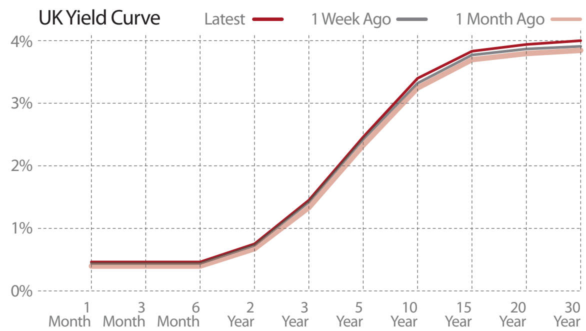
| Currency | Open price | Close price | Change | % 2W change |
|---|---|---|---|---|
| EURUSD | 1.4802 | 1.4671 | - 0.0131 | - 0.89% |
| GBPUSD | 1.6418 | 1.5939 | - 0.0479 | - 2.92% |
| USDJPY | 89.6298 | 88.6289 | - 1.0009 | - 1.12% |
| USDCHF | 1.0229 | 1.0342 | 0.0113 | 1.10% |
| EURGBP | 0.9016 | 0.9205 | 0.0189 | 2.10% |
| EURJPY | 134.8916 | 130.0307 | - 4.8609 | - 3.60% |
| EURCZK | 25.5179 | 25.8015 | 0.2836 | 1.11% |

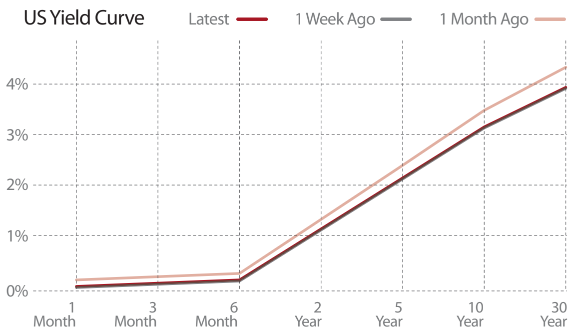
Source: finance.yahoo.com



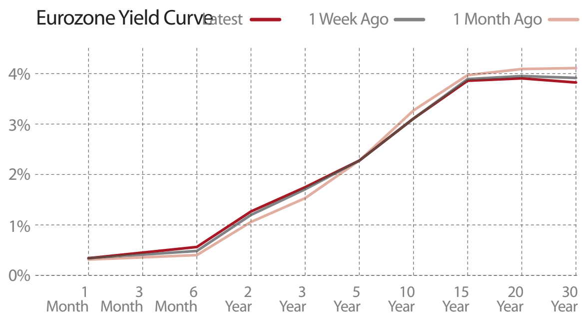

# Bond market

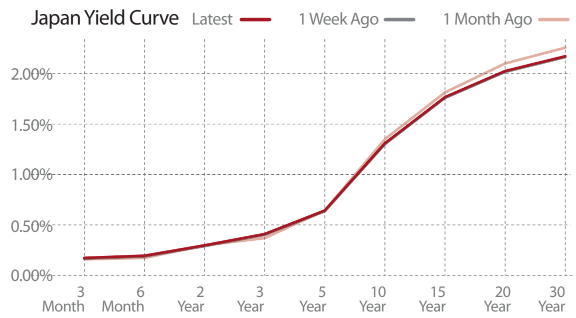
The 10-year Treasury note yield, which has an inverse relationship with the bond price, has fallen from 3.42 per cent two weeks ago to 3.17 per cent yesterday. German 10-year bund yields have fallen 25 basis points to 3.12 per cent since September 23. UK 10-year gilt yields have dropped 36 basis points to 3.39 per cent over the same time frame.
Yield spreads have also increased between Germany, Europe's biggest economy and the benchmark market, and the peripheral economies, such as Greece, as investors have switched into the safer securities. The gap between German and Greek yields has widened by 14 basis points to 130bp over the past two weeks.




Source: http://markets.ft.com/markets/bonds.asp




Source: http://markets.ft.com/markets/bonds.asp

| 10-year gov. bonds | Coupon % | Open yield % | Close yield % | 2W change |
|---|---|---|---|---|
| UK | 4.50 | 3.75 | 3.39 | - 0.36 |
| US | 3.63 | 3.42 | 3.17 | - 0.25 |
| Germany | 3.50 | 3.37 | 3.12 | - 0.25 |
| Japan | 1.40 | 1.34 | 1.27 | - 0.07 |
| Austria | 4.35 | 3.71 | 3.61 | - 0.10 |
| Ireland | 5.90 | 4.79 | 4.72 | - 0.07 |
| Greece | 6.00 | 4.52 | 4.42 | - 0.10 |

Source: http://markets.ft.com/ft/markets/researchArchive.asp

| 10-year gov. bonds | Spread to Bund | | | Spread to T-Bonds | | |
|---|---|---|---|---|---|---|
| | Open | Close | 2W change | Open | Close | 2W change |
| UK | 0.38 | 0.27 | - 0.11 | 0.33 | 0.21 | - 0.12 |
| US | 0.05 | 0.06 | 0.01 | - | - | - |
| Germany | - | - | - | - 0.05 | - 0.06 | - 0.01 |
| Japan | - 2.03 | - 1.85 | 0.18 | - 2.08 | - 1.90 | 0.18 |
| Austria | 0.35 | 0.49 | 0.14 | 0.30 | 0.43 | 0.13 |
| Ireland | 1.43 | 1.60 | 0.17 | 1.37 | 1.54 | 0.17 |
| Greece | 1.16 | 1.30 | 0.14 | 1.10 | 1.24 | 0.14 |

Source: http://markets.ft.com/ft/markets/researchArchive.asp

# Contact Information

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