

## International Market Update

### US

The U.S. lost jobs for a fifth month in May and manufacturing contracted, signaling the economy is stagnating. Crude oil futures settled at \$127.35 a barrel towards the end of month after reaching a record \$135.09 on May 22. The retreat in the crude oil prices is likely to be because of a slump in fuel consumption in addition to the dollar advances against Euro. Goldman boosted its crude-oil price forecast for the second half of this year to \$141 a barrel, from \$107, citing supply constraints. USD advanced for a second consecutive month reaching \$1.5554 against the Euro, from \$1.5622 on April 30. The GDP growth number for Q108 was revised upwards to 0.9% QoQ from 0.6% QoQ, thus reassuring that recession will possibly be avoided; signals from the unemployment report are awaited this week. Treasuries fell for a second consecutive month, yields on benchmark 10-year notes rising to 4.05% on the back of intense speculation that the Fed will increase borrowing costs to contain inflation. In other developments, unusual swings in cotton prices that disrupted farmer sales in March are now the target of an investigation by the U.S. Commodity Futures Trading Commission. This comes in the aftermath of a similar investigation into oil's unabated rise over the past one year. Gold futures for August delivery rose to \$891.50 an ounce on the Comex. The metal gained 3.1 percent in May.

### Europe and Japan

Retail sales in Germany dropped for a second consecutive month in April because of reduced consumer spending on the back of rising inflation rates. Eurozone inflation surged to the highest rate for 16 years, reaching 3.6% in May up from 3.3% in April. Given that the target inflation rate is 2%, we believe that the chances of any possible cut in interest rates by ECB coming Thursday are virtually ruled out. Euro area Q1 growth was reported at 2.8%q/q, saar, led by 6% growth in Germany. The report underlined a fair degree of regional diversity, not just within the Euro area, but also in Emerging Europe. U.K. house prices fell in May by the most in at least 17 years as the shortage of credit starved the property market of buyers.

In Japan, unemployment in April climbed to the highest, rising 4%, since September; household spending fell the most in 19 months, dropping 2.7% in April while industrial production declined for a second month. Once these government reports signaled economic growth is slowing, Japan's 10-year bonds soared, pushing yields down from a 9-month high, quite contrary to the US treasuries' movements.

### May 2008

#### Research Highlights:

Monthly update on global markets

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Index (Global)	Current*	MoM (%)	YoY (%)
DJIA	12638.32	-1.42%	-7.26%
S&P 500	1400.38	1.07%	-8.51%
NASDAQ	2522.66	4.55%	-3.14%
DAX (Germany)	7096.79	2.13%	-9.97%
CAC (France)	5014.28	0.36%	-17.85%
FTSE 100 (UK)	6053.50	-0.56%	-8.58%
Nikkei 225	14338.54	3.53%	-19.79%
MSCI Emerging	1210.04	1.55%	19.24%

\* Updated as of 30<sup>th</sup> May 2008

### Emerging Markets

Manufacturing in China, the world's fastest-growing major economy, expanded at a slower pace in May as export growth weakened. The Purchasing Managers' Index fell to 53.3 from a record 59.2 in April. While India's inflation rose to 8.1% towards the month end, Pakistan's inflation may climb as high as 12 percent this year, almost double the government's target because of record-high oil and food prices. The most powerful earthquake in China since 1950 showed how under-penetrated the nation's insurance industry was, with just about 5% of the more than \$20bn damage in Sichuan province was covered by insurance. While South African inflation accelerated to 10.4% in April, credit growth slowed in May to below 20 percent for the first time since December 2005, after the central bank raised its benchmark interest rate for a fifth time in less than a year.

Index (MSCI)	Current*	MoM (%)	YoY (%)
BRIC	427.0	3.56%	39.40%
- Brazil	4,664.5	11.39%	70.11%
- Russia	1,613.0	15.69%	45.84%
- India	485.8	-10.34%	7.73%
- China	70.6	-5.54%	25.71%
Asia	454.3	-4.33%	10.27%
- Korea	395.3	-1.84%	1.11%
- Malaysia	364.0	-3.31%	-2.37%
- Philippines	265.9	-0.56%	-18.01%
- Taiwan	312.2	-3.22%	11.55%
Europe / Middle East	621.8	10.14%	28.73%
- Czech Republic	887.0	8.50%	39.86%
- Poland	1,439.5	1.43%	2.32%
- Turkey	505.8	-5.33%	-10.74%
Latin America	5,148.9	9.09%	40.78%
- Argentina	3,687.9	15.57%	10.88%
- Colombia	724.3	4.08%	24.79%
- Mexico	6,518.1	5.76%	-0.41%

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