

Global Performance Monitor

Global Strategy

Not Exactly Reassuring

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Asset Allocation: Global Risk Appetite continued to improve to -1.7 mid-week before dipping to -1.8 overnight. US Credit Risk Appetite improved from -0.88 to -0.56 over the week. The G5 equity-to-bond ratio improved slightly, gaining 0.9%, but is still 22% below its peak on 13 July 2007. World Wealth was flat on the week.

Equities: Developed stock markets declined today, erasing their earlier gains this week. The S&P 500 is now at 1388, down 1.8% and the VIX rose to 19.4. The FTSE (-0.4%), the CAC (-2.0%), and the Nikkei (-2.8%) are all down on the week. Energy and materials were the best sectors this week, gaining about 5%, but financials and retail underperformed. Fannie Mae announced a Q1 loss of \$2.2 billion; it seeks to raise \$6 billion in new capital. The SEC announced plans to have US investment banks disclose publicly their capital and liquidity positions. AIG reported a record quarterly loss, with \$15bn in credit-related writedowns. Dresdner Bank stayed in the red in the first quarter, weighing on its parent Allianz. US retailers reported slightly stronger April sales, partly boosted by seasonal factors, with particularly strong increases for discounters.

Fixed Income: US Treasuries rallied strongly and the curve steepened. 2-year yields fell 20bp to 2.21% and 10-year yields fell 9bp to 3.75%. G3+ 2-year yields fell 14bp to 2.61%, 10-year yields fell 6bp to 3.63%. The ECB and BoE kept rates on hold this week. The Fed's \$50mn TSLF auction received only \$28.8mn in bids despite the extended range of collateral, suggesting fewer funding pressures amongst broker/dealers. 3m LIBOR came in to 2.69% (-7bp), its lowest since mid-April. ABX index spreads are generally higher. OFHEO announced a 5% reduction in the agency capital requirements (now 15%) after Fannie Mae posted a \$2.2 billion loss. CDX HY widened back to 587 from its three-month low of 520. The AA and BBB cash indices both narrowed (-1bp and -3bp) this week. US Q1 productivity came in better-than-expected at 2.2% while unit labor costs rose 2.2%, less than expected. The US trade balance improved but both imports and exports declined substantially. Initial claims fell slightly to 365K, bringing the four-week moving average to 367K.

FX/Commodities: The dollar weakened somewhat, falling 0.6% on the USD index. It was little changed against the euro at 1.548 (+0.3%), consolidating its recent gains. The fading risk appetite rally caused yen and Swiss franc to gain 2.3% and 1.5% to 102.96 and 1.042 respectively. Sterling continued to weaken to 1.952 (-1.0%). Oil made record highs again this week, with the WTI reaching \$125 in Friday's trading, up 7% on the week. Baltic freight also rose dramatically, breaking the 10,000 level for the first time since December and is now only 7% below last year's peak. Platinum gained 8% and is now at 2,053; gold and silver

gained 2.2% and 1.1% respectively. Production problems and reports of lower mine output caused copper prices to hit a new high in Tuesday's trading but they closed 2.5% lower on the week. In its annual review of the emissions trading market, the World Bank said the value of carbon trading transactions more than doubled from 2006 to 2007.

EM: Equities in emerging Asia underperformed this week, with Sensex -4.3%, Hang Seng -4.5% and Chinese A-shares -2.2%. However, emerging Europe indices told a different story, with Hungary gaining 2.4%, Poland +1.9% and Bulgaria +0.3%. Inflation remains a concern for many emerging markets: inflation in Brazil and Turkey accelerated in April, Egypt's central bank raised rates 50bps to curb inflation and Hungary's central bank said May's CPI would be key to rates. Violence re-erupted in Lebanon in the standoff between the government and Hezbollah, as Hezbollah supporters blocked access to Beirut airport and the militia took control of large parts of western Beirut.

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Exhibit 1: US Real Retail Sales During Recessions (level)

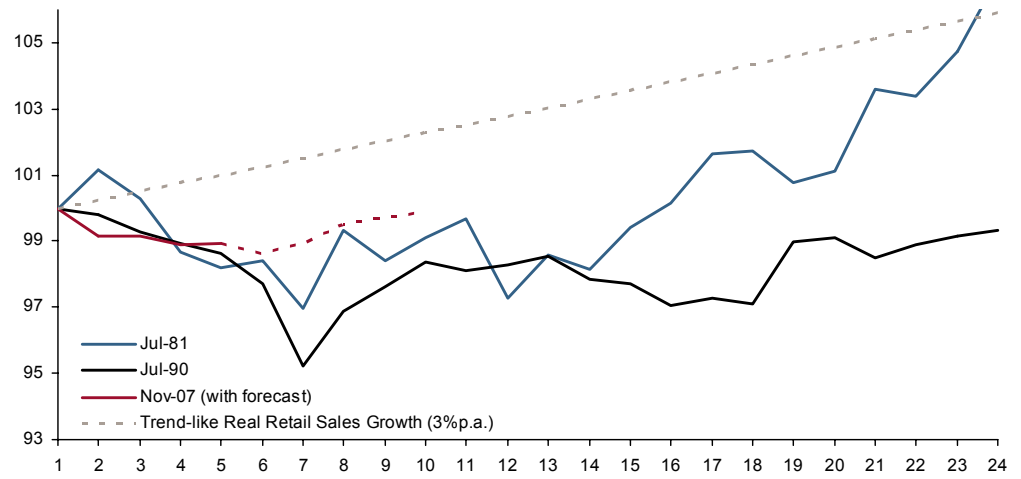


Exhibit 2: S&P 500 During Recessions - 1981/82 and Now

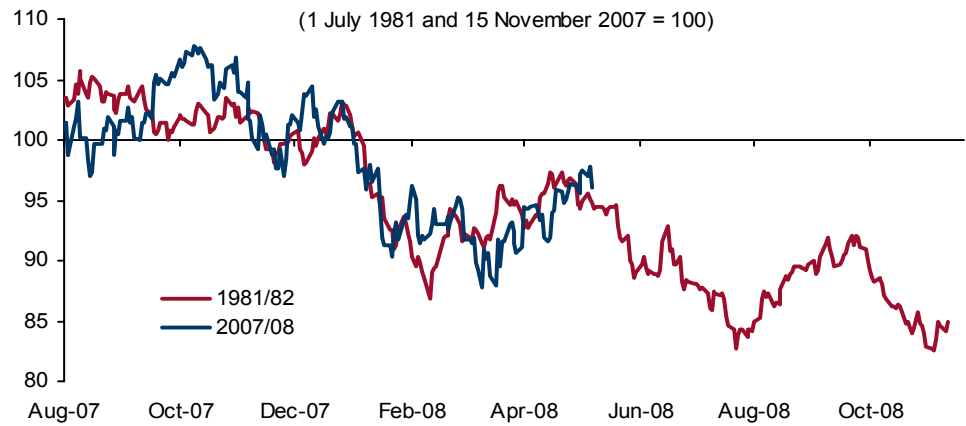
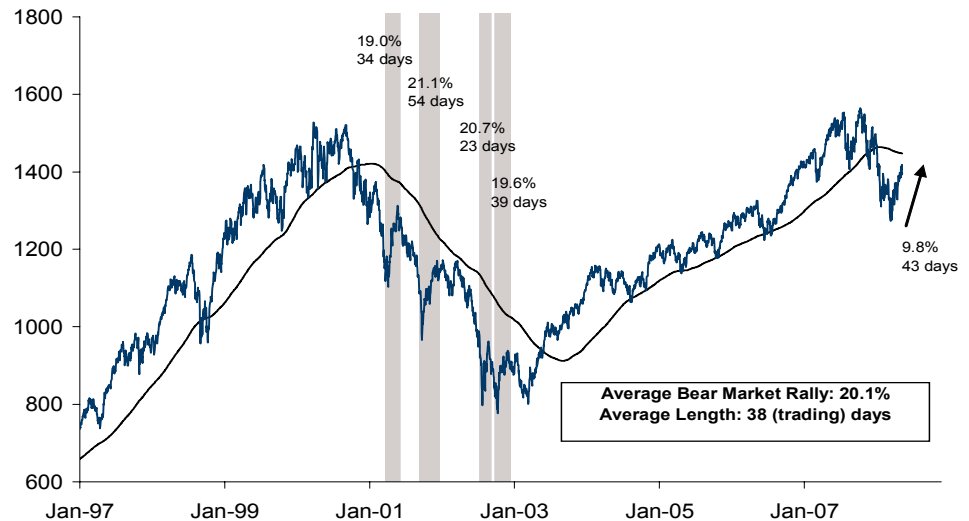


Exhibit 3: S&P 500 with 63-week Moving Average and Bear Market Rallies



Source: Credit Suisse

Exhibit 4: Monthly WTI Oil Price Deviation from Log Linear Trend

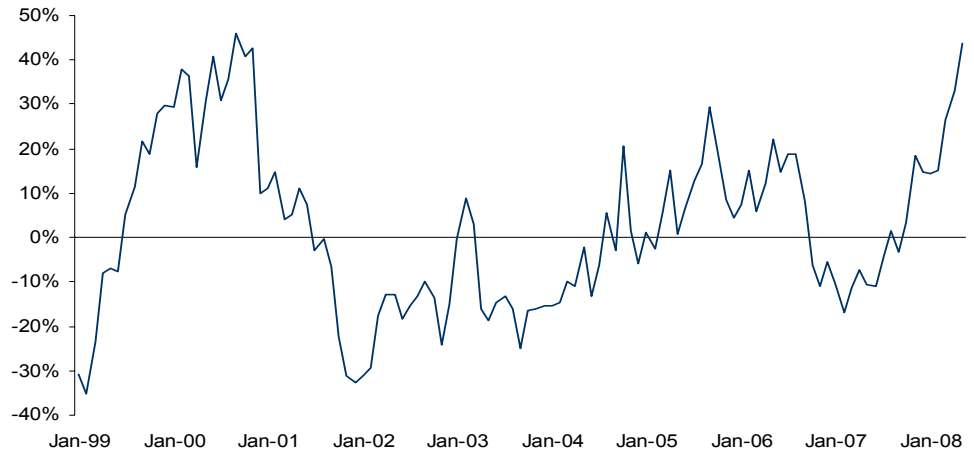


Exhibit 5: WTI Oil Prices with Trend (log scale, recessions shaded)

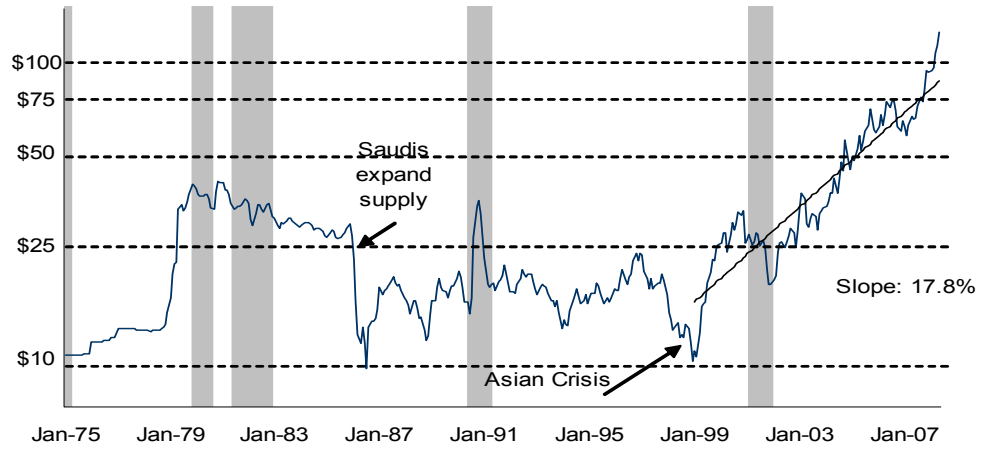
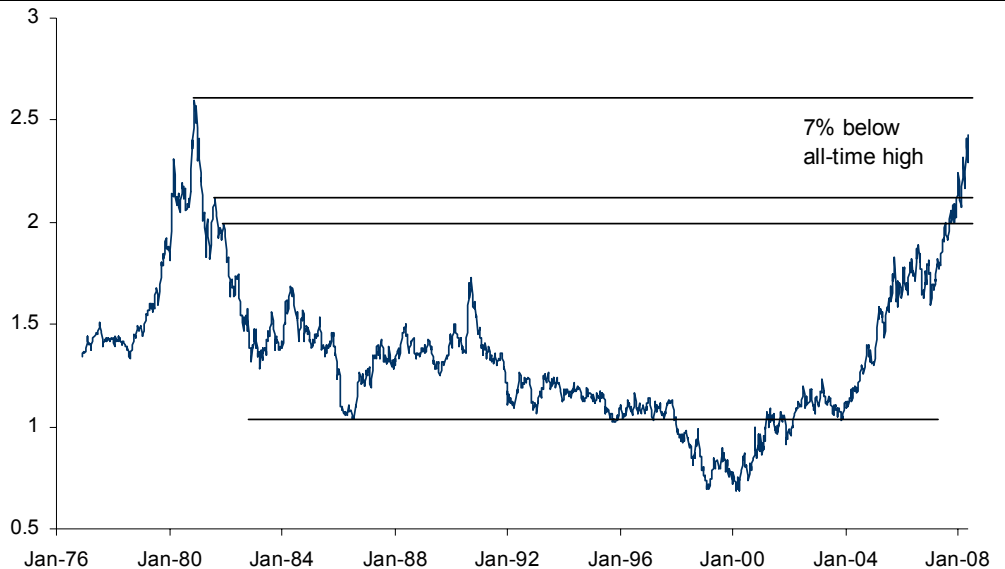
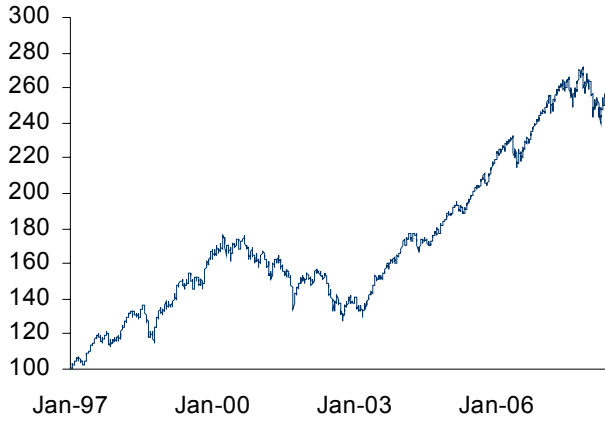


Exhibit 6: US Oil & Gas Sector Total Returns Relative to Market



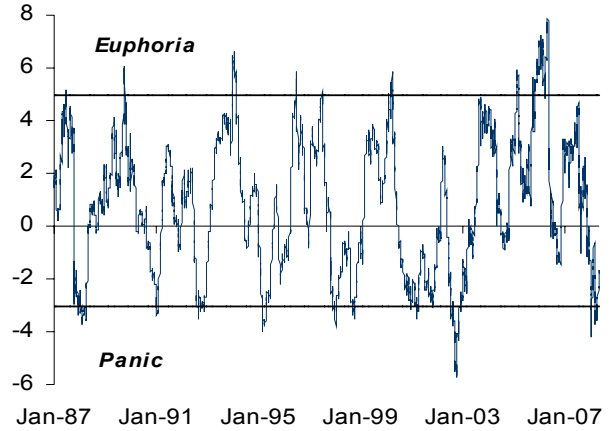
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World Wealth Index (in local currency)



Source: Credit Suisse

Credit Suisse Global Risk Appetite Index



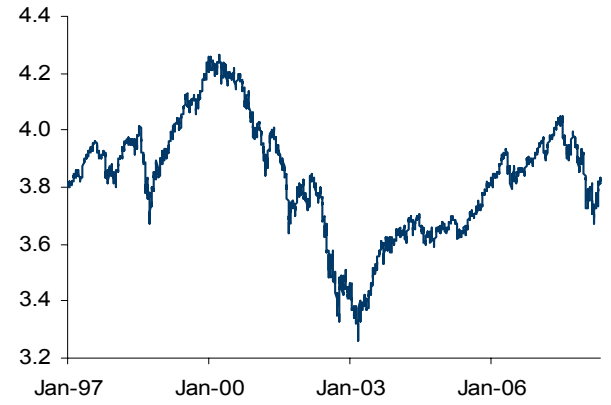
Source: Credit Suisse

Global Equity Index (in local currency)



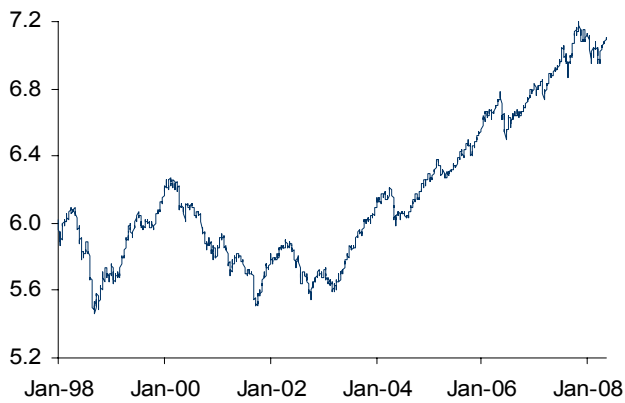
Source: Credit Suisse

G5 Equity to Bond Returns Ratio (log scale)



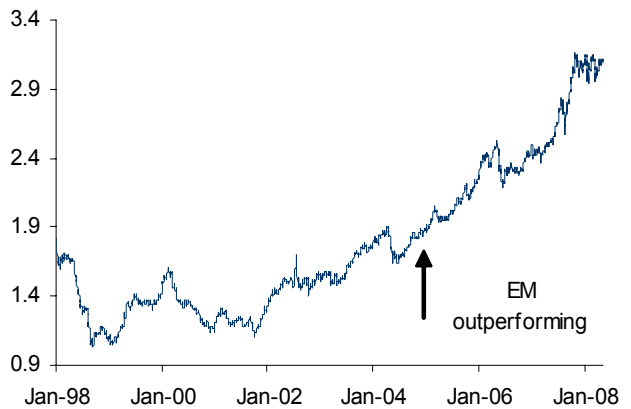
Source: Credit Suisse

Emerging Market Equities Index (in USD)



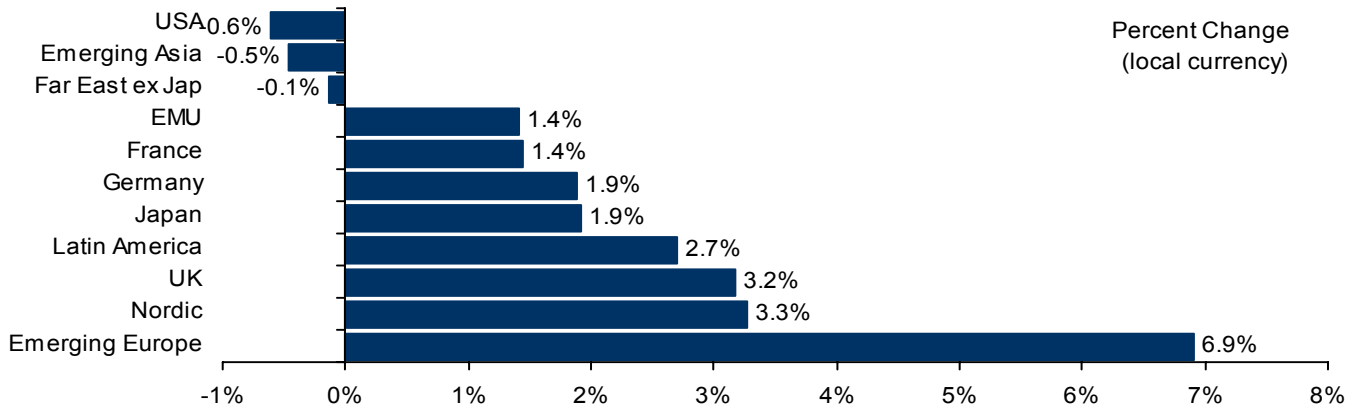
Source: Credit Suisse

Emerging to Developed Equities Ratio (in USD)



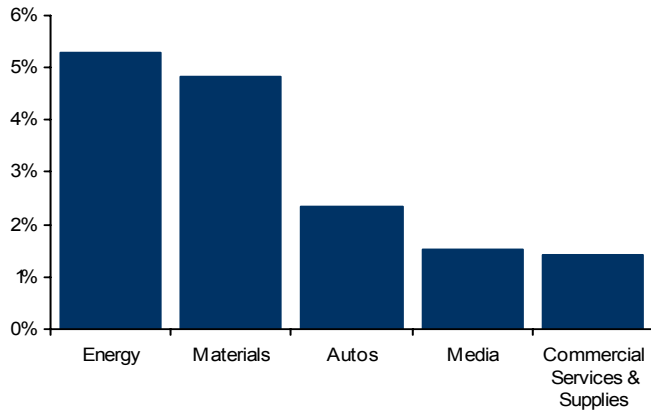
Source: Credit Suisse

Regional Equity Performance – past week



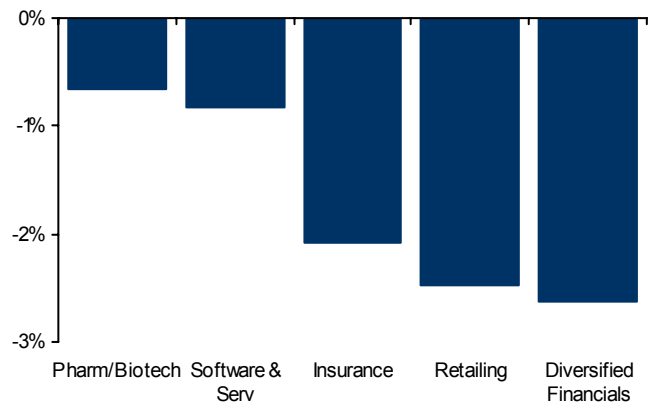
Source: Credit Suisse

Global Sector Performance – Five Top Sectors this week



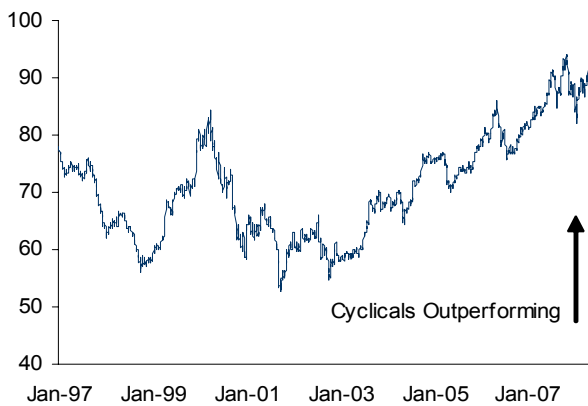
Source: Credit Suisse

Global Sector Performance – Five Bottom Sectors this week



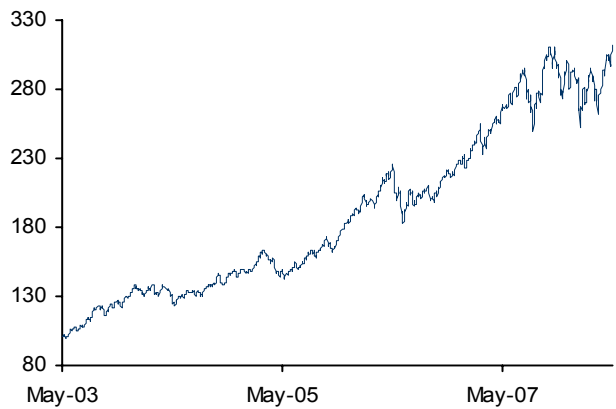
Source: Credit Suisse

Cyclical to Defensives Returns Ratio



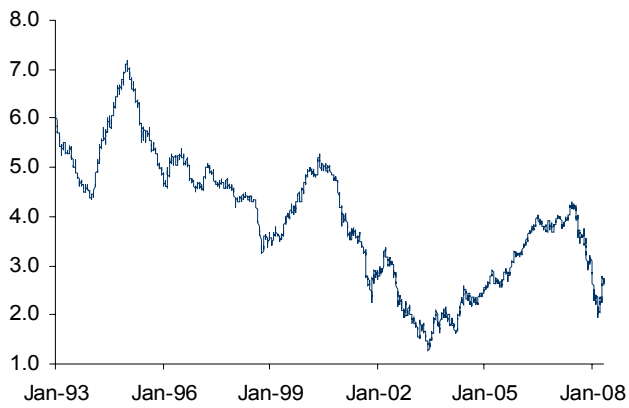
Source: Credit Suisse

Global Materials Sector



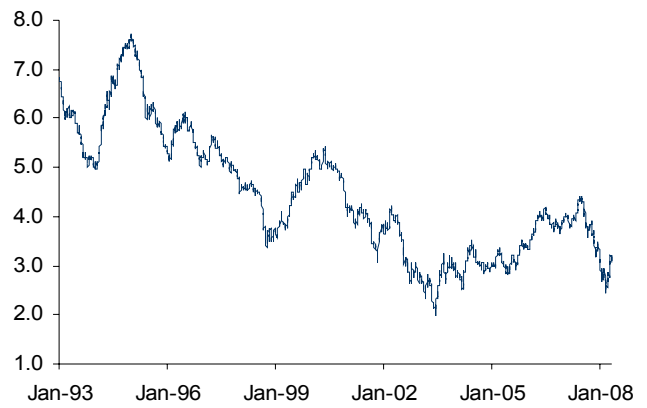
Source: Credit Suisse

G3+ 2-Year Yield



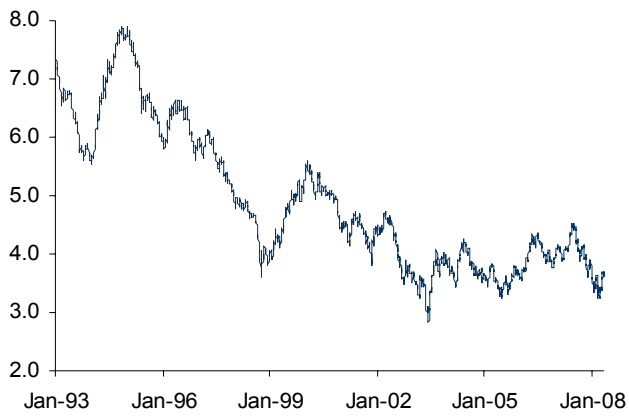
Source: Credit Suisse

G3+ 5-Year Yield



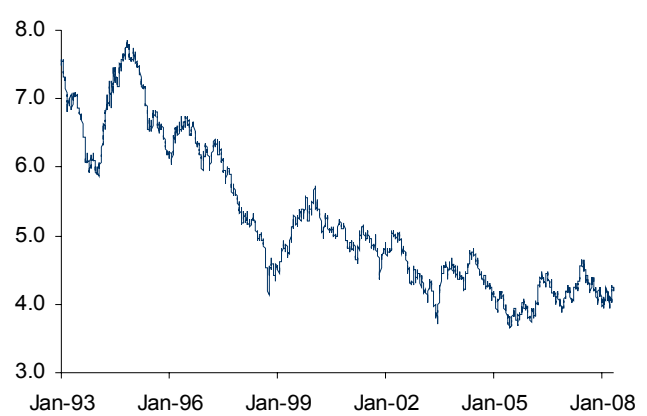
Source: Credit Suisse

G3+ 10-Year Yield



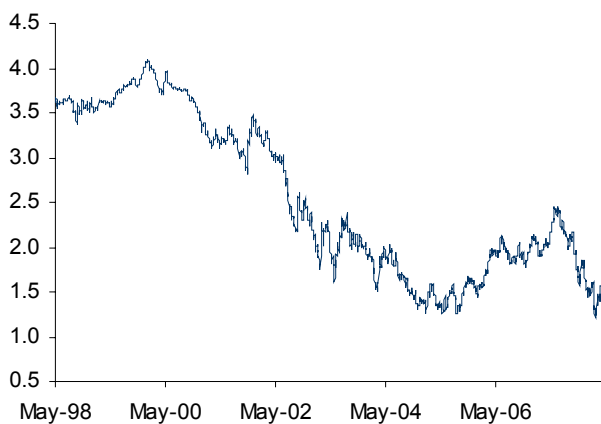
Source: Credit Suisse

G3+ Long Bond Yield



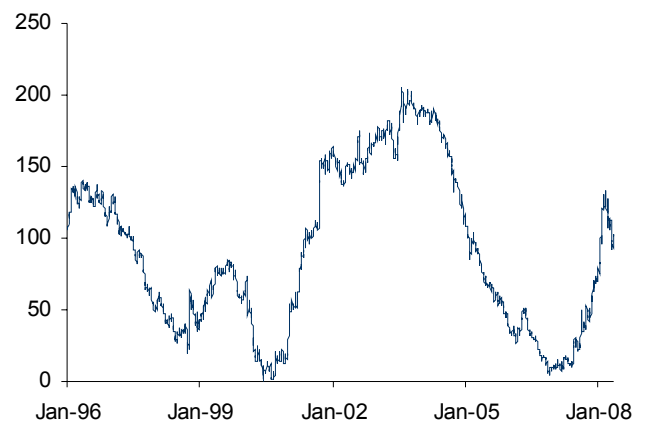
Source: Credit Suisse

G3+ 10-Year Real Yield for Index-Linked Bonds



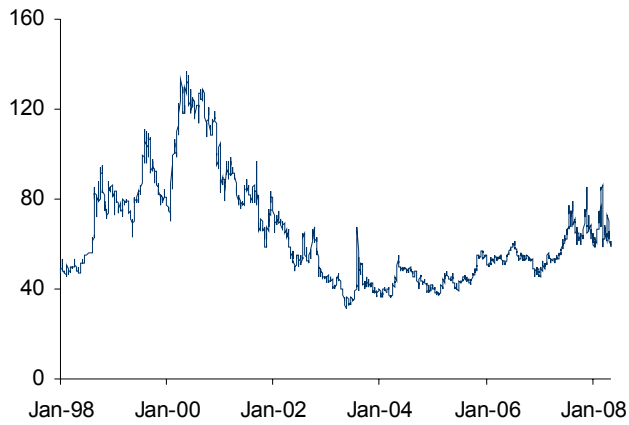
Source: Credit Suisse

G3+ 2- to 10-Year Spread



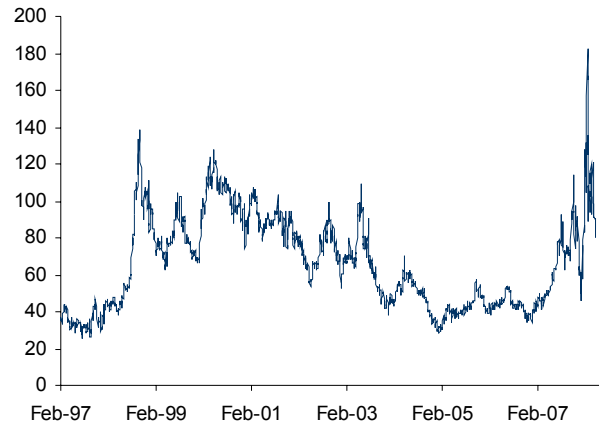
Source: Credit Suisse

US 10 Year Swap Spread Against Treasuries



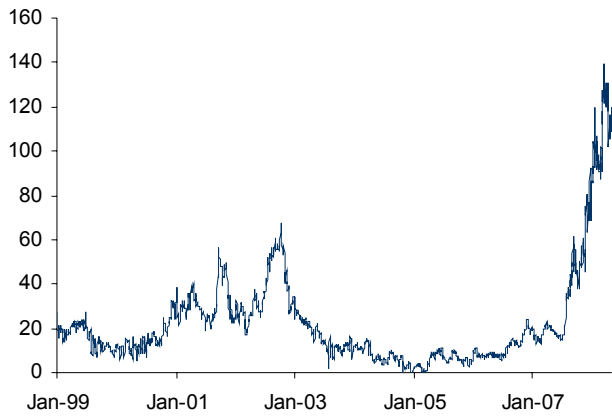
Source: Credit Suisse

Mortgage Spread



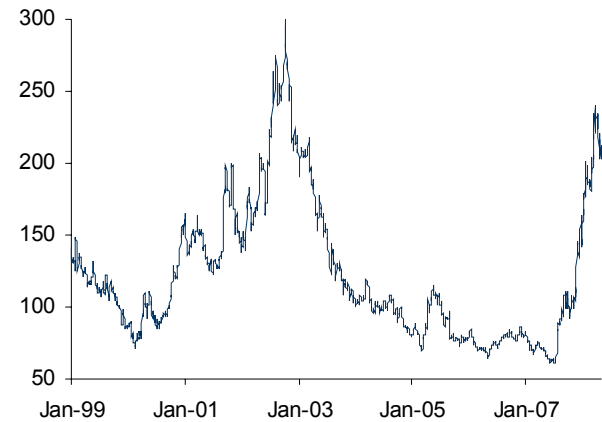
Source: Credit Suisse

US AA Corporate Spread vs. Swaps



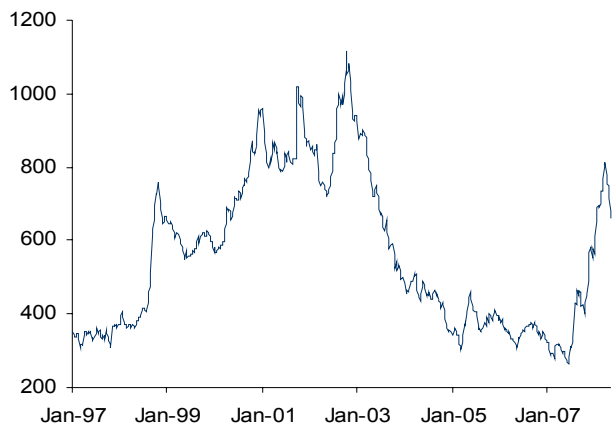
Source: Credit Suisse

US BBB Corporate 10-year Spread vs. Swaps



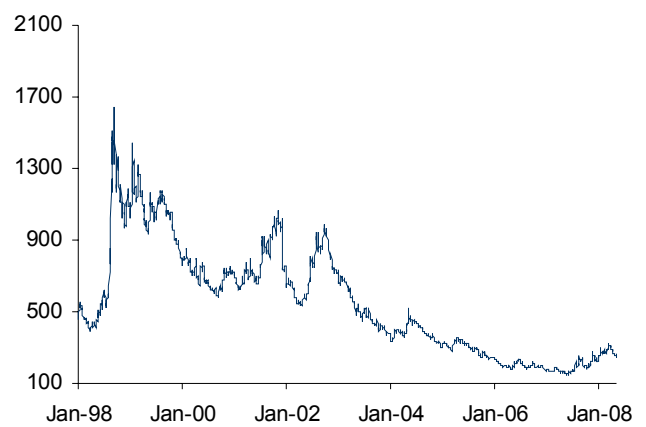
Source: Credit Suisse

High Yield Spread Against Treasuries



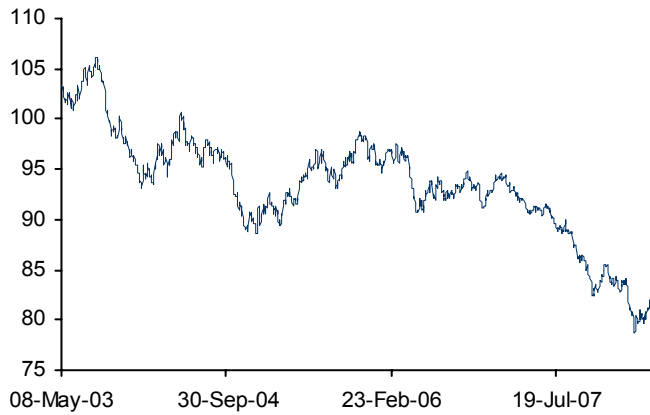
Source: Credit Suisse

Emerging Market Bond Spread



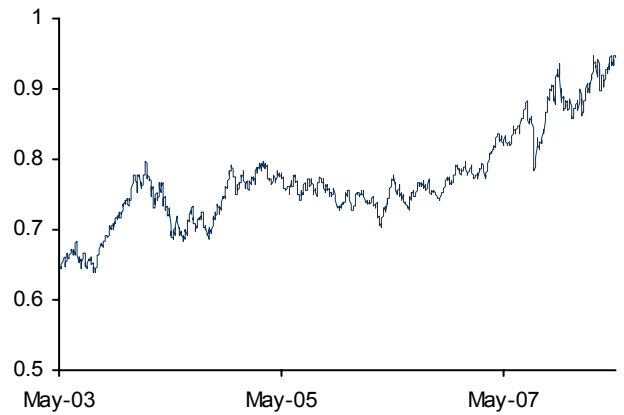
Source: Credit Suisse

USD- Trade Weighted



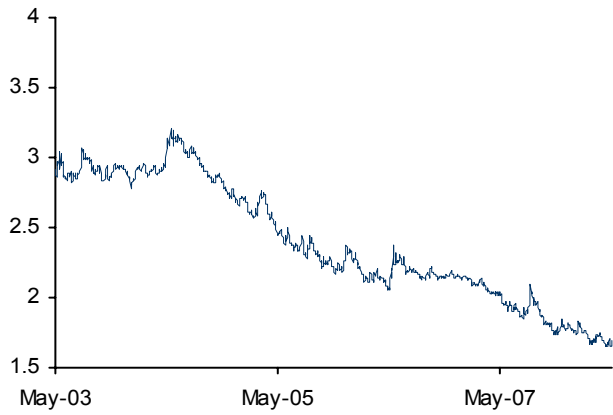
Source: Credit Suisse

AUD-USD



Source: Credit Suisse

Brazilian Real (USD-BRL)



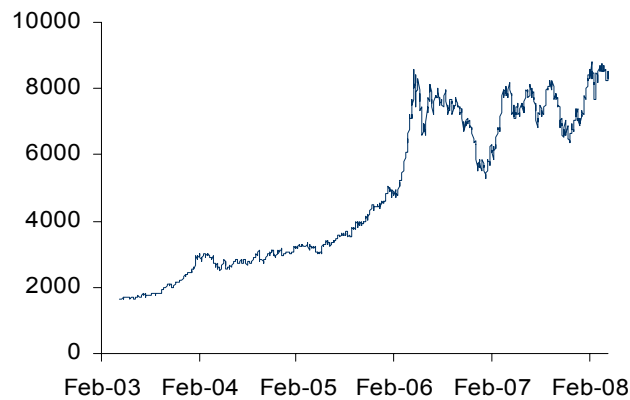
Source: Credit Suisse

WTI Crude



Source: Credit Suisse

Copper High Grade 3mth



Source: Credit Suisse

Gold Bullion



Source: Credit Suisse

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