



Global View- Equities

May 2011

Market	Macro	Interest Rates	Technicals	View
US	High oil & food prices constraining growth in short term, durable goods orders down & IP stalled, economy slowing to 1.8% y/y but jobs growth should continue, housing still near record lows	Current = 0.25, CPI @ 2yr highs but Fed claims current inflation is temporary so rates to stay low until year end at least	Bullish: Above 200 day MA	Bullish: Pause after hitting news YTD highs, trend is still upwards & monetary policy remains a positive driver in the short to medium term
GBP	GDP forecasts cut to under 2% & inflation pushing 5%+, consumer spending falls most since Q2 '09, but exports rising at fastest pace in 30yrs,	Current = 0.50, inflation likely to be above target of 2% this yr & next, growth taking priority	Bullish: Just above 200 day MA, high correlation to US	Neutral: Has not been able to clear Mar'11 high & -ve YTD, significant gains look difficult given fundamentals
EURO	German growth surprises again (+5.2% y/y) but Euro debt problems back in the headlines, Greek default a matter of time, ECB likely to raise rates again which is negative for stocks, GDP forecast <2% in 2012	Current = 1.25, ECB on tightening bias & look set to increase by another 25bp	Bullish: Germany above 200 day MA but failed to hold rally to new highs suggesting upside more limited	Neutral: German growth looks ok but rest of zone poor, debt problems, increasing rates a negative, unlikely to be best performing equity market
Japan	Officially back in recession, IP down 15% m/m & probably still worse to come before reconstruction demand kicks in Q3/Q4	Current = 0.1, BOJ will keep rates low & print JPY	Bearish/Neutral: below 200 day MA but no trend	Bearish/Neutral: Some suggesting it is cheap but the upside is a long way off & there are better opportunities
China	Growth slowing & inflation may be near a peak but electricity shortages & monetary policy raises risk of hard landing, state of property market a major talking point	Current = 6.5 close to peak in monetary policy	Neutral: 200 day MA flat & still in 18 mth range	Neutral: How China comes out of this period is critical for global outlook, a peak in inflation & monetary policy will be positive (our current view) but an overshoot & hard landing will be a MAJOR negative, needs to be watched carefully
Singapore	GDP up 8% y/y in Q1, but likely to slow, property taking off again so further measures to slow it are likely	Current = 0.44, MAS will continue to tightening bias via SGD but less aggressively	Bullish/Neutral: 200 day MA still rising & index still above just	Bullish/Neutral: Fundamentals are still strong but a peak in tightening cycle is required for market to resume upward trend
Australia	GDP likely to be negative in Q1 due to floods, retail sales & housing weak, cost pressures pushing CPI above RBA comfort levels but overall growth supported by mining boom & jobs growth	Current = 4.75, maybe another 50bp rise possible but RBA risks tipping economy over	Neutral: 200 day MA flat & still in 18 mth range	Neutral: Resources still positive but the rest of the economy flat, equities look cheap but no upside evident at this time, watch China as this is the main driver
India	GDP still >8% but inflation still rising to >7% , higher rates required & growth will suffer in 2012	Current = 7.25, up another 50bp this month & more to come	Negative: below 200 day MA & negative YTD	Neutral: High inflation & rising interest rates are never positive for equity markets, still a long term investment favorite
Sth Korea	Exports up 25% y/y & monthly record, GDP should be >4% y/y in Q2, inflation eased but likely to be >4% y/y	Current = 3.00, some modest increases later in year	Bullish: Short term correction but above 200 day MA	Bullish: Record highs in May & fundamentals remain supportive
Indonesia	GDP @ 6.5% y/y, domestic demand & investment the main drivers but inflation easing	Current = 6.75, currency appreciation doing most of the work but some increases still likely	Bullish: Above 200 day MA & new highs YTD, trend still up	Bullish: Record highs in May & fundamentals remain supportive
Russia	GDP above 4% but some slowing, inflation still high	Current = 8.25, may pause on slower growth outlook	Bullish: Just above 200 day MA	Bullish/Neutral: Closely correlated to oil price, so can be useful hedge to other equities
Brazil	Inflation may rise well above 5%, trade surplus & growth solid on the back of commodity prices	Current = 12%, further increases still likely	Bearish: below 200 day MA, down YTD & below 2010 levels	Neutral: Commodities the major positive but high i/r rates negative for stocks

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Global View— Commodities, Bonds

May 2011

Market	Macro	Technicals	View
Oil	\$10-\$20 off price due to reduced speculation, global demand slowing in short term but OPEC still forecasting demand growth, inventories up, "fair" value seems to be around \$100	Bullish: above 200 day MA & trend still up	Bullish: Demand has eased in short term & speculative element reduced but long term trend is still up reflecting global GDP growth
Gold	Demand for bars & coins up 62 & 42%, China investment demand = 91 tons double y/y, Soros selling but Paulson buying ?!!	Bullish: short term consolidation but above 200 day MA & trend still up	Bullish: Soros described gold as the ultimate bubble but this is caused by Govt printing money & that is not going to stop soon
Grains	European crops impacted by drought, global stocks likely to fall again, some drought conditions in China, US corn planting slowed by rain, risks all to the upside	Bullish: Corn, beans & wheat all above 200 day MA & trend still up	Bullish: Prices are below early season peaks but global supply/demand remains tight so main price risk is upwards
Base Metals & bulk comm	Highly correlated to global IP & China in particular, these are slowing in short term but we don't see hard landing	Bullish: Copper just above 200 day MA & trend still up	Bullish: Prices are down YTD & correcting on slower global IP, but trend is still up & demand will return
Market	Macro	Technicals	View
US Bonds	Yields have fallen again despite CPI rising, slowing GDP growth & risk aversion in May the key factor	Neutral: Yields back to 200 day MA but no trend	Neutral/Bearish: Longer term yields will be much higher but in the short term market remains distorted by Fed & end of Fed buying may be catalyst for yields to rise, avoid Govt bond allocations
UK Gilts	Yields fallen to lows for the year @ 3.27% despite CPI rising & above target, economy has stalled the main driver	Neutral/Bullish: Yields below to 200 day MA but no trend	Neutral: Yields look set to remain low & below 4% for some time but longer term will be much higher, no value in owning bonds
Corp Bonds	High grade & high yield spreads have stabilised, investor exposure in still near record highs	Neutral/Bullish: Trend on spreads still down but flattening out	Neutral/Bearish: spreads are low & have probably fallen too far, investors are already very long so a reversal of positioning would be negative

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Global View– Data

May 2011

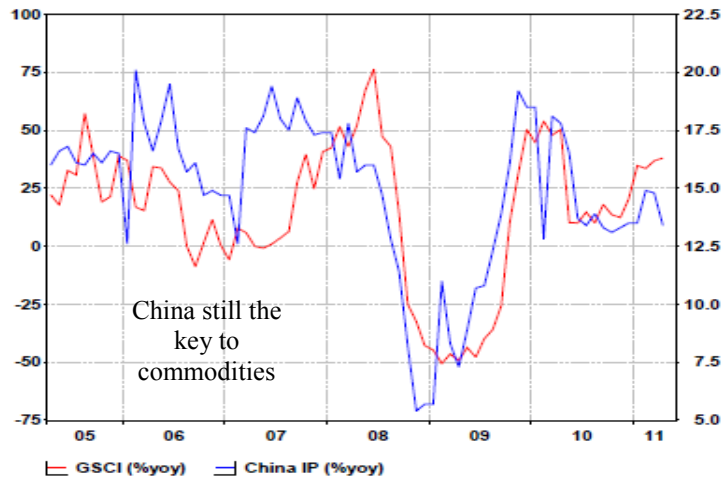
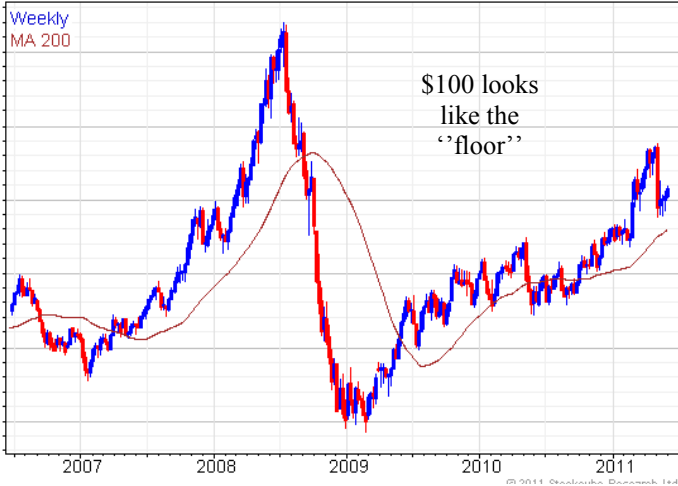
S&P 500 Index (SPX) 1345.2 +14.10 www.fullermoney.com 31 May 2011



Euro Stoxx 50 Index (SX5E) 2861.92 +47.58 www.fullermoney.com 31 May 2011



Crude Oil NYME (cont) (CL2) 103.21 +2.24 www.fullermoney.com 31 May 2011



Sources: Reuters Ecowin

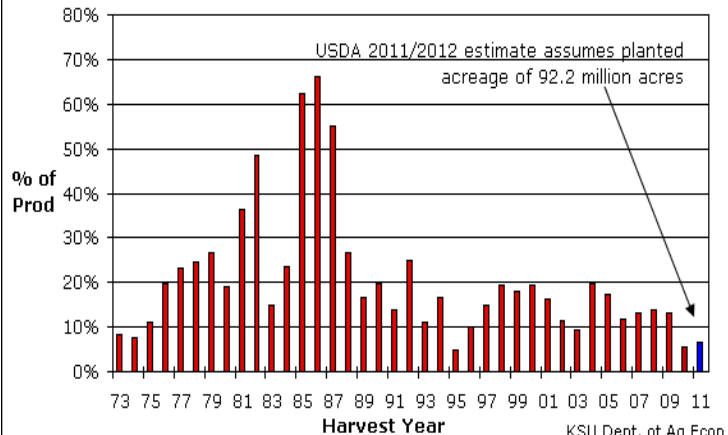
Cash market spreads, bp



Source: Citi Investment Research and Analysis

Corn Ending Stocks

Ending Stocks as % of Total Usage



Source: USDA WASDE Report 5.11.11

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