Market update

9 May 2010

Global markets – More than USD1.1tn was wiped from the value of global stocks last Tuesday no small sum. This was due to growing expectations that the EUR110bn (USD143bn) rescue package for Greece would need to be extended to Spain and Portugal. Some investment houses feel that stock declines were accelerated because of Spanish Prime Minister Jose Luis Rodriguez Zapatero's recent comments.

Europe The main story last week was dominated by the downgrading of Greece and Portugal's credit rating by Standard and Poor's. As expected this adversely affected all major markets. There are a growing number of investment houses who agree with our thinking "that this may well spread further across Europe".

U.S - The largest equity-market decline since February, caused by the announcement above on Greece & Portugal's credit rating reduction, Some Investment houses feel that Greece and Portugal's credit downgrades on Tuesday are no reason to doubt forecasts for profit growth. We disagree and predict strong volatility to continue in coming months as more bad news is very likely to affect the market. A detailed look at US debt which is still increasing and the European Union's dramatic rescue plan for their 11 year old currency will follow this week.

China - Central bank governors in India and Brazil backed a stronger Chinese yuan, siding with U.S. President Barack Obama before a meeting of the Group of 20 nations last week.

Indeed the yuan strengthened last week halting a two-day drop, perhaps partly due to speculation that the Group of 20 nations would call on China to allow its currency to strengthen. There were also murmurings that the U.S. will take action over the Chinese currency, possibly by bringing a case to the World Trade Organization, should multilateral pressure fail to work.

Housing market - China ordered developers not to take deposits for sales of uncompleted apartments without proper approval and barred them from charging very high prices, thus stepping up efforts to prevent a property bubble which we feel is inevitable in this region. The sudden focus on developers' sales tactics just adds to curbs on loans for third-home purchases, increased down payment requirements and higher mortgage rates that have been witnessed recently in a desperate bid to avoid a crisis.

Currency news – The euro recently slumped to its weakest level against the dollar since April 2009 amid concerns that the Greece's debt crisis would spread, derailing the region's economic recovery. These losses will likely be offset in the short term if rescue package is agreed however the Euro is still in trouble, volatility must be expected.

The 16-nation currency traded below USD1.30 for a second day last Wednesday, as German Chancellor Angela Merkel said Europe is at a crossroads.

The pound gained against the euro and was little changed against the dollar as the U.K.went to election. The dollar advanced toward an eight-month high against the yen in the same period.

Commodities - Focusing on Gold; while the dollar advanced on other currencies the appeal of gold as a haven investment was dull.

Gold traded at USD1,171.25 an ounce last Tuesday, falling from this year's peak of USD1,192.32 after the dollar rose on European debt concerns and a report showing an unexpected jump in U.S. factory orders. We expect sentiment in the precious metal is likely to remain lacklustre in coming weeks.

A short report will come out on RIO Professional Investors fund will follow this week along with a brief up date for those still holding Hansard investments due to the lock in period of regular investment plans established some years ago.

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