



Global Markets Weekly

Stocks reached their highest levels since the days following Lehman's collapse, bolstered by strong data and earnings.

The S&P 500 broke back through the 1200 mark last week for the first time since the days immediately following the collapse of Lehman Brothers in September 2008, driven by encouraging economic data and a strong start to the US earnings season from banks and technology companies. But the strongest data was from Asia, with the revelation that the Chinese economy grew 11.9% year-on-year (y/y) in the first quarter (Q1) and Singapore's economy grew a whopping 13.1% y/y (32.1% quarter-on-quarter annualised) on the back of rising exports. Since early April, emerging-Asian equity markets have been in positive year-to-date territory. Stock markets fell on Friday on news that US regulators had accused Goldman Sachs of fraud in its mortgage-securities business.

China's Q1 GDP was stronger than expected, helped by consumption and investment in housing.

China's Q1 GDP growth was higher than expected. Base effects played a part, as Q1 2009 was exceptionally weak. But we estimate that quarterly growth accelerated to a 14.5% annualised pace q/q, from 10.5% in Q4. China does not publish a detailed breakdown, but monthly data suggest that a strengthening in residential investment was the largest driver of growth. Private consumption, mainly auto sales, was also strong in Q1. The acceleration in growth argues for further policy tightening, although outside of specific measures to reduce property lending such as an increase in minimum deposits announced this week, the means of tightening is not yet clear. CPI inflation is currently lower relative to the last two episodes of interest-rate tightening in 2004 and 2007. Delaying rate hikes could mean that a resumption of yuan appreciation is being considered, as it is unlikely that the government would do both simultaneously.

Singapore's eye-popping GDP growth prompted an aggressive appreciation of its currency.

Singapore's economic performance in the first quarter prompted the Monetary Authority of Singapore (MAS) to aggressively tighten its exchange-rate policy by increasing the Singapore dollar trading band, re-centering it at the current level and also allowing a "modest and gradual appreciation." In Singapore, monetary policy takes the form of targeting the Singapore dollar exchange rate against a basket of its major trading partners, rather than setting interest rates directly. The move led to strength in a number of emerging Asian currencies. The Korean won, which rose to its highest level against the US dollar since September 2008, also benefited from a credit-rating upgrade by Moody's this week, to A1 from A2, citing the country's resilience to the global financial crisis.

Maybe Goldilocks isn't dead after all. Strong growth and low inflation make a reappearance in the US.

US economic data was generally positive, though confidence amongst small businesses remains weak. Retail sales came in stronger than expected, while CPI inflation was lower than expected. Core inflation dropped to only 1.1%, reducing any pressure on the Federal Reserve to raise rates quickly as the recovery gathers steam. Weekly jobless claims were higher than expected at 484,000, well above the level that would be consistent with a stabilising labour market, but this was most likely due to the difficulty in adjusting statistics for the timing of Easter.

Greece finds the mere prospect of a bailout is not enough.

Finally, Greece appears to be edging closer to a formal bailout, as the spread of its bond yields over German bunds continues to widen. On Thursday, finance minister George Papaconstantinou sent a letter to the European Commission formally asking to discuss "a multi-year economic policy programme with the Commission, the European Central Bank and the International Monetary Fund."

Carl Astorri
+ 44 20 7753 1612

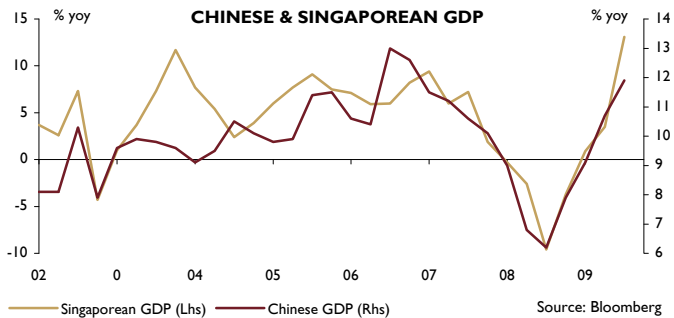
Jean-Maurice Ladure
+44 20 7753 1469

Henry Lancaster
+44 20 7957 2426

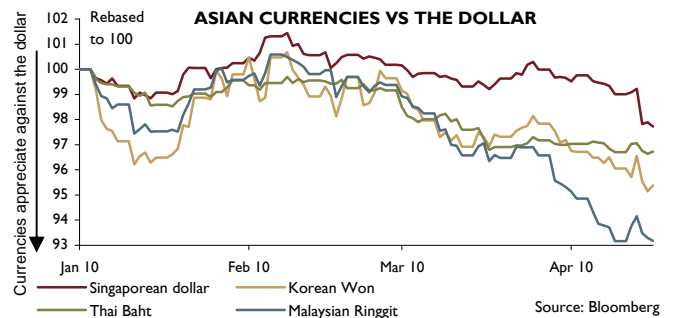
Georgios Tsapouris
+44 20 7753 1888

Charts of the Week

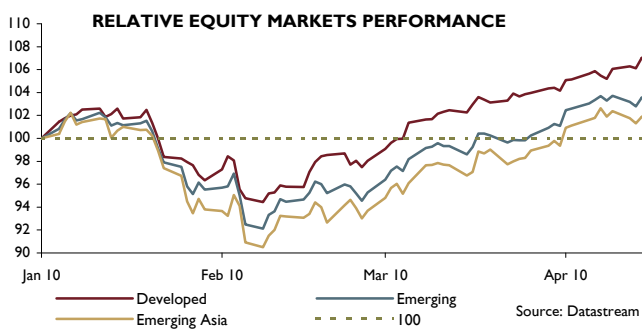
China and Singapore show what a V-shaped recovery looks like



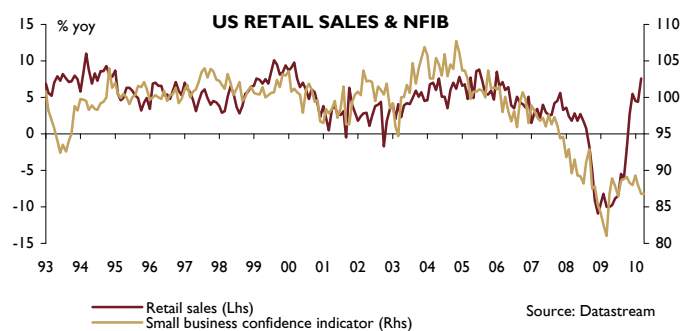
Asian currencies strengthen against the dollar amid signs of strong recovery in the region



Emerging Asian equities are back in the black year to date, rebounding from earlier tightening jitters



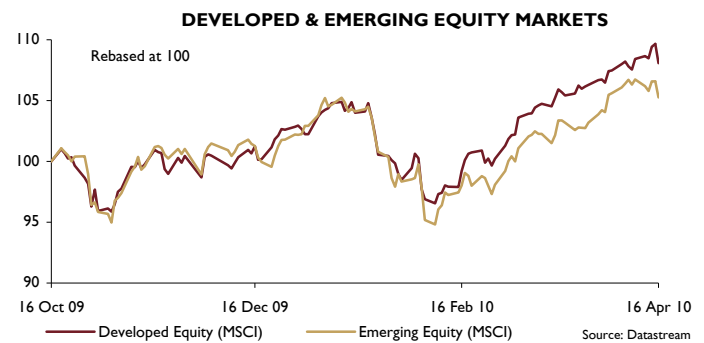
US consumers open their wallets, but small business owners remain depressed



Market Performance

Equity Markets As of: 16-Apr-10	Performance (% local)					
	Current	-1W	-1M	-3M	YTD	09
Developed Equity (MSCI)	880	-0.3	2.7	3.9	5.7	22.8
FTSE All Share	2,950	-0.4	2.6	5.8	6.9	25.0
FTSE 100	5,744	-0.5	2.2	5.3	6.1	22.1
S&P 500	1,192	-0.2	2.8	4.9	6.9	23.5
Nasdaq Composite	2,481	1.1	4.3	8.5	9.4	43.9
DJ EuroStoxx	280	-1.2	2.1	1.5	1.8	23.4
Nikkei 225	11,102	-0.9	3.6	1.1	5.3	19.0
Hang Seng	21,865	-1.6	4.0	1.0	0.0	52.0
Emerging Equity (MSCI)	44,105	-1.4	3.0	1.1	2.3	58.6
BRIC (MSCI)	542	-2.4	1.8	0.3	1.4	68.0

Source: Datastream



10-Year Bond Yields As of: 16-Apr-10	Change (basis points)					
	Current	-1W	-1M	-3M	YTD	09
US Treasuries	3.8	-11	12	9	-7	158
UK Gilts	4.0	-5	-4	-6	-13	102
Euro Bonds	3.1	-7	-6	-18	-30	44
Japanese Bonds	1.4	-4	0	2	6	11

Source: Datastream

Commodity Markets As of: 16-Apr-10	Performance (%)					
	Current	-1W	-1M	-3M	YTD	09
Commodities (TR)	271	0.3	1.7	-2.1	-2.9	18.9
WTI Oil Price (Spot)	83	-2.1	1.6	6.6	4.8	102.4
Gold Bullion (Spot)	1136	-2.0	0.9	0.3	3.7	27.1
Industrial Metals (TR)	379	0.5	8.0	7.9	8.5	80.0

Source: Datastream

Interest Rates & Inflation

Inflation & Interest Rates		Current Inflation (%)	RBS Interest Rates Forecast (%)			Rate Announcement Next Date
			Current	Jun '10	Sep '10	
United States	(Fed Funds)	2.3	0.25	0.25	0.75	28-Apr
United Kingdom	(Base Rate)	3.0	0.50	0.50	0.50	10-May
euro-zone	(Repo Rate)	1.4	1.00	1.00	1.00	06-May
Japan	(Call Rate)	-1.1	0.10	0.10	0.10	30-Apr

Source: Courts, RBS, Datastream

Issued by Coutts & Co, which is authorised and regulated by the Financial Services Authority. Coutts & Co is registered in England No. 36695. Registered office: 440 Strand, London WC2R 0QS.

The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Past performance should not be taken as a guide to future performance. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down.

The information in this document is not intended as an offer or solicitation to buy or sell securities or any other investment or banking product, nor does it constitute a personal recommendation. The information is believed to be correct but cannot be guaranteed. Any opinion or forecast constitutes our judgement as at the date of issue and is subject to change without notice. Any Coutts company, or a connected company, its clients and officers may have a position or engage in transactions in any of the securities mentioned.

The analysis contained in this document has been procured, and may have been acted upon, by Coutts & Co and connected companies for their own purposes, and the results are being made available to you on this understanding. To the extent permitted by law and without being inconsistent with any applicable regulation, neither Coutts & Co nor any connected company accepts responsibility for any direct or indirect or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon such analysis.

Not all products and services offered by the individual Coutts companies are available in all jurisdictions, and some products and services may be available only through particular Coutts companies.

None of the overseas Coutts companies or offices is an Authorised Person subject to the rules and regulations made under the Financial Services and Markets Act 2000 for the protection of investors and depositors, and compensation under the Financial Services Compensation Scheme will not be available in respect of business transacted with them.