Weekly Market Update

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Conference Call

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GLOBAL ECONOMY

The IMF expects that developing economies will expand by 1.6% as a group this year and by 4% 2010 while developed nations are expected to contract by 3.8% in 2009 and have close to zero growth next year. China, Russia and India are pressing for reducing the dollar dominance in foreign exchange reserves. The share of dollars in allocated global foreign-exchange reserves, is at its highest levels since 2007; increasing to 65% at $2.6 trillion, in Q1 2009.

North America

The US economy shrank at an annualized rate of 5.5% in Q1 2009; better than a previous estimate of an expected 5.7% decline. GDP contraction appears to be easing, after shrinking at an annualized pace of 6.3% in the previous quarter. First jobless claimants reached to 627,000; increasing by 15,000 new claimants. Consumer spending, which accounts for about two-thirds of domestic economic activity, rose 1.4% last quarter after falling 4.3% in the final quarter of 2008.U.S. employers cut another 467,000 jobs last month, and about 6 million jobs have been eliminated since the recession began in December 2007. Another Six banks in the U.S were seized by regulators as the deepening financial crisis pushed the toll of failed U.S. lenders this year to 52.

Europe and UK

The British economy contracted by 2.4% in Q1 2009 and is expected to contract by 4.3% this year. The U.K. Treasury will sell 4 billion pounds of 3.75% bonds due in 2019 on July 7. The government plans to offer an unprecedented 220 billion pounds of securities this year as it seeks to fund bank bailouts and economic-stimulus measures. The U.K. sold a record 5.25 billion pounds of 2014 debt on July 1, attracting investor bids for 2.56 times the amount offered. It also sold 2.5 billion pounds of 30-year bonds on July 2, with a bid-to-cover ratio of 1.75. Construction output decreased between January and March by 6.9%, while the service sector contracted by 1.6% - led by the banking and financial industries, which saw output slip 2.5%. Quarterly manufacturing output fell by 5.5%. Meanwhile, real household disposable income fell by 2.4%, while the savings rate dropped from 4% to 3%.

BRIC Markets

Russia's GDP contracted an annual 6.4% in Q2, 2009 after a 5.4% decline in the first three months of the year. Output shrank 4.8% in June from a year earlier, compared with a contraction of 6.8%.Russia's industrial production dropped a record 17.1% in May as companies depleted inventories and struggled to raise funds. The economy shrank 10.2% in the first five months of the year, while GDP is expected to contract by 8.5% this year. The rate of unemployment jumped to 10.2% in April, the highest rate in more than 8 years. China's Purchasing Managers' Index climbed for a fourth month in June, the latest sign the country's 4-trillion yuan ($585 billion) stimulus is reviving its economy. China's economy is forecast to grow 7.8% this year; compared with a decline of 2.7% percent in the U.S. and 4.3% in Europe's 16-nation euro zone.

EXECUTIVE SUMMARY

- BRIC economies aiming for less dependence on USD.
- US unemployment rate continues to rise.
- Leading economies continue to accumulate more debt.
- Global economy struggling to break free from recession.
- Modest economic turnaround unlikely to start before first quarter of 2010.

	Annual GDP (Bil $US)	GDP YoY %	Surplus/ Def % GDP	CPI YoY %	Jobless Rate
Americas					
United States	13,751.40	-2.50%	-7.80%	-1.30%	9.50%
Canada	1,329.89	-3.00%	1.20%	0.10%	8.40%
Brazil	1,313.36	-1.77%	3.08%	5.20%	8.80%
Mexico	1,022.82	-8.20%	-1.17%	5.98%	5.31%
Argentina	262.45	2.00%	-0.46%	5.50%	8.40%
Europe					
Eurozone	12,277.63	-4.80%	-2.00%	0.00%	9.50%
Germany	3,317.37	-6.90%	-3.40%	0.10%	8.30%
United Kingdom	2,772.02	-4.90%	-2.90%	2.20%	7.20%
France	2,589.84	-3.20%	-3.10%	-0.30%	8.00%
Italy	2,101.64	-6.00%	-4.30%	0.50%	7.29%
Russia	1,290.08	-9.80%	6.24%	12.30%	9.90%
Asia, Pacific					
Japan	4,384.26	-8.80%	-6.50%	-1.10%	5.20%
China	3,205.51	6.10%	-2.12%	-1.40%	4.30%
S. Korea	969.80	-4.20%	2.70%	1.99%	3.90%
India	1,176.89	5.80%	-3.57%	8.63%	7.32%
Australia	820.97	0.40%	0.70%	2.50%	5.70%
Taiwan	355.47	-10.24%	-2.80%	-0.08%	5.82%
Middle East					
Saudi Arabia	381.68	4.50%	n.a.	5.48%	11.10%

Source: Bloomberg, Global Economy Watch

Global Economy: House View

Investors are still worried about the mounting debt being accumulated on the balance sheets of leading world economies. However, they are also worried about the prospect of rising inflation; a possible outcome induced by the unprecedented stimulus packages under taken by the worlds largest economies. The US and the EU are accumulating huge amounts of debts which are leading to ratings downgrades and dampening the future economic out look. The group of eight industrialized nations have began discussions on how to avoid a possible spark in inflation brought on by huge government spending. However, we continue to believe that the economic crisis is easing and expect to see positive growth by next year.

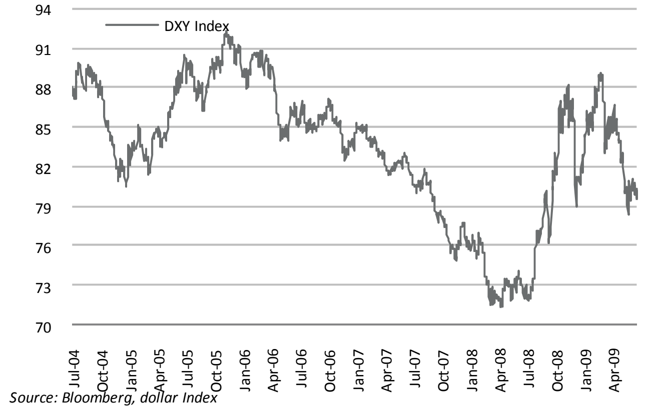
AB PRIVATE BANKING

CURRENCIES

Last week, all major currencies were up against the USD. The Australian Dollar, the Canadian Dollar, the Euro, the Yen, the Pound and the Swiss Franc gained by 1.18%, 0.84%, 0.66%, 0.59%, 1.20% and 0.19% vs. the US dollar. Year-on-year, The Australian Dollar, the Canadian Dollar, the Euro, the Pound and the Swiss Franc gained respectively 17.15%, 12.19%, 10.80%, 17.68%, and 7.01% vs. the US Dollar, while the Japanese Yen has lost 11.21% vs. the Dollar.

	Price	WoW	YTD	YoY
AUD/USD	0.7975	-1.18%	17.76%	-17.15%
CAD/USD	0.8632	-0.84%	5.16%	-12.19%
EUR/USD	1.3977	-0.66%	0.12%	-10.80%
JPY/USD	1.0423	-0.59	-6.01%	11.21%
GBP/USD	1.6326	-1.20%	10.48%	-17.68%
CHF/USD	0.9187	-0.19%	-2.53%	-7.01%

Source: Bloomberg, FX– Rates



Source: Bloomberg, dollar Index

Currencies: House View

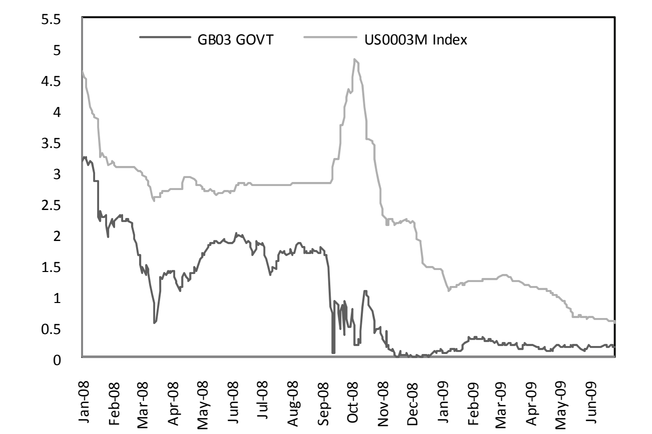
We still believe that the USD will continue to decline throughout the year and our medium term outlook for the USD is negative.

DEPOSITS AND BONDS

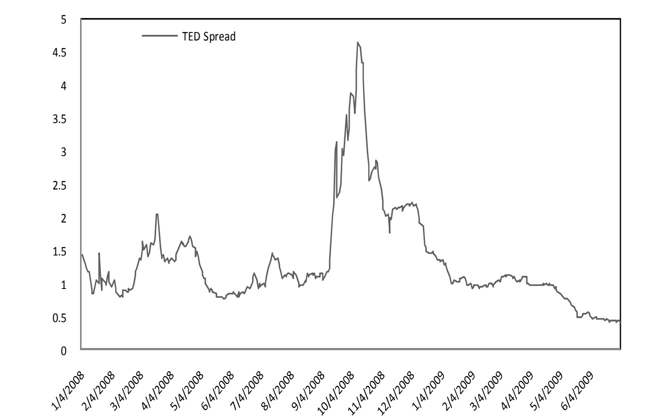
Globally, deposit rates were mixed last week. The highest drop was in the EUR by 15 bps followed by the JPY by 4 bps and the CHF by 1 bps. The USD and GBP rate remained unchanged. The highest deposits rate is in EUR and GBP, where 3 month deposit rates are at around 0.95%, followed by the USD that is at 0.60%, the JPY at 0.36%, and the CHF at 0.20%.

The TED spread which is calculated by deducting the 3 month LIBOR from the 3 month US T-Bill yields (considered to be the risk free rate of return) shows the willingness of financial institutions to lend to each other. LIBOR is the reference interest rate that most international lending is based off and thus the huge increase that resulted from the credit crunch panic has led to a substantial widening in the spread from an average of 25 bps to a maximum of 435 bps before narrowing down again to 40 bps this week.

Global bond yields were all down last week except for the GBP. The greatest decrease was in the USD 5 year government bonds yields, where yields went down to 2.43% a loss of 13 bps, followed by the EUR that is at 2.40% a loss of 8 bps, the JPY at 0.68% a loss of 5 bps, and the CHF at 1.38% down by 2 bps. The GBP was up by 8 bps at 2.88%.



Source: Bloomberg



Source: Bloomberg

	Rate	WoW	YTD	YoY
USD	0.60%	0 bp	-65 bp	-222 bp
GBP	0.95%	0 bp	-148 bp	-425 bp
CHF	0.20%	-1 bp	-18 bp	-122 bp
JPY	0.36%	-4 bp	-35 bp	-57 bp
EUR	0.95%	-15 bp	-175 bp	-374 bp

Source: Bloomberg, 3 month deposit rates

	Yield	WoW	YTD	YoY
USD	2.43%	-13 bp	88 bp	-85 bp
GBP	2.88%	8 bp	45 bp	-215 bp
CHF	1.38%	-2 bp	-23 bp	-157 bp
JPY	0.68%	-5 bp	-1 bp	-58 bp
EUR	2.40%	-8 bp	8 bp	-214 bp

Source: Bloomberg, 5 year government bond

Interest Rates: House View: What to buy?

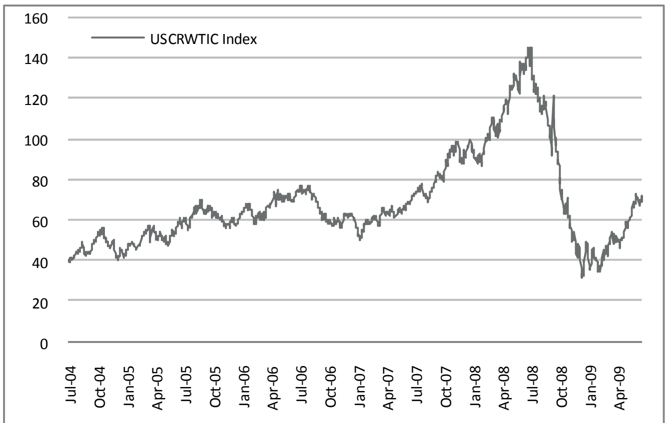
With current interest rates in the US heading towards zero we suggest a shift from fixed interest to floating rates and a reduction in the portfolio duration for USD. As global markets start to calm and volatility and risk premiums start to decline we suggest a shift to high quality corporate bonds versus sovereign bonds in the next quarter.

COMMODITIES

Last week, the WTI went down by 4.16%, on a year-on-year basis the WTI is down by 53.52%. Gold was down by 1.29% on a week on week basis and down by 1.19% on a year-on-year basis.

	Price	WoW	YTD	YoY
WTI	66.73	-4.16%	49.62%	-53.52%
BRENT	64.86	-5.02%	55.32%	-55.47%
GOLD SPOT $/OZ	932.73	-1.29%	7.74%	-1.19%
SILVER SPOT $/OZ	13.44	-5.54%	23.50%	-26.84%

Source: Bloomberg, Commodities



Source: Bloomberg Crude Oil, WTI future

Commodities: House View

As inflation expectations are low, we propose to stay in the waiting position before starting to accumulate commodities that go with the business cycle. We are neutral on gold and prefer a stronger focus on base metals in these times.
Oil has picked up considerably well, in the last couple of weeks, in line with our previous expectations.

STOCK MARKETS

The global equity markets, as measured by the MSCI World and DJIM were down last week. The DJIM decreased by 2.26%and the MSCI decreased by 1.48%. Year-on-year, the DJIM is down 26.65% and the MSCI by 30.15%.

North America

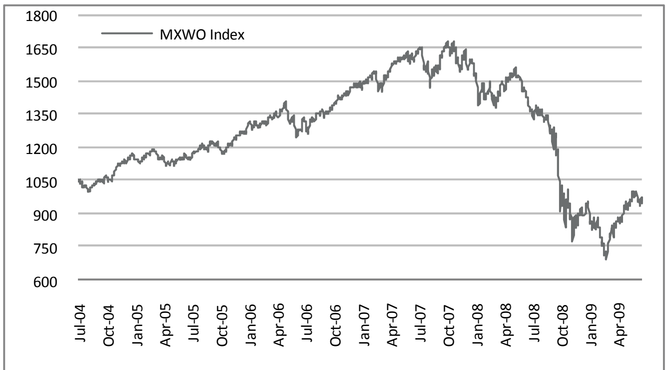
The US major indices were also down last week. The Dow Jones, S&P 500 and Nasdaq decreased by 2.26%, 2.59%, and 1.81% respectively. The Canadian S&P/TSX was also down by 0.70%.

Europe

The European markets were all down last week. The EuroStoxx50, the FTSE,CAC, DAX, and the Swiss market were all down by 0.56%, 0.11%, 0.33%, 1.43%, and 0.70% respectively.

Asia Pacific

Last week, the Nikkei, the Hong Kong HANG SENG, and the Japanese Topix, decreased by 0.62%, 0.39% and 0.67% respectively.



Source: Bloomberg, MSCI World

	CTRY	Price	WoW	YTD	YoY
MSCI ACWI	MULT	241.24	-1.48%	5.96%	-30.15%
DJ ISLAMIC MARKET INDEX	MULT	1,589.20	-2.16%	7.67%	-28.13%
Americas					
DOW JONES INDUS. AVG	US	8,280.74	-2.26%	-5.65%	-26.65%
S&P 500 INDEX	US	896.42	-2.59%	-0.76%	-29.02%
NASDAQ COMPOSITE INDEX	US	1,796.52	-1.81%	13.92%	-19.99%
S&P/TSX COMPOSITE INDEX	CA	10,283.10	-0.70%	14.41%	-26.60%
MEXICO BOLSA INDEX	MX	24,045.39	-1.69%	7.44%	-15.15%
BRAZIL BOVESPA STOCK IDX	BZ	50,934.69	-1.07%	35.64%	-14.20%
Europe					
DJ EURO STOXX 50 = Pr	EC	2,376.48	-0.56%	-2.91%	-27.44%
FTSE 100 INDEX	GB	4,236.28	-0.11%	-4.46%	-21.74%
CAC 40 INDEX	FR	3,119.51	-0.33%	-3.06%	-26.88%
DAX INDEX	GE	4,708.21	-1.43%	-2.12%	-24.94%
SWISS MARKET INDEX	SZ	5,338.51	-0.70%	-3.54%	-21.18%
RTSI$ INDEX	RU	950.24	0.29%	50.38%	-56.56%
MSCI ARABIAN MARKETS	MULT	451.97	0.02%	12.60%	-45.51%
Asia					
TOPIX INDEX (TOKYO)	JN	920.62	-0.67%	7.14%	-29.07%
HANG SENG INDEX	HK	18,203.40	-0.39%	26.52%	-15.03%
CSI 300 INDEX	CH	3,327.14	6.35%	83.04%	21.35%
BSE SENSEX 30 INDEX	IN	14,913.05	1.01%	54.58%	10.85%
NIKKEI 225	JN	9,816.07	-0.62%	10.80%	-25.85%
S&P/ASX 200 INDEX	AU	3,828.20	-1.94%	2.85%	-24.67%

Global Stock Markets: House View

Our recent review of the markets indicates that they are starting to level out. The US stock market showed mixed results this week. However, there appears to be on the whole an increase in investor and consumer confidence in the US economy. In line with last weeks outlook, we recommend that investors increase their equity possitions into general sectors without investing into single corporations in order to benefit from this momentum.

We also recomend a shift from the defensive sectors into the more cyclical sectors including global materials and technology with a long term position in the financial sector. We also recommend high diversification at this stage.

On a relative perspective which means equity yields minus bond yields, we favor overweight in US and Swiss equities and an underweight in Eurozone, UK and Japanese equities in general.

	CTRY	PE	Div Yld	P/S	P/B
MSCI ACWI	MULT	15.22	2.95	0.83	1.55
MSCI ARABIAN MARKETS	MULT	12.50	3.11	2.47	1.79
DOW JONES INDUS. AVG	US	13.28	3.30	0.98	2.37
S&P 500 INDEX	US	15.16	2.52	0.93	1.94
NASDAQ COMPOSITE INDEX	US	22.21	0.94	1.43	2.31
S&P/TSX COMPOSITE INDEX	CA	15.99	3.18	1.38	1.70
MEXICO BOLSA INDEX	MX	14.04	1.66	1.24	2.30
BRAZIL BOVESPA STOCK IDX	BZ	13.36	2.98	1.15	1.66
DJ EURO STOXX 50 = Pr	EC	11.17	4.81	0.60	1.19
FTSE 100 INDEX	GB	12.29	4.65	0.87	1.54
CAC 40 INDEX	FR	10.83	4.64	0.55	1.13
DAX INDEX	GE	13.71	4.06	0.50	1.24
SWISS MARKET INDEX	SZ	12.85	3.42	1.42	1.92
TOPIX INDEX (TOKYO)	JN	42.93	1.86	0.47	1.18
HANG SENG INDEX	HK	16.14	3.19	2.25	1.78
CSI 300 INDEX	CH	25.16	1.16	2.13	3.55
BSE SENSEX 30 INDEX	IN	17.91	1.31	1.98	3.26
NIKKEI 225	JN	44.57	1.65	0.54	1.34
S&P/ASX 200 INDEX	AU	14.01	4.87	1.21	1.56
RTSI$ INDEX	RU	8.13	2.14	0.89	0.85

Source: Bloomberg, Global Equities

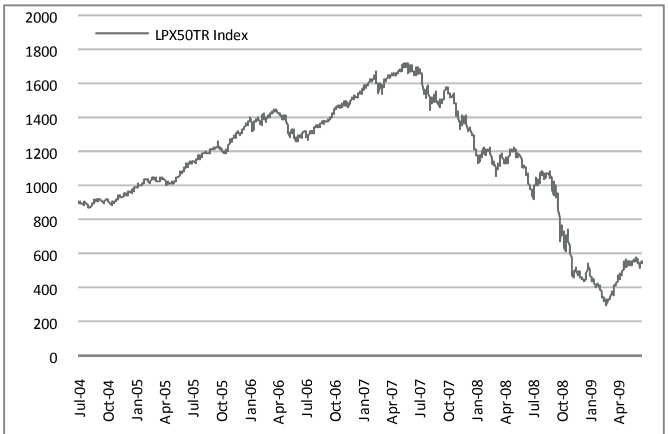
ASSET CLASSES

	Price	WoW	YTD	YoY
Cash				
BBA LIBOR USD 3 Month	0.56	-6.49%	-60.79%	-79.98%
Bond				
JPMorgan Global Govt Bond Glob	439.23	0.89%	-1.63%	5.40%
Equities				
MSCI WORLD	946.80	-1.76%	2.89%	-30.74%
MSCI EM	766.32	0.58%	35.14%	-25.62%
Commodities				
S&P GSCI Tot Return Indx	4,120.70	-3.36%	3.14%	-61.87%
Hedge Funds				
Hedge Fund Research HFRX US Gl	1,079.73	0.33%	5.80%	-17.83%
Private Equity				
LPX50 Total Return	542.17	-0.02%	15.61%	-45.49%
Real Estate				
EPRA/NAREIT GLBL INDEX $	1,181.99	-2.37%	0.81%	-39.22%

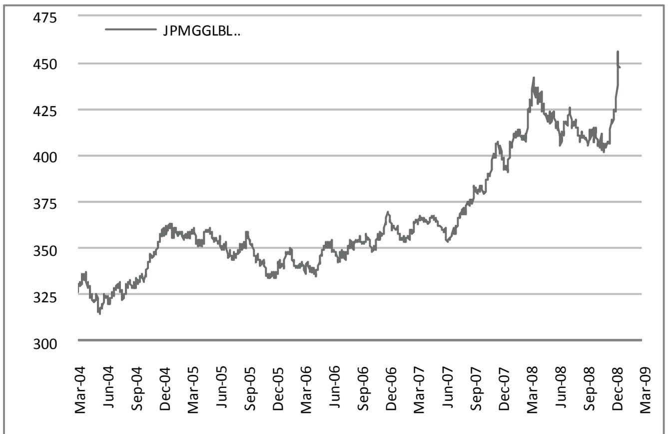
Source: Bloomberg, Asset Classes

The JPMorgan Global Government Bond Index is still the best performer among the 7 asset classes with an increase of 5.40% on a year-on-year basis.

The S&P GSC Index is the worst performer among the 7 asset classes with a drop of 61.87% on year-on-year basis.



Source: Bloomberg, LPX50 Index



Source: Bloomberg, JPMorgan Global Government Bond Index

CBOE SPX Volatility Index

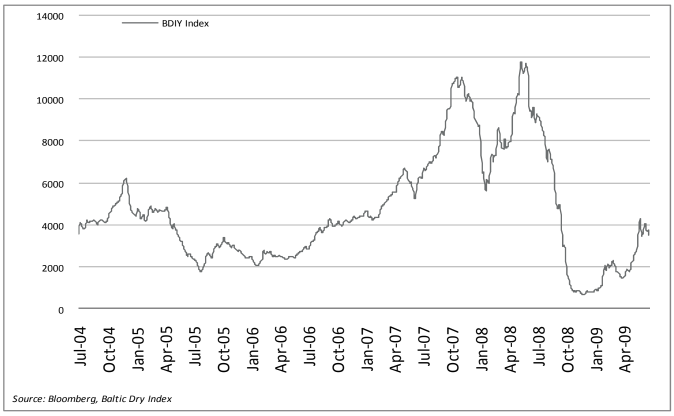
The Chicago Board Options Exchange SPX Volatility Index reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes.

Source: Bloomberg, dollar Index

The VIX index which measures the volatility in the markets has jumped from the average range of 10-30 up to a peak of 79 before dropping back to close at 28. This volatility reflects in part the lack of confidence on the part of investors in the monetary and fiscal measures taken by governments to ease the crippling credit crunch.

The Baltic Dry Index

The Baltic Dry Index (BDI) is a number issued daily by the London based Baltic Exchange, financial district in 1744. The London based Index, which tracks prices for carrying commodities like iron ore, coal, grains and cement on top export routes, rose to 1873 last week.



Source: Bloomberg, Baltic Dry Index

The BDI, used by economists to help predict global growth cycles, has been rising almost steadily since its lowest level seen on the 5th of December 2008 when it fell to 663. Today its at 3520 which is reflecting an increase in positive sentiment on behalf of investors.