

World Market Report - End of Year, 18 January 2012 -

End of the year

2011 could not end quickly enough and we like others in the financial industry are happy to turn the page over to 2012. This year has started well and we are already seeing improvements of our large holdings such as commodity and emerging markets. To give an example; one of the fund companies we use Scandic Options Strategies had a bad 2011 since the massive market fluctuations but is up +18% as of today for 2012. To go back a bit further for year 2008 the MSCI World Index dropped half of its value only to regain all of that the year after so lets hope this year holds the same.

Although there are still worries especially within the EU we believe that much of that is discounted in prizes. Its important to be aware of that China creates the equivalent of another "new" Greek economy every four months. Greece itself is not that important. What is important about the EU situation is Italy. Now it is very interesting to see the mood of the markets post this downgrade at the weekend. Three months ago the European markets would have traded poorly yesterday and today. But they've short of shrugged it off. Whether that is because people perceive the ECB will do more and more or whether there is some signs of stabilizing of the economy.

Short currency and market news

- Bank of Canada held policy steady as expected.
- The U.S. Empire State PMI was stronger than forecast.
- German ZEW data were much better than forecast while yy EZ and UK inflation eased. German and U.S. data have been generally suggesting an improving trend.
- Chinese GDP +8.9% yy better than estimated.
- The S&P downgrade of the EFSF by one notch on Monday has had no lasting impact. A rating of AA+ is still respectable.
- Tensions now center Greek sovereign debt issues. The big question now is the nature of a possible debt default and Greece retaining the EUR.

Market News from media

Stocks close up on Europe debt sales, China growth

Slight improvements in Europe's troubled debt markets and China's economy were enough to lift stocks on Tuesday. The Dow Jones industrial average rose as many as 151 points in the morning before fading to a 60-point gain at the close.

Debt auctions by Spain, Greece and Europe's bailout fund drew solid interest from investors, easing fears that recent credit-rating downgrades would prevent them from obtaining funds. The downgrades had threatened to increase borrowing costs and intensify the region's debt crisis.

The Chinese government said earlier that its economy slowed less dramatically in the fourth quarter than analysts had expected.

There's so much money sitting in short-term accounts and earning zero return that even a shred of good news can jolt the market higher, said David Kelly, chief market strategist with J.P. Morgan Funds. "The stock market is cheap, but cash and Treasuries are extremely expensive," Kelly said. "That's why even though people are busy taking money out of stocks and putting it into bond funds, they really should be doing the opposite."

The Dow rose 60.01 points, or 0.5 percent, to close at 12,482.07. It was the Dow's highest close since July 26, before the European debt crisis set off months of wrenching volatility. The Dow is up 264 points in the first 10 days of the year, the best start to a year since 2003.

The Standard & Poor's 500 index gained 4.58 points, or 0.4 percent, to 1,293.67. The S&P 500 had risen earlier to 1,303.02; it hasn't traded above 1,300 since Aug. 1. The Nasdaq composite index added 17.41 points, or 0.6 percent, to 2,728.08. The market was closed Monday for the Martin Luther King Jr. Day holiday.

Earlier, the Chinese government said its economic growth slowed to 8.9 percent in the fourth quarter. That was the lowest in two and a half years, but still better than the 8.7 percent predicted by analysts.

Asian and European markets closed higher. France's CAC 40 rose 1.4 percent, Germany's DAX added 1.8 percent. (AP)

Oil climbs above \$100 in Europe amid Iran tensions

Oil leaped above \$100 a barrel Tuesday due to renewed tensions over Iran and after Saudi Arabia, the world's largest exporter of the commodity, indicated it thinks prices should be kept around that level.

By early afternoon in Europe, benchmark crude for February delivery was up \$2.07 to \$100.77 a barrel in electronic trading on the New York Mercantile Exchange. The oil market in the U.S. was closed on Monday for a holiday. In London, Brent crude was up \$1.24 to \$112.58 on the ICE Futures exchange. Oil prices rose after Saudi Oil Minister Ali al-Naimi told CNN that Saudi Arabia wanted to stabilize prices at \$100 a barrel this year and was ready to pump more oil if needed. (AP)

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