

Monthly Update

September 2011

Markets Overview

World Markets

Cash

Sterling:

The International Monetary Fund cut its forecast for economic growth in the UK from 1.5% to 1.1% for 2011 as the Bank of England maintained interest rates at a record low 0.5% for the 30th month in a row. There is growing expectation that we could see a further round of quantitative easing, which came to fruition in October. The rate of inflation, as measured by the Consumer Price Index, rose to 4.5% for August compared with forecasts of 4.6% and a target of 2%, while the Retail Price Index rose to 5.2%.

US dollar:

During the month, the Federal Open Market Committee elected to extend the average duration of the system portfolio, or operation twist, as it is better known. The Fed will sell \$400bn of short-term treasuries (three years or less) and buy an equal amount of the longer-dated treasuries (6-30 years) by mid-2012. The idea behind this policy is to take relatively risk-free treasuries out of the market to force the private sector to buy riskier assets. One could say that the Fed is signalling that weak activity will persist for some time to come.

Bonds

September proved to be another difficult month for corporate bond markets, as the escalating European sovereign debt crisis, coupled with concerns about global growth, caused investors to seek safety in higher rated government debt. Strong demand for UK, German and US government bonds pushed their yields to record lows.

After stabilising mid-month, US and European high yield turned negative on September 21 amid continued uncertainty that Europe can solve either its sovereign or banking crises. High yield trading has been generally light, but prices are changing with a heightened volatility subject to the mood of the market and its conviction on any given day that we are moving toward a second global recession. In this environment, not all high yield has been treated equally as CCC bonds declined at more than twice the rate of either BB or B bonds, despite outsized price pressure on some of the higher-rated, most liquidly-traded names. Europe underperformed the US.

Property

Global listed property securities fell with global equity markets in September on continuing concerns about the sovereign debt crisis in the Eurozone. Japan was the top performing region followed by Australia, while the US & Canada and Continental Europe underperformed.

Index	Price	Up/Down on month
FTSE 100	5,128.48	↓
DJ Ind. Average	10,913.38	↓
S&P Comp	1,131.42	↓
NASDAQ	2,139.18	↓
Nikkei	8,700.29	↓
£/\$	1.5584	↓
€/£	0.8590	↓
€/\$	1.3387	↓
£Base Rate	0.50%	↔
Brent Crude	102.76	↓
Gold	1,623.97	↓

Prices quoted as at 30/09/11

Source: Bloomberg

Visit us on
www.fairbairnpb.com for
more product information

Monthly Update

September 2011

Markets Overview

World Markets

Equities

US:

The S&P 500 fell approximately 7% in September on continued concern surrounding the European sovereign debt crisis and the threat of a global recession. Energy and financials fell the most with investors moving towards more defensive sectors such as consumer staples, telecoms and utilities. At its lowest, the index had fallen almost 7.2% but quickly recovered 4% in the latter half of the month on the release of the final revision of Q2 GDP data and the weekly unemployment claims figures. However, risk aversion took hold again to ensure the month finished down 7%.

UK:

The FTSE All-Share index fell approximately 5% in September which made Q3 the worst quarter since 2002 as share price volatility was double that of the previous quarter. Forecasts for slower UK economic growth saw downward revisions to profit estimates, while global recession concerns and the European sovereign crisis continued to weigh in on risk assets. As to be expected in such an environment, the defensive sectors outperformed the cyclicals.

Alternative Investments

Hedge Funds:

Most hedge fund managers were able to deliver significant downturn protection through the short side, while high cash volumes and positions in safety assets also proved useful in such volatile market conditions. Even these assets were not fully protected, however, as early gains in bonds and precious metals were reversed later on in the month. Short term systematic trading was the best performing strategy in September, capturing gains through declining equities and increased volatility in the FX markets.

Commodities:

Crude oil prices were almost flat in September, however, daily prices have been volatile. Oil prices dropped during the second half of the month before recovering back above \$100 most recently. Although market participants are concerned about further slowing of oil demand, prices remain underpinned by very tight crude markets and low inventories. Metals and minerals prices declined in September, following a fall in August, on concerns about the impact of sovereign debt problems on economic growth, and on-going worries about slowing demand in China. Copper prices fell around 24% on continuing high stocks, although Chinese import demand has strengthened after a lengthy period of destocking. Gold and silver came under pressure in September as equity markets were overwhelmed and long-liquidation and profit-taking overwhelmed the precious metals market.

Index	Price	Up/Down on month
FTSE 100	5,128.48	↓
DJ Ind. Average	10,913.38	↓
S&P Comp	1,131.42	↓
NASDAQ	2,139.18	↓
Nikkei	8,700.29	↓
£/\$	1.5584	↓
€/£	0.8590	↓
€/\$	1.3387	↓
£Base Rate	0.50%	↔
Brent Crude	102.76	↓
Gold	1,623.97	↓

Prices quoted as at 30/09/11

Source: Bloomberg

Professional Adviser

International Fund & Product Awards 2011
Best International Wealth Provider Winner



Finalist – Best Overall Wealth Solutions Provider

A Member of the OLD MUTUAL Group

Contact our team today
on (International) +44 (0) 1624 645000 (8am – 8pm)
or (UK freephone) 0800 289936
or visit our website at www.fairbairnpb.com

Notice to readers: This document is not intended as an offer to buy or sell securities. The facts stated, and estimates and opinions given have been obtained from or based upon sources believed to be reliable; however no representation or warranty, express or implied, is made nor responsibility of any kind accepted either as to the accuracy, completeness or correctness of the information stated herein, or that material facts have been omitted. Any opinion expressed in this document is a matter of judgement at the time of writing and is subject to change without notice. Any price shown is only an indication of the middle market price at the time of publication. Prices may fall as well as rise and the income derived from them may fluctuate. Changes in rates of exchange or taxation may have an effect on the value of investments. Past performance is not necessarily a guide to future returns and you may not get back the original amount invested.

Fairbairn Private Bank is a registered trade name of Fairbairn Private Bank (IOM) Limited and Fairbairn Private Bank Limited.
Fairbairn Private Bank (IOM) Limited is licensed by the Isle of Man Financial Supervision Commission. Registered office: St Mary's Court 20 Hill Street Douglas Isle of Man.
The London office is authorised and regulated in the UK by the Financial Services Authority.

Fairbairn Private Bank Limited is regulated by the Jersey Financial Services Commission. Registered office: Fairbairn House 31 The Esplanade St Helier Jersey.
Authorised and regulated in the UK by the Financial Services Authority in respect of regulated mortgage contracts only.

South African representative office established in terms of Section 34 of the Banks Act 94 of 1990.

UK Financial Services Authority registration numbers:

Fairbairn Private Bank (IOM) Ltd 313189
Fairbairn Private Bank Ltd 313187.