



# ILIM – The week that was...

## Week 31

**“In the middle of difficulty lies opportunity” – Albert Einstein**

- The Central Bank raised its forecast for Irish GDP (gross domestic product) in 2014 to 2.5%, up 0.5%.
- European bond yields (which move inversely in response to the market price of a bond) fell to historical lows with the yield on Germany's 10-year Bunds falling 2.6 basis points to 1.12 on Tuesday morning. With the exception of hyperinflation period in the early 1920s this is Germany's lowest borrowing rate since at least 1815.
- As European government bond yields reach record lows, large fund managers in Tokyo think they have further to go. According to the latest data available from the Bank of Japan they have bought \$3.7 billion of Italian bonds this year, the most since at least 2005; \$837 million of Spanish debt, the most since 2011, and \$12 billion of French bonds, the largest amount since 2012,
- Eurozone inflation fell to a four-and-a-half year low, moving the 18 country bloc a step closer to deflation. Consumer Price Inflation (CPI) fell to 0.4% according to a flash estimate from Eurostat.
- The Eurozone jobless rate edged down to 11.5% in June from 11.6% in May.
- An ECB survey showed that Banks in the euro zone eased the standards they apply on loans to companies for the first time since before the global financial crisis.
- The International Monetary Fund (IMF) said on Monday that the UK pound was “overvalued” and preventing the rebalancing of the economy away from a reliance on spending and imports.
- The Federal Reserve announced that inflation has ‘moved somewhat closer’ to its long-term target, but noted slack in the U.S. labour market. The central bank cut its bond purchases to \$25 billion a month from \$35 billion. It also reaffirmed its plans to keep rates at historic lows until the economy improves further.
- The International Monetary Fund warned that China's growth rate could plummet in the coming years unless Beijing speeds up the pace of its economic reforms.
- The U.S. economy surged in the second quarter, more than offsetting a first-quarter contraction. Gross domestic product advanced at a rate of 4.0%. Economists had forecast growth at a 3.0% pace for the quarter.
- **The Story of the week for me...** The Dutch 10-year bond yield hit its lowest rate in almost 500 years.

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# Index Performances and Market Data

Equity Markets (%)	2009	2010	2011	2012	2013	YTD
ISEQ	27	-3	0.6	14.7	35.8	2.4
FTSE 100	22.1	9.0	-5.6	6.0	18.7	1.0
Euro Stoxx 50	23.4	-0.1	-17.7	13.4	21.5	1.0
S&P 500	23.5	12.8	0	12.4	32.4	6.1
Nasdaq	43.9	16.9	-1.8	14.1	36.9	5.7
Nikkei	19	-3	-17.3	16.24	59.4	-2.8%
MSCI Emerging Markets	74.5	16.4	-20.4	13.8	-2.3	8.5
MSCI World	23	17.2	-7.62	12.1	26.3	4.7
Sovereign 10yr Bond Yields (%)	2009	2010	2011	2012	2013	YTD
US	3.8	3.3	1.9	1.7	3.0	2.4
German	3.4	3	1.8	1.4	1.9	1.2
UK	4.0	3.4	2.0	1.9	3.0	2.5
Japan	1.3	1.1	1.0	0.7	0.7	0.5
Ireland	4.8	9.1	8.4	4.5	3.4	2.2
Italy	4.1	4.8	7.1	4.6	4.1	2.6
Greece	5.8	12.5	31.7	12.7	8.2	6.3
Portugal	4.1	6.6	13.4	6.9	6.1	3.7
Spain	4.0	5.5	5.1	5.4	4.1	2.5
Central Bank Rates (%)	2009	2010	2011	2012	2013	YTD
ECB	1	1	1	0.75	0.25	0.15
Bank of England	0.5	0.5	0.5	0.5	0.25	0.50
US Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25
Foreign Exchange Rates	2009	2010	2011	2012	2013	YTD
Dollar/Euro (\$/€)	1.43	1.34	1.30	1.31	1.37	1.34
Sterling/Euro (£/€)	0.89	0.86	0.83	0.81	0.83	0.79
Dollar/Sterling (\$/£)	1.61	1.56	1.55	1.61	1.65	1.68
IPD All Property Return	2009	2010	2011	2012	2013	YTD
Ireland	-23.2	-2.4	-2.4	3.1	End q1	TBC
UK	2.2	14.5	8.1	2.7	End q1	TBC
US	-18.7	14.8	14.5	5.3	End q1	TBC

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