FTSE Research – FEBRUARY 2008
FTSE GLOBAL Equity Markets Performance Report



Overview:

Global equities affected by US concerns over recession and weak economic data.

Index Commentary

Disappointing economic data from the US as well as credit spreads remaining at elevated levels, added to the pessimism over the US economy and increased concerns over recession. During the month US consumer confidence rose to the lowest level in 16 years as well as an increase in inflation and higher jobless claims. The Institute for Supply Management (ISM) Non-Manufacturing index retracted from 54.4 to 41.9 in January, the largest ever drop. Ben Bernanke, Federal Reserve (Fed) chairman, gave a downbeat testimony on the economy to Congress and warned that there were likely to be bank failures in the US and urged investors to increase capital. In addition, Ben Bernanke underlined the central bank's willingness to further loosen monetary policy when mentioning the downside risks to US economic growth and said the Fed stood ready to take action in response. The FTSE Global All Cap Index returned a modest 0.3% in February.

Surprisingly strong European data, including an above-forecast survey of the eurozone service sector and a strong rebound in UK retail sales, dampened expectations that the European Central Bank (ECB) and Bank of England (BoE) were to follow in aggressive monetary easing. As expected, the ECB announced to keep eurozone interest rate on hold at 4%. Jean-Claude Trichet, ECB president, dropped his previous statement to "pre-emptively" raise interest rates to curb inflation and warned of the downside risk to growth posed by financial turbulence and the slowdown in the eurozone's large trading partners. The BoE reduced the UK benchmark interest rate by 25bps (basis points) to 5.25%. The FTSE Developed Europe All Cap Index rose 1.9%.
Gains were larger in Asia with the FTSE Asia Pacific ex Japan All Cap Index rising 4.8%. Japan's markets benefited from surprisingly strong Japanese Q4 data growth, however, economist warned that weak personal consumption will be a drag on growth in 2008. The FTSE Japan All Cap Index rose 0.5%. Commodity markets had record highs in energy, agriculture, precious metals and base metals markets. The Brent crude spot price closed the month on a high of USD100.8/bbl, up 10.7% over the month. Oil prices were supported by supply disruptions in Nigeria and news that Ecuador shut a key export pipeline because of a landslide. Gold closed on a high of

USD970.77 an ounce, up 5.2% over the month, helped by the US dollar weakness and inflation concerns, similarly platinum hit record levels, affected by supply concerns.

In the currency markets, the euro hit a record high against the US dollar and finished the month at USD1.52, up 2.5%. Support came from fading expectations of an early cut in eurozone interest rates, aided in part by the ECB unlikely to cut interest rates in the near term as well as inflation concerns in the US. The euro also rose to a record against sterling to finish the month at GBP0.763, up 2.5%. The US dollar also fell to a 3-year low against the yen to finish at JPY104.11, down 2.1%.

COUNTRY PERFORMANCE

FIVE BEST PERFORMING COUNTRIES (USD/%)

Taiwan 15.6
Norway 13.5
Thailand 13.4
Peru 12.8
Brazil 12.3

FIVE BEST PERFORMING COUNTRIES (LOCAL /%)
Taiwan 11.1
Peru 11.0
China 10.8
South Africa 10.3
Argentina 9.8

FIVE WORST PERFORMING COUNTRIES (USD /%)
Philippines -4.4
Greece -3.4
USA -3.3
India -2.4
New Zealand -2.1

FIVE WORST PERFORMING COUNTRIES (LOCAL /%)
Greece -5.8
Philippines -4.6
New Zealand -4.3
Ireland -3.9
Portugal -3.9

Industry Sector Performance

Industrial Metals was the best performing sector, with the largest contribution to the performance coming from ArcelorMittal, up 17.8% as Asia's three largest steelmakers agreed to an increase in iron-ore prices. General Financial was the worst performing sector, down 6.2%, with the largest contribution coming from Goldman Sach Group Inc., up 15.0%.

FIVE BEST PERFORMING INDUSTRY SECTORS (USD/%)
Industrial Metals 13.4
Mining 12.1
Oil Equipment, Services & Distribution 11.7
Oil & Gas Producers 7.1
Industrial Engineering 6.8

FIVE WORST PERFORMING INDUSTRY SECTORS (USD/%)
General Financial -6.2
Software & Computer Services -5.5
General Retailers -4.8
Banks -4.7
Fixed Line Telecommunications -4.3

BEST PERFORMING FTSE ALL-WORLD STOCKS (USD /%)
Northam Platinum 62.4
Sanyo Electric 59.7
Pacific Metals 59.0
Hyundai Mipo Dockyard 55.8
KCC Corp 53.0

WORST PERFORMING FTSE

ALL-WORLD STOCKS (USD/%)
RH Donnelly Co -76.4
Allco Finance Group -72.7
Idearc -70.3
ABC Learning Centres Ltd -49.1
Thomson SA -35.6