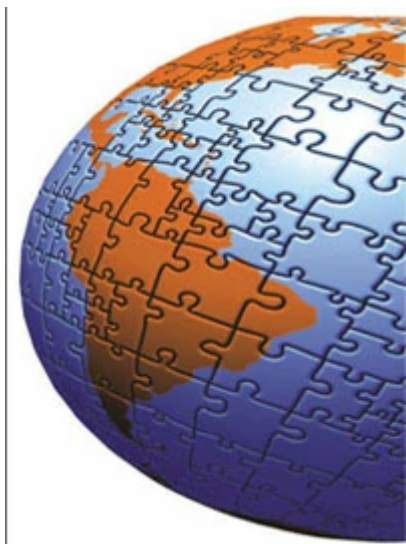


# FTSE Research NOVEMBER 2007

## FTSE GLOBAL Equity Markets Performance Report



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### Overview:

Credit Market concerns continue to affect Global Equities.

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### Index Commentary

Credit concerns continued to dominate global financial markets with news of further mortgage-backed debt write-downs from leading investment banks and amid fears that the fallout from the mortgage crisis may hit US consumers, increasing risk aversion. There was increase in volatility, with the CBOE's VIX, a market measure of implied volatility, rising to its highest level on 12 November since March 2003. Ben Bernanke, Fed chairman expressed heightened concerns that the weakness facing the financial and housing markets may hurt US economic growth. Although inflation was still a concern, Mr Bernanke said growth would slow "markedly" this quarter and would remain "sluggish" during early 2008. The FTSE Global All Cap Index dropped 4.7%, the worst monthly performance since September 2002.

As expected the European Central Bank (ECB) and Bank of England (BoE) both kept interest rates on hold. ECB council member Miguel Angel Fernandez Ordonez said world financial turmoil threatened a greater than expected slowdown in the Eurozone. In addition, inflation in the Eurozone hit its highest level for more than six years, increasing to 3% in November and economic sentiment took another turn for the worse and dropped to a 20-month low. Mervyn King, the governor of the BoE warned that the UK economy faced an uncomfortable few months, with inflation remaining a serious threat, despite data showing a steep fall in house prices and UK growth slowing down sharply next year. The FTSE Developed Europe All Cap Index fell 3.8% over the month.

Asian equity markets fell markedly with the FTSE Asia Pacific ex Japan All Cap Index, down 7.9%, with all countries in the index losing ground. The FTSE Japan All Cap Index fell 5.4%. Brent crude spot price fell 2.0% over the month and finished at 88.66/bbl as Opec left the door open for a supply increase in December. The oil price was also affected by the decrease in global demand forecast by the International Energy Agency. Platinum hit a record high, while gold climbed to a 28-year high, although later pulled back to end the month below USD800 an ounce, down 1.0% over the month. Base metals traded higher, supported by a large drop in copper inventories in China and reiterated concerns about the health of the US economy. The US dollar fell to a record low against the euro to finish at EUR0.681, down 1.4%. The dollar retreated against the yen to finish at JPY110.925, down 3.8% as money flows retreated from risky assets amid heightened nervousness over the state of the financial sector. The BoE's worry about a sharp slowing of the UK economy next year was a drag on sterling, with the US dollar appreciating 1.0% to finish at USD0.486.

### **Industry Sector Performance**

Many sectors fell during the month with Industrial Metals being the bottom performing sector, down 10.2%. The largest contribution to the fall came from Arcelor Mittal, down 11.2%. Life Insurance was the second worst performing sector, down 8.8% with the largest contribution to the fall coming from ING Group CVA, down 13.3% after the company said "market turmoil" hurt wholesale banking. The top performing sector was Tobacco, down 4.0%.