Press release

informed RCM

14 August 2009 LONDON

Neil Dwane, CIO Europe at RCM, the global equity company within Allianz Global Investors, comments on recent economic and market developments:

The world is a tale of two halves

“On the one hand, the Bank of England (BoE) and the Federal Reserve (Fed) have issued cautious reviews this week of their assessments of the current state of their economies and shorter term prospects, which the BoE had already foreshadowed by increasing its quantitative easing activities last week. Their analysis of developments in the short term is in stark contradiction to the more exuberant sentiment now fuelling the extension to the July rally, unless equity investors take a very long term perspective indeed.

“But on the other hand, the message contained within the Fed's statement this week, was that short term interest rates were going to stay low for a considerable time yet. While this is consistent with their overall caution, this could also be interpreted by some of the global banks as a sign to ‘load up on risky assets, as the rental price includes low interest rate costs’!

"Disappointingly, this same language that interest rates will be low for an extended period of time led to the 2003 housing and credit related lending, which we are still recovering from. This time however, the Fed has no alternative but to keep trying to support the US economy in the face of massive deleveraging by consumers, as seen by the fall in spending by US consumers this July.

“It should also be noted that some elements of government fiscal stimulus are indeed successful; with the multiple government sponsored cash-for-scrap cars type schemes. These have, around the world, boosted industrial production in the short term (also probably hurting future demand patterns at some point), and have helped return France and Germany to positive GDP growth much earlier than expected.

“The lessons from Japan in the 1990s suggest fiscal policy remains the key tool for this difficult time, and the German economic plan to return to balanced budgets as soon as possible is likely to be a negative for regional and global growth. The massive bank lending in the People’s Republic of China is also clearly stimulating the economy but huge quantities of this lending seem to have leaked into the equity and commodity markets. It may be a good idea to continue to watch the Shanghai Stock Exchange, which has now fallen 12% so far this month, when most other markets around the world have risen circa 5%, bearing in mind that China was the first to fall in October 2007.

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Photographs
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http://www.rcm.co.uk/press/04_fundmanagers.html

Awards

- RCM named winner of Active North American Equity at Pensions & Investment Provider awards 2009. RCM US Large Cap Select Growth is managed by Scott Migliori, Co-CIO for US Equities, RCM.
- RCM named No.1 leading fund management firm for SRI Research by Thomson Reuters Extel 2009.
- Global CIO of RCM, Andreas Utermann, named CIO of the Year by Funds Europe magazine 2008.
- Winner of European Investment Trust of the Year by Investment Week magazine, 2008, for the RCM-managed Charter European Trust.
- Allianz RCM Global EcoTrends Fund named winner Best Climate Change Investment fund 2008, by Holden & Partners/ Incisive Media.

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