

2011 Market Forecast by 11 Banks

Kindly find below some ideas, forecast and recommendations from major banks for 2011.

Summary:

- The outlook is positive on equities (markets will be volatile with important drawdowns), very cautious on bonds and positive on main commodities such oil, gold and copper.
- Analysts are still positive on emerging markets but the battle against inflation will likely dominate many of these countries in 2011
- Recession and deflation are far away but growth remains weak
- USD is to weaken further.

Below are the recommendations and summary for each Bank (All reasearch and analysis are available upon demand) :

Barclays:

Equities

S&P500 target: 1,420. According to Barclays equities will perform well with some corrections in 1st half 2011.

Favoured sectors: Energy, industrials and technology

Underperforming sectors: Telecom, healthcare and utilities

FX

On the FX side, GBP is the most attractive and a good trade idea should be GBP/JPY

Commodities

Crude, copper and gold will be the best performers

(Top US and european stocks are attached)

Goldman Sachs

- Real global GDP expected to rise 4.6% in 2011. GS expects the most significant shift to take place in the US with a substantial acceleration in real GDP growth over the next 2 years to a 4% pace in mid 2012.

- Growth forecast for 2011: USA (+2.7%) - Euroland (+2%) - Japan (+1.1%) - China (+10%) - India (+8.7%) - Brazil (+5%) - Russia (+5.3%) - Australia (+3.7%) - Canada (+2.5%) - Emerging markets (+7.4%)

Equities

S&P500 Target: 1,450

Overweight: Energy, Financials and Information technology
Underweight: Utilities, Healthcare, Consumer Staples
Neutral: Industrials materials, Telecom, Consumer discretionary

Asian Valuation are attractive: Taiwan, Korea and Singapore are overweight. Australia and India underweight

Commodities

Gold prices rised around 25% this year and are still expected to climb in 2011 to 1,690 as the resumption of quantitative easing will keep US real interest rates low.

Because of growth acceleration, US real interest rates will begin to rise in 2011 likely causing Gold prices to peak near 1,750 in 2012

Oil: Cyclical recovery of world oil market set to enter its 2nd stage in 2011(new bull market) which will drive oil prices above 100 usd. 2011 forecast is 105 usd

GS is also long Copper (2011 forecast at 11,000 usd) and Platinum. Silver is seen at 28.2 usd

Citigroup

DowJones/S&P500 to have a volatile year with intra year drawdown of +/- 20% and finish the year with a double digit % gain (13%-17% up)

Commodities to rallye strongly with crude oil back over 100 usd and Gold above 1,700 usd

EURUSD to rallye double digit % (11%) and the USD index to drop about 8%

US 10 years yields to rise at least 4.00% and quite possible back over 4.50%

UBS

- Gradual and sustainable recovery (2011 global GDP 3.7%, vs. 4.1% in 2010). 2.7% GDP growth in the US
- Do not expect a great bear market in govt bonds: (1) growth not strong enough; (2) no meaningful inflation pressure
- Risks: (1) overheating in emerging markets; (2) sovereign and bank risk in Europe; (3) rise of protectionism

In the US: 2.7% growth, 9% unemployment, 3% 10-year yield. Fed funds to rise to 1.75% by the end of 2012

The drivers are : (1) easing lending standards; (2) household savings stop going up; (3) home prices stabilize; (4) profits boost business spending; (5) QE2 aids asset prices.

Equities

16% upside seen for Eurostoxx and 18% for FTSE

France and Italy have the cheapest stock valuation in Europe and are favoured as a buy

European stocks: [Cap Gemini](#), [St Gobain](#), [ST Micro](#), [TF1](#), [Total](#), [ENEL](#), [Intesa San Paolo](#), [Mediaset](#), [Wacker Chemie](#), [Aixtron](#), [Smith & Nephew](#), [BAE](#)

Emerging markets and Japan are overweight, US neutral and Europe underweight

FX

- Buy USDJPY
- Sell GBP and EUR
- Swiss Franc is the new Deutsche Mark

- Euro target: 1.30
- GBP target: 1.63

Standard Chartered

- USD will outperform in the 1st half of 2011 then it will resume its trend depreciation in 2nd half.
- Medium term long USD-JPY

- More upside for Crude Oil but limited (95-100)
- Platinum to outperform Gold
- Copper to outperform Aluminium

Julius Baer

Overall growth will still positive despite some slowing for some economies.
Emerging markets will continue to dominate global growth

Equities

Continuation of low growth, low inflation environment in developed economies and inflation rising in fast growing emerging markets

Risk appetite and equities supported by Fed easing, robust earnings and reasonable valuations

Emerging Asia is one of the key call for 2011 : Revising down the target on the Chinese market index from 3,500 to 3,300 (P/E 15.4 and P/B 2.7).

Target on the HongKong chinese H shares index maintained at 15,000

Revising up the target on the Hang Seng (Hong Kong index) to 27,000 (+20%)

Neutral on India (forward P/E at 16.5, trading at a premium to its peers)

Latin America is expected to benefit from robust chinese demand for commodities.

Stocks: [Qualcom \(US\)](#), [Adecco \(Swiss\)](#) and [BBVA banco bilbao vizcaya \(Spain\)](#)

Commodities

Oil and Copper favoured

FX

Supportive environment for carry trades

Long Asian or carry currencies. Short USD, euro and yen

Recommended Asian bond funds: Templeton Asian bond fund and Fidelity Asian high yield fund

UBP

- Overweight stocks as long as rates are low
- Underweight Gvt bonds
- Favor stocks over bonds
- Russia and China best emerging markets stocks
- Overweight energy and financial sector
- Convertible bonds to perform well.

Commodities

Oil, Copper and Platinum

FX

Diversification from Eur to CHF, SEK, NOK, PLN (poland) and TRY (Turkey)

Diversification from USD to CAD, SGD (Singapore) and MXN (Mexican)

Credit Suisse

- Buy Gold below 1,400
- USD to weaken moderately further versus major other currencies.
- EUR-USD above 1.40
- Buy GBP, Asian currencies and MXN

European stocks for 2011: BG, Royal Dutch Shell (energy) - Siemens, Schneider electric (industrials) - WPP (media) - Anheuser Bush, Danone, Imperial tobacco (consumer) - Fresenius, Bayer (healthcare) - Deutsche Bank, Allianz, Axa (financials) - SAP (technology) - KPN (telecom) - Gdf suez (utilities)

US stocks for 2011: Suncor energy, Hess, Petrobras (energy) - Vale (materials) - Honeywell, GE, 3M, Caterpillar (industrials) - Nike, Starbucks, Carnival (consumer discretionary) - Wall Mart, CVS caremark, Coca Cola, Kraft Foods, Philip Morris (consumer staples) - Pfizer, Baxter international (healthcare) - Google, Microsoft, HPQ, Qualcomm (technology) - AT&T (telecom)

Swiss stocks for 2011: Givaudan (materials) - ABB (industrials) - Swatch Group, Nestle, Lindt (consumer) - Novartis (healthcare) - Zurich Financials, Helvetia (financials) - Logitech (technology)

Macquarie Bank

Weaker growth in 1st half 2011 but no recession, followed by renewed economic acceleration
----> Bullish outlook for equities

Target for eurostoxx: 2,850 (+10%)

European Stocks for 2011: HSBC, Porsche, XStrata, Swiss Re, Ahold, ABB, BG Group, ING, Telefonica, GDF Suez, Sanofi, Bayer, Royal Dutch, Deutsche Telekom

JP Morgan

- Records low are possible on USD-JPY (78), EUR-CHF (1.27) and USD-CHF (0.86)
- USDCAD target 0.96, USDAUD target 1.04 and EURUSD target 1.48
- Top commodities picks are Oil (100 target), Copper, Platinum and Palladium
- Rates unchanged in the US and Europe, seen rising to 1% in Switzerland at the end of 2011
- A list of top picks and stocks to avoid is attached. Among stocks to avoid, some big names such Axa, adidas, Diageo, Fiat, Merck, RWE and Portugal telecom

Morgan Stanley

US Equities best ideas for 2011

Apple (target 375 usd) - BorgWarner (BWA target 80) - Ford (target 23) - Google (target 730)
- Schlumberger (target 130) - Tyco international (target 49) - Union pacific (target 112) - Scripps
network (SNI target 60)

European equities best ideas for 2011

ABB - British Airways - Danske Bank - Fiat - Intercontinental Hotels - Nokia - Thyssen Krupp

FX outlook

- Short Eur vs Usd target 1.18 (stop loss 1.38)
- Buy USD and GBP - Sell EUR and JPY
- Long MXN vs EUR and USD
- Buy CHF, NOK, SEK vs EUR
- Buy RUB

*These are only information compiled from all the above mentioned institutions and not
recommendations by Blom Bank Switzerland.*