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GLOBAL MARKET OVERVIEW

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# Shares lifted by Greece hopes

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By Jamie Chisholm, Global Markets Commentator


**Thursday 08:00 GMT**. Hopes that the next few days will bring a "successful" conclusion to the Greece debt restructuring saga, and official confirmation that job generation in the US economy is gathering steam, are encouraging investors to pick up growth-focused assets.

The FTSE All-World equity index is up 0.6 per cent as the FTSE Eurofirst 300 adds 0.5 per cent at the open following a 1.3 per cent advance for its Asia-Pacific peer, which ended a three-session losing streak.

S&P 500 futures point to Wall Street rising 0.3 per cent, and this upbeat tone is affecting the usual suspects.

The dollar index is down 0.1 per cent as the euro gains 0.2 per cent to $1.3172. Commodities are mostly in demand, with copper firmer by 0.7 per cent to $3.79 a pound, while perceived fixed income havens are less popular, as shown by the yield on US 10-year Treasuries rising 2 basis points to 1.99 per cent. Gold is up 0.2 per cent to $1,688 an ounce.

Mild "risk on" is back after the wobble seen at the start of the week. Then, stocks had retreated from multi-month peaks as investors once again became spooked at the prospects of a disorderly Greek debt default and as global growth fears were sparked by recent disappointing data and forecasts from the eurozone, Brazil, Australia and China.

Thursday sees those concerns assuaged, for now at least. Investors have become more confident that Athens will be able to secure a deal with its creditors by the 20:00 GMT deadline that can remove the chances of a disorderly default.

Furthermore, traders have welcomed more evidence that the world's biggest economy may be gaining traction after Wednesday's ADP data which showed the pace of jobs created by the US private sector increased in February. Bulls will hope the positive trend will be confirmed by Thursday's weekly initial unemployment claims and Friday's non-farm payrolls report.

Until then, the market will be interested to hear whether European Central Bank president Mario Draghi makes any reference to the chances of a third cheap 3-year loan programme, or LTRO3, as he holds a press conference after the central bank's monetary policy meeting. No change in rates by the ECB or the Bank of England, also delivering its monetary verdict, are expected.

However, despite the return of optimism, dealers have been provided with another reminder of global growth concerns after weaker than expected Australian employment data, which showed 15,400 jobs were lost in February.

This initially put the Aussie dollar under some pressure, but it soon recovered as the broader market's burgeoning risk appetite proved the stronger force.

Against its US namesake the "dollar from down under" is up 0.3 per cent to $1.0609 and equities in Sydney have also tracked the regional mood, adding 0.7 per cent.

Tokyo was the star performer in Asia, with the Nikkei 225 jumping 2 per cent as investors welcomed news that Japan's economy contracted in the fourth quarter by less than originally thought and as a weaker yen boosted exporters.

Data showing the country's current account was in record deficit in January were dismissed as an aberration resulting from a slump in exports due to the Chinese lunar new year holiday and a surge in energy import costs as the nation substituted some nuclear power generation.

Technology shares lifted the South Korean market on expectations that Apple's iPad 3 launch would boost demand for components. Seoul's Kospi index closed up 0.9 per cent.

Chinese shares were also higher, the Shanghai Composite gaining 1.1 per cent, led by banks and property stocks, on speculation that Beijing may soon again trim lenders' capital reserve requirements.

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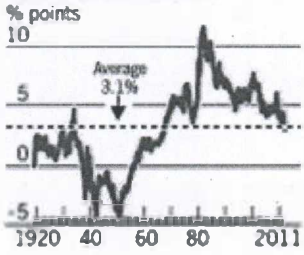
**Trading Post**

High-yielding US stocks have lagged behind the broader market of late after two years of outperformance. But Bank of America Merrill Lynch says that as income demand stays high, more investors should shift over coming quarters from debt assets to equities in order to mine yield.

"We think assets that produce the best growth, the highest quality and the highest yield will continue to outperform in this low growth, low rates 'era of deleveraging'," says Michael Hartnett, chief global equity strategist at BoAML.

He cites several reasons, which include monetary policy. The Bank of England and ECB will confirm on Thursday that interest rates for major global central banks are staying low, a stance reflected in meagre yields for sovereign paper.

US corporate BAA bond/ equity yield spread




Source: BoA Merrill Lynch

The divi yield for the MSCI All-Country World Index is 2.7 per cent, while global government bond yields are just 1.5 per cent.

Also: "The spread of BAA corporate bonds in the US over the S&P 500 dividend yield is near its lowest level in almost 45 years," says Mr Hartnett.

In some cases, divi yields for global companies are actually higher than their bond yields, another reason to favour equities.

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*Additional reporting by Song Jung-a in Seoul and Vivianne Rodrigues in*