

Global market commentary

Equity		Fri, 23-Jul-10	WTD % Chg	Real Estate & Commodities		WTD % Chg	Currencies		Previous Wk	
Russell Global	↑	1,172.78	2.75%	Global Property	↑	2,500.91	\$ per €	↓	1.285	1.292
S&P 500	↑	1,102.66	3.55%	Gold	↓	1189.20	\$ per £	↑	1.540	1.530
MSCI Eur xUK	↑	95.32	2.49%	Oil	↑	78.98	£ per €	↓	0.834	0.844
FTSE 100	↑	5,312.62	2.98%	Commodities	↑	515.67	¥ per \$	↑	87.270	86.630



Global markets rebounded this week, following encouraging earnings reports and strong European data releases, while investors shrugged off news that seven European banks failed the stress test. US stocks rallied in spite of concerns over the economic outlook, as second-quarter earnings were generally at or above market expectations. Having said that, Fed Chairman Bernanke's semi-annual report earlier in the week had spurred worries over a double dip recession as he alluded to an "unusually uncertain" outlook and suggested that if necessary, further stimulus would be available.

US stocks rose, with the S&P 500 gaining 3.3%, after a series of better-than-expected quarterly earnings releases. Ford gained 5.3% over the week while General Electric was up 3.3% after raising its quarterly dividend by 20%. Markets advanced in spite of concerns over the macroeconomic outlook amid suggestions the Fed could again intervene to stimulate the economy if necessary. In **Europe**, stocks also strengthened after the release of the results of the stress tests on banks, coupled with encouraging earnings reports and data releases helped lift sentiment. Only seven out of the 91 banks failed the stress tests. **UK** equities had tumbled earlier in the week amid the concern over the US outlook and comments from the monetary policy committee about the possibility of a return to quantitative easing. Equities then rallied sharply after stronger-than-expected UK GDP figures and the largely upbeat sentiment that followed the banks' stress tests.

In **Asia**, Shanghai had the highest weekly gain since December climbing 6.1% over the week on the possibility that moves to tighten monetary policy will be unwound. **Japan's** Nikkei 225 finished largely flat. Asian stocks had declined in the early part of what was a volatile week after Bernanke's statement on the economic outlook fuelled global growth concerns, but then rebounded after positive earnings news including record fourth-quarter revenue from Microsoft.

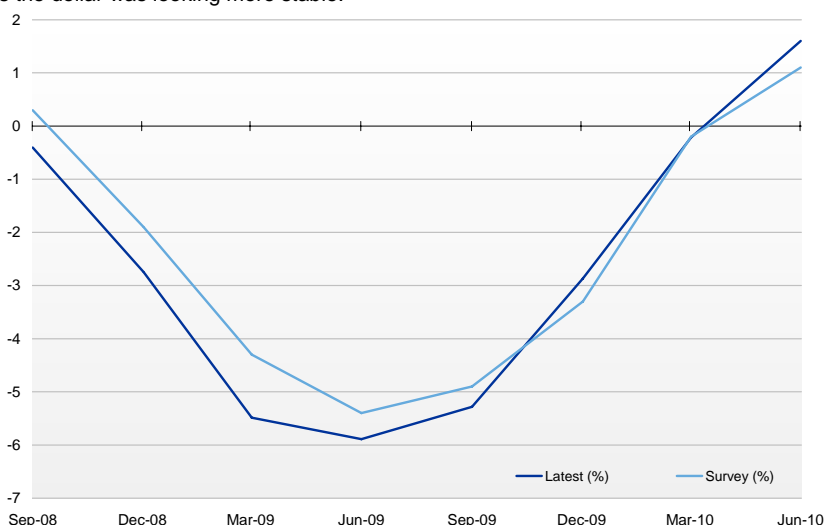
In **bond** markets, 10-year US Treasury yields climbed 5 basis points to 2.99% whilst the 10-year German Bund leapt 9 basis points to 2.70%. Meanwhile UK gilt yields reached monthly highs on news the UK economy had grown at its fastest pace in four years in the second quarter. Among **currencies** the euro hit a two-month high versus the USD as risk appetite improved. Meanwhile sterling climbed as fears of a double dip recession eased after the positive news on the economy. The currency gained 0.8% to \$1.5416 versus the USD, gained 1.3% to £0.8337 versus the euro and 1.7% to ¥134.66 versus the yen. The dollar weakened against commodity-linked currencies falling 2.8% to \$0.8941 versus the Australian dollar, down 1.8% to C\$1.0381 against the Canadian dollar, falling 2.3% to \$0.7264 versus the New Zealand dollar.

Commodities enjoyed a robust week, with the Reuters-Jefferies CRB Index reaching a one month high. Crude oil rose to nearly \$80 a barrel on news of a storm threat to the Gulf of Mexico's energy infrastructure. Copper climbed above \$7,000 a tonne, while tin rose nearly 9.5% as traders warned that demand outweighed supply. Gold dropped back below \$1,200 an ounce as the dollar was looking more stable.

Chart of the week

UK GDP Growth

The UK economy grew at its fastest pace in four years over the second quarter, with the rate of 1.1% almost twice the 0.6% city analysts had predicted. The services sector was the key driver, but this was a broad-based recovery. Manufacturing grew 1.6%, the largest rise in a decade. Construction leapt 6.6%, its fastest rate since 1963. The sector rebounded after poor weather had impeded activity at the start of the year. But overall the headline jump was due mainly to increases in business services and finance. Output from the service sector rose 0.9%, three times the pace of the first quarter. Output in the production industries increased 1.0% as a widely expected rise in manufacturing offset falls in mining and utilities. On an annual basis, GDP was up 1.6%, the biggest rise for more than two years.



Russell Risk Climate:

A proprietary index that measures the willingness of investors to buy risky assets.

Russell Risk index is a combination of: US two year SWAP spreads over generic US gov't 2-year yields, BarCap HY versus IG spreads, Def vs Cyc (Mcap weighted average of MSCI-W Cons. Staples, Health Care and Utilities versus MCap weighted average of MSCI-W Consumer, Discretionary and Finance), 3 Months forward federal funds futures contracts, Moodys BBB - US Gov 10 year spreads, Ted Spread USD 3M LIBOR, VDAX, VIX.

Low readings of this indicator imply that investors are increasing their exposure to risky assets. High readings signal the presence of risk aversion in the financial marketplace.

Russell Composite Valuation Indicator (CVI)

A proprietary index that measures the valuation of UK equity (at the index level, relative to its own history). Contains: Price/Sales, Price/Book, Price/CF, EV/EBITDA, DivYield, G-D P/E (trailing). Month-end observations of an expanding daily Z-score since Nov-88 of the above.

A high reading indicates overvalued equity markets, a low reading indicates undervalued markets.

Market Data - Base Currencies

Equity	Fri, 23-Jul-10	WTD % Change	YTD % Change	12M % Change
MSCI World	1,117.45	2.53%	-4.37%	9.05%
S&P 500	1,102.66	3.55%	-1.12%	12.94%
Russell 1000	607.01	3.67%	-0.82%	13.71%
FTSE 100	5,312.62	2.98%	-1.85%	16.51%
MSCI Europe xUK	95.32	2.49%	-1.39%	13.69%
DAX	6,166.34	2.09%	3.51%	17.51%
Topix	841.29	0.08%	-7.31%	-7.42%
MSCI APAC xJP	404.24	2.35%	-2.95%	16.54%
Hang Seng Index	20,815.33	2.79%	-4.83%	5.03%
MSCI Emerging	981.42	3.42%	-0.81%	19.38%
Bonds (10YR, Yield in %)	Fri, 23-Jul-10	Fri, 16-Jul-10	Thu, 31-Dec-09	Thu, 23-Jul-09
US	2.99	2.92	3.84	3.66
UK	3.44	3.33	4.02	3.97
Germany	2.71	2.61	3.39	3.46
Japan	1.08	1.10	1.30	1.39
Fixed Income (TR, Hgd, USD)	Fri, 23-Jul-10	WTD % Change	YTD % Change	12M % Change
GI Agg Investment Grade	177.73	0.07%	5.54%	13.22%
GI Agg High Yield	262.21	0.93%	8.14%	27.21%
Economic & Market Indicators	Fri, 23-Jul-10	Fri, 16-Jul-10	Thu, 31-Dec-09	Thu, 23-Jul-09
BBA Libor USD 3M	0.49%	0.52%	0.25%	0.50%
BBA Libor GBP 3M	0.74%	0.73%	0.61%	0.93%
BBA Libor EUR 3M	0.82%	0.79%	0.66%	0.90%
Fed Policy Rate	0.25%	0.25%	0.25%	0.25%
BOE Policy Rate	0.50%	0.50%	0.50%	0.50%
ECB Policy Rates	1.00%	1.00%	1.00%	1.00%

On a lighter note....

(Reuters) - The US has apologized to Russia for failing to give it prompt notice that a Russian citizen was in US custody and blamed the error on an official hitting the wrong fax button. The notification went to Romania instead of Russia, said US officials who spoke on condition of anonymity. As part of a major drug bust, Liberian authorities took custody of Russian pilot Konstantin Yaroshenko and he was handed over to the US Drug Enforcement Agency. Russia made no secret of its anger about the case, issuing an unusually harsh statement that accused the US of violating international law as well as the 1964 US-Soviet pact.

"In addition, US authorities have not informed the Russian diplomatic missions about Yaroshenko's detention. The actions of US special services in the forcible and secret relocation of our citizen from Monrovia to New York could only be seen as open lawlessness".

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Events Diary

Date	Event	Period	Survey	Actual	Prior
20-Jul-10	US Housing Starts	JUN	577K	549K	593K
22-Jul-10	GE PMI Manufacturing	JUL	58.0	61.2	58.4
22-Jul-10	EC PMI Manufacturing	JUL	55.1	56.5	55.6
22-Jul-10	US Initial Jobless Claims	JUL	450K	464K	429K
22-Jul-10	US Existing Home Sales MoM	JUN	-9.9%	-5.1%	-2.2%
23-Jul-10	UK GDP (YoY)	2Q	1.1%	1.6%	-0.2%

Upcoming major events or major company announcements

Date	Event	Period	Survey	Actual	Prior
26-Jul-10	US New Home Sales	JUN	315K	--	300K
27-Jul-10	US Consumer Confidence	JUL	51.0	--	52.9
28-Jul-10	US Durable Goods Orders	JUN	1.0%	--	-1.1%
29-Jul-10	UK Nat'wide House prices nsa(YoY)	JUL	7.0%	--	8.7%
29-Jul-10	US Initial Jobless Claims	JUL	460K	--	464K
30-Jul-10	US GDP QoQ (Annualized)	2Q	2.5%	--	2.7%

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NOTES:

Equity Index returns in base currency, except for APACxJP (USD) and Emg Mkt (USD), percentage change in price levels as at 23-Jul-2010. Generic Government Bonds, 10Y yield in % shown. Fixed income indices in USD, Total Return, Hedged. BBA Libor and policy rates in percent. Currency data shows spot exchange rates. Global Property shows FTSE EPRA/NAREIT Dev TR USD. Gold in \$/Oz. Oil WTI \$. Commodities show S&P GS Commodity Index, USD. All data Bloomberg as of 26-Jul-2010.

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