



## Week in Review: Stocks complete best first quarter since 1999

For the week ended April 1, 2010

- [U.S. consumer confidence rose in March](#)
- [Private payrolls drop](#)
- [Consumer spending, home prices edge up](#)
- [Washington Mutual files Chapter 11 plan](#)
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*Week in Review* is being published on Thursday this week because stock markets in the United States and many other countries are closed for Good Friday. The U.S. bond market closes at noon on Friday.

On Tuesday, the Dow Jones Industrial Average reached 10,907.42, an 18-month high — and that's no April fool's joke. Also this week, the U.S. Department of Commerce reported that the savings rate fell to 3.1% in February from 3.5% in January, a drop that meant Americans had less income after taxes and spending. At the same time, after-tax corporate profits in the fourth quarter of 2009 amounted to 7.6% of U.S. gross domestic product, up from 6.3% a year earlier. This increase in profits is a good sign that companies are likely to begin hiring again this year.

### U.S. economic news

#### **Consumer confidence recovers from February's sharp decline**

The Conference Board's gauge of consumer confidence rose to 52.5 in March from 46.4 in February. The confidence index, which regained about half of the 11 points it had lost in February, has been recovering slowly since reaching a record low of 25.3 in February 2009. While consumers' outlook on their present situation and expectations for the future both showed improvement, March's number is still a long way from a reading of 90, which is considered healthy.

#### **Private sector sheds 23,000 jobs last month**

ADP Employer Services reported that private-sector employers unexpectedly cut 23,000 jobs in March, compared with a 50,000 gain forecast by economists in a Dow Jones Newswires survey. The ADP report comes two days ahead of the U.S. Department of Labor's monthly nonfarm payroll data, which is projected to show the largest job growth in three years. The hiring of

workers for the 2010 census is expected to boost federal government payrolls, at least temporarily.

### **Consumer spending rises for fifth month in a row**

The U.S. Department of Commerce reported that consumers boosted their spending by 0.3% in February, the fifth-straight monthly gain. The increase, which occurred despite incomes remaining flat for the month, was slightly below the 0.4% recorded in January and the smallest increase since September 2009.

### **Home prices inch upward**

The Standard & Poor's/Case-Shiller Home Price Indices reflecting home prices in 20 major metropolitan areas increased 0.3% in January from a month earlier. The 20-city index dropped 0.7% in January from a year earlier, while prices in a 10-city subset were flat. The housing report showed that much of the price improvement has been in the nation's most battered markets where home sales and prices had fallen the most.

## **U.S. and global corporate news**

**Washington Mutual** filed a Chapter 11 reorganization plan, just two weeks after resolving a \$4 billion dispute with **JPMorgan Chase** and the **Federal Deposit Insurance Corporation (FDIC)**. The plan, which still needs to be approved by a judge, would set up a \$7 billion trust fund to pay creditors, including the \$4 billion in deposit accounts that JPMorgan had claimed for itself.

**Swiss Life Holding AG** reported that its full-year net profit decreased 21% to 278 million Swiss francs (\$261.7 million USD) in 2009 from 350 million francs (\$329.4 million USD) in 2008. The Zurich-based insurer is currently in the middle of a restructuring program and expects to save up to 400 million francs per year beginning in 2012.

**Cosco Pacific**, a 51%-owned unit of state-controlled shipping giant **China Cosco Holdings**, reported a net profit of \$172.5 million in 2009, down 37% from \$274.7 million the previous year. The world's fifth-largest container-port operator cited a sharp decline in container-handling volume as the global financial crisis hurt international trade.

## **Global economic news**

### **Turkish economy grows in fourth quarter**

Turkey's gross domestic product unexpectedly grew by 6% in the fourth quarter. Still, analysts cautioned against reading too much into the state of the country's overall economic health, given that Turkey is experiencing a widening trade gap, continued high unemployment, and increased government spending.

### **Ireland announces massive aid program for banks**

Ireland's government unveiled an aggressive plan aimed at helping the nation's banks raise nearly 22 billion euros (\$30 billion USD) to meet new capital requirements that are part of a program to resolve the nation's banking crisis. Finance Minister Brian Lenihan also announced

terms for the first pool of transfers of bad loans to the National Asset Management Agency. Bank of Ireland and Allied Irish Bank are both due to report their 2009 earnings this week.

### **Eurozone jobless rate climbs**

The unemployment rate in the 16 countries that make up the eurozone rose to 10% in February, from 9.9% in the previous three months. The rate is the highest since August 1998, according to the European Union statistics agency Eurostat.

### **End of existing iron ore pricing system may impact steel prices**

Some analysts predict that global steel prices will jump by up to one-third in the wake of an agreement between miners and steelmakers on a dramatic change in the pricing system for iron ore. The agreement by Vale of Brazil and Anglo-Austrian BHP Billiton with Japanese and Chinese mills marks the end of the 40-year-old benchmark system of annual contracts and lengthy price negotiations. Other analysts believe, however, that the new pricing system will actually bring contract prices more in line with those in the existing spot and futures market and could even result in lower prices in the coming year.

### **Stay focused and diversified**

In any market environment, we strongly believe that investors should stay diversified across a variety of asset classes. By working closely with your financial advisor, you can help ensure that your portfolio is properly diversified and that your financial plan supports your long-term goals, time horizon, and tolerance for risk. Diversification does not guarantee a profit or protect against loss.

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