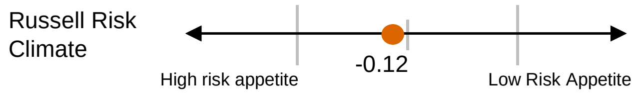
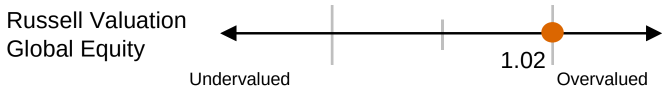
Global market commentary

Equity		Fri, 04-Mar-11	WTD % Chg	Real Estate & Commodities			WTD % Chg	Currencies			Previous Wk
Russell Global	↑	1,421.69	1.01%	Global Property	↑	3,001.30	0.71%	$ per €	↑	1.398	1.376
S&P 500	↑	1,321.15	0.10%	Gold	↑	1430.90	1.44%	$ per £	↑	1.625	1.610
MSCI Eur xUK	↓	105.18	-0.86%	Oil	↑	104.42	6.68%	£ per €	↑	0.860	0.855
FTSE 100	↓	5,990.39	-0.18%	Commodities	↑	719.62	4.21%	¥ per $	↑	82.310	81.790





Global equities rebounded from last week's underperformance, with the Russell Global Index gaining 1% in seven days that were again dominated by high volatility in oil prices as the turmoil in Libya escalated. Libya, Africa's biggest oil producer, had been responsible for 2% of global daily output, but its production has been dramatically reduced and there are concerns over the spread of pro-democracy protests to other OPEC members such as Saudi Arabia and Iran. This somewhat overshadowed robust employment data from the US and solid manufacturing reports from the US, the UK, Eurozone and China.

In the **US**, the S&P 500 Index managed to finish slightly ahead (+ 0.1%) despite Libyan unrest as the labour market finally showed signs of momentum. The unemployment rate fell to 8.9% in February and the 192,000 increase in non-farm payrolls was in line with expectations for the first time in months. In the **UK**, the FTSE 100 Index retreated 0.2% despite manufacturing activity climbing to a seven-year high, the construction report posting its fastest expansion in eight months and the number of mortgages approvals surprising on the upside.

In **Europe**, the MSCI Europe ex UK gave up 0.9% but the single currency rose after the European Central Bank's (ECB) rate-setting meeting gave strong signals that a move to raise interest rates could be imminent. In **Asia**, markets enjoyed an upbeat week on the increasingly positive economic data emanating from the US and on China's solid manufacturing report. In **Japan**, the Topix Index posted a 1.5% gain, lifted by a report showing that the number of people with a job had increased by an encouraging 170,000 in January.

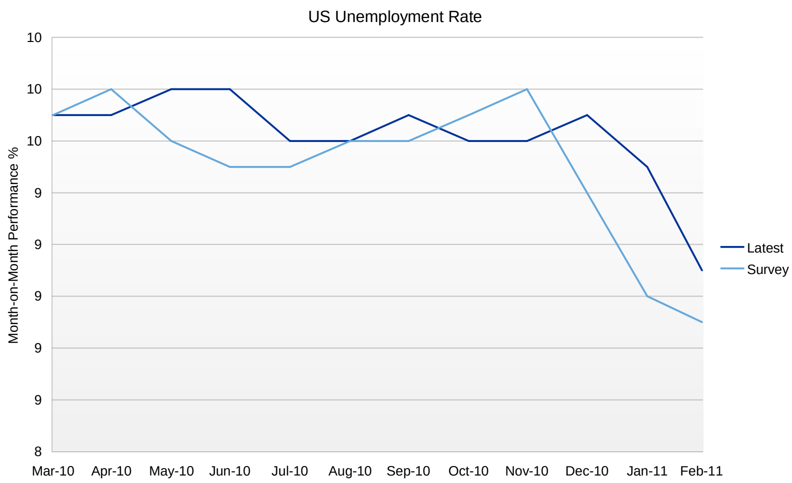
The trend in **commodities** followed that of last week, as oil supply concerns and the subsequent high volatility in prices prompted investors to favour safer havens. A barrel of Brent crude fell off its 29-month high of $120 to $116 but remains some way off January's $95 level. Gold hit a new all-time record of $1440 a troy ounce and silver rose to its highest level in 35 years of $35.35 as Middle Eastern unrest and fears of an inflationary spiral drove investors to precious metals for wealth protection. Among softer commodities, food prices reached new records on poor crop yields, with the UN explicitly linking the uprisings in North Africa and along the Mediterranean littoral to global food shortages.

In the **currency** markets, the Swiss franc benefited from safe haven demand to hit a new record against the US dollar on Wednesday. The euro also outperformed following ECB president Trichet's comments that "strong vigilance" was warranted because of inflationary risks, adding to speculation that the bank could raise its interest rates as soon as next month. This allowed German **bonds** to perform well. Japanese government bonds underperformed after a bond auction drew the 10-year bond to its lowest price.

Chart of the week

- **US Unemployment Rate**

The unemployment rate surprised on the upside again in February, finally reaching below the 9% mark to 8.9%, the lowest level since April 2009. This was underpinned by news that employers added 192,000 workers in February, notably in manufacturing, construction and temporary help agencies amid a combination of more seasonable weather and a strengthening economy. This offset an expected decrease in state and local government payrolls.



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 govt 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, 04-Mar-11	WTD % Change	YTD % Change	12M % Change
MSCI World	1,348.44	0.53%	5.34%	16.69%
S&P 500	1,321.15	0.10%	5.05%	17.65%
Russell 1000	733.24	0.11%	5.21%	18.63%
FTSE 100	5,990.39	-0.18%	1.53%	8.38%
MSCI Europe xUK	105.18	-0.86%	2.71%	9.76%
DAX	7,178.90	-0.09%	3.83%	23.87%
Topix	955.59	1.45%	6.32%	6.46%
MSCI APAC xJP	474.24	2.72%	-0.97%	17.75%
Hang Seng Index	23,408.86	1.72%	1.62%	13.77%
MSCI Emerging	1,138.47	3.55%	-1.12%	18.43%
Bonds (10YR, Yield in %)	Fri, 04-Mar-11	Fri, 25-Feb-11	Fri, 31-Dec-10	Thu, 04-Mar-10
US	3.49	3.41	3.29	3.60
UK	3.63	3.62	3.40	4.00
Germany	3.27	3.15	2.96	3.12
Japan	1.31	1.25	1.13	1.34
Fixed Income (TR, Hgd, USD)	Fri, 04-Mar-11	WTD % Change	YTD % Change	12M % Change
GlAgg Investment Grade	181.26	-0.17%	0.37%	5.32%
GlAgg High Yield	287.83	0.39%	3.16%	15.54%
Economic & Market Indicators	Fri, 04-Mar-11	Fri, 25-Feb-11	Fri, 31-Dec-10	Thu, 04-Mar-10
BBA Libor USD 3M	0.31%	0.31%	0.30%	0.25%
BBA Libor GBP 3M	0.81%	0.80%	0.76%	0.64%
BBA Libor EUR 3M	1.12%	1.05%	0.94%	0.60%
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%

Events Diary

Date		Event	Period	Survey	Actual	Prior
Mon, 28-Feb-11	JN	Vehicle Production (YoY)	JAN	- -	-0.1	-0.1
Mon, 28-Feb-11	US	Personal Spending	JAN	0.4%	0.2%	0.7%
Tue, 01-Mar-11	GE	PMI Manufacturing	FEB	0.6	0.6	0.6
Tue, 01-Mar-11	UK	Mortgage Approvals	JAN	42.9K	45.7K	42.6K
Fri, 04-Mar-11	US	Change in Nonfarm Payrolls	FEB	196K	192K	36K
Fri, 04-Mar-11	US	Unemployment Rate	FEB	9.1%	8.9%	9.0%

Upcoming major events or major company announcements

Date		Event	Period	Survey	Actual	Prior
Wed, 09-Mar-11	JN	Gross Domestic Product (QoQ)	4Q	-0.3%	- -	-0.3%
Thu, 10-Mar-11	GE	Exports SA (MoM)	JAN	0.7%	- -	0.5%
Thu, 10-Mar-11	UK	Manufacturing Production (MoM)	JAN	0.0	- -	-0.0
Thu, 10-Mar-11	US	Initial Jobless Claims	MAR	378K	- -	368K
Fri, 11-Mar-11	GE	Consumer Price Index (MoM)	FEB	0.0	- -	- -
Fri, 11-Mar-11	US	U. of Michigan Confidence	MAR	76.3	- -	77.5

If you have any questions, please contact your usual Russell representative or:
Russell Investments, London +44 (0)20 7024 6000

NOTES:

All data Bloomberg as of 07-Mar-2011. Equity Index returns in base currency, except for APACxJP (USD) and Emg Mkt (USD), percentage change in price levels as at 04-Mar-2011. 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.

On a lighter note…

(BBC News) - The largest flood defence exercise ever held in the UK is getting under way - and will last all week. Exercise Watermark will involve thousands of people from the emergency services, councils and utility firms. The practical test comes in the wake of heavy criticism of failings in the official response to the floods which hit several areas in 2007. A series of scenarios across England and Wales will test the authorities' ability to co-ordinate. Among the scenarios in Exercise Watermark, a primary school in Sutton-on-Sea, Lincolnshire, will be evacuated and helicopters will lift people from rooftops in nearby Tattershall Lakes Country Park. RAF helicopters will also be tasked with rescuing people from a submerged park at Bala Lake in Wales. BBC correspondent David Shukman says one of the most glaring failures in the floods four years ago was judged to be that different organisations did not act well together.