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INVESTMENT MANAGERS

Week in View

Market Review

Global equities, as measured by the MSCI World index, struck lifetime peaks during the week, with Wall Street following suit, before markets fell back on Friday. Robust US economic data, including retail sales, boosted investor sentiment and diverted focus from third-quarter earnings concerns, after something of a shaky start to Q3 earnings season. The S&P 500 index ended the week up 0.3%, while the tech-heavy Nasdaq 0.9%.

Market Movements

Markets	12 Oct 2007	% Change
S&P 500	1561.80	0.27
NASDAQ	2805.68	0.91
TSE 1st Section	1659.48	0.16
FTSE/S&P World Europe	454.82	1.25
FTSE All-Share	3454.53	1.99
DAX	8041.26	0.49
Hang Seng	28838.37	3.62
Citi World Govt Bond Index All Mats	495.47	-0.27
Bonds*	**12 Oct 2007**	**5 Oct 2007**
US	4.68	4.64
Japan	1.70	1.69
Germany	4.42	4.35
UK	5.07	4.95
Currencies	**12 Oct 2007**	**5 Oct 2007**
USD/Euro	1.42	1.41
GBP/Euro	0.70	0.69
JPY/USD	117.43	116.70
USD/GBP	2.03	2.04
JPY/GBP	238.94	238.26
Commodities	**12 Oct 2007**	**% Change**
Oil (Brent Crude)	80.81	2.38
Commodity Futures (CRB) Index	446.44	0.84
Gold	747.90	1.48

Japanese stocks followed the US lead, with share prices falling on Friday after strong recent performance. Despite ending the week slightly higher, it was notable that the Nikkei 225 index declined by almost 1.0% in a single session, after hitting a two-and-a-half-month high on Thursday. The technology sector led the sell off, as stocks were sold following broker downgrades.

European stocks also saw red on Friday, although constituent markets saw healthy performance over the week's five sessions. The **German DAX ended the week up 0.5%, while in London, the FTSE All-Share climbed almost 2.0%**, almost hitting the seven-year peak struck in June, as rising commodity and oil prices lifted mining stocks and the oil majors. In economic news, Eurostat confirmed that eurozone GDP increased by 0.3% in the second quarter of 2007, and 2.5% year-on-year.

Asian equities enjoyed the status of market leaders over the week, as investors focused on the ongoing decoupling theme and remained confident that strong regional growth would offset the influence of any US moderation. Hong Kong was the chief beneficiary on expectations that it would gain inflows from mainland Chinese investors, ending the 3.6% higher.

Bond prices ended the week lower as expectations of a near-term US interest rate cuts faded. With economic data showed the manufacturing and services industries expanding last month, the US Federal Reserve's FOMC minutes signalled that policy makers intend to take their time before making any decision, given financial markets are still in fragile territory.

In currencies, the **US dollar gained back some ground** versus the Japanese yen, after the Bank of Japan kept interest rates unchanged on Thursday, and also found some support against the euro, as European Central Bank President Jean-Claude Trichet declared economic expansion across the eurozone remained "robust".

WTI **crude oil prices hit an all-time high** of US$84 per barrel, and Brent crude also held above the US$80-per-barrel mark on Friday, amid concerns over a deteriorating security situation between Turkey and Kurdish rebels in Northern Iraq. News that US inventories were falling ahead of the peak winter season supported gains and spurred inflationary concerns, which in turn proved positive for the price of gold bullion.

Gold bullion benefits as a hedge against uncertainty
While the third quarter was extremely volatile for global equities, gold bullion enjoyed a tremendously strong performance, and has since surpassed 28-year highs in reaching more than US$750 per ounce.

The coming together of a number of factors has proved extremely positive, including the sub-prime crisis and consequent credit crunch, September's reduction in US interest rates, the return of inflation worries, and a weakening of the US dollar.

As a "hedge against uncertainty", gold is perfectly positioned to benefit further and, encouragingly, gold equities are now beginning to perform, having lagged over the past couple of years as miners struggled with cost inflation issues. Further to recent performance, we remain confident on the long-term outlook for gold, with strong jewellery demand, a growing interest in the precious metal as a diversifier, and stagnant mine supply all driving performance going forward. It is also worth remembering the gold market frequently performs well in the final quarter of the year.

Equity, currency and bond markets measured from previous Friday's close to Friday's close. All index returns in local currency terms. All equity index returns are price only. *Bonds: 10-year yield. This material is for distribution to professional intermediary clients only and should not be relied upon by any other persons. Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Levels and bases of taxation may change from time to time. Issued by BlackRock Investment Management (UK) Limited (authorised and regulated by the Financial Services Authority). Registered office: 33 King William Street, London, EC4R 9AS. Registered in England No. 2020394. Tel: 020 7743 3000. For your protection, telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. Issued in Switzerland by the representative office, Merrill Lynch Investment Managers Limited (London) (to be renamed BlackRock Investment Management (UK) Limited (London)), Zurich Branch, Dreikönigstrasse 31a, 8002 Zurich. Paying Agent in Switzerland is HSBC Private Bank (Suisse) S.A., Paradeplatz 5, CH-8022 Zurich, Switzerland. Issued in Hong Kong by BlackRock (Hong Kong) Limited. In Singapore, this information is issued by BlackRock (Singapore) Limited. The Merrill Lynch name and logo are trade marks of, and used under license from, Merrill Lynch & Co., Inc. The views expressed herein are as of 15.10.2007, and do not constitute investment or any other advice; the views are subject to change and do not necessarily reflect the views of BlackRock as a whole or any part thereof.