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Week in View

Market Review

Mixed economic data tempered performance on Wall Street, with **the broad measure of US equities, the S&P 500, ending the week 0.1% higher**. Poor data on new home sales weighed on investor sentiment, although this was offset somewhat by expectations of further interest rate cuts from the US Federal Reserve (Fed). As was the case throughout the third quarter, the NASDAQ indices outperformed last week, reflecting strong flows into large-cap technology stocks with exposure to economic growth outside the US.

Market Movements

Markets	28 Sep 2007	% Change
S&P 500	1526.75	0.07
NASDAQ	2701.50	1.13
TSE 1st Section	1616.62	4.16
FTSE/S&P World Europe	440.24	0.33
FTSE All-Share	3316.89	0.06
DAX	7861.51	0.86
Hang Seng	27142.47	5.03
Citi World Govt Bond Index All Mats	497.11	0.32
Bonds*	**28 Sep 2007**	**21 Sep 2007**
US	4.58	4.63
Japan	1.68	1.68
Germany	4.32	4.35
UK	5.00	5.08
Currencies	**28 Sep 2007**	**21 Sep 2007**
USD/Euro	1.42	1.41
GBP/Euro	0.70	0.70
JPY/USD	115.02	115.42
USD/GBP	2.04	2.02
JPY/GBP	234.33	233.20
Commodities	**28 Sep 2007**	**% Change**
Oil (Brent Crude)	80.99	2.29
Commodity Futures (CRB) Index	447.56	1.05
Gold	743.50	1.40

Japan's trade surplus soared in August, relative to one year earlier, as strong exports to Europe and Asia offset any slowdown in US shipments. **Japanese stockmarkets finished the week higher**, despite shares declining on Friday, as investors sold property-related equities into recent sharp gains, locking in profits. Meanwhile, Yasuo Fukuda was elected the country's 58th prime minister, 13 days after Abe's resignation.

It was a **mixed week for European stocks**. First, markets were lower on economic data, as business and consumer confidence measures declined, before renewed M&A speculation supported share price gains midweek. Equities fell on Friday, however, amid cautious trading on the last working day of the third quarter.

Hong Kong equity prices experienced strong gains, led by commodity plays and Chinese property stocks, as the Hang Seng index surged to new highs through the week. Profit-taking tempered robust returns somewhat, but the index still registered an increase of 5.0%.

There was **strong performance from the emerging markets**, with Brazil's Bovespa and Argentina's Merval up 4.6% and 3.1% respectively, while Russia's oil-heavy RTS index gained by 2.2%.

Economic data, inflation fears and a weakening US dollar were primary factors in the bond markets last week. A quiet opening quickly changed to a **US Treasury rally**, following release of weak earnings reports from a leading US homebuilder and consumer retailer. **European and UK bonds also saw yields falling** over the week.

The US dollar sagged to historic lows on a trade-weighted basis, following expectations that the Fed will be forced to ease rates further in order to contain the economic impact of the crisis. Against this background, **most currencies gained versus the dollar**.

Oil prices continued to hover around record highs, with Brent crude at just under US$80 per barrel, amid concerns about possible storm disruptions in the Gulf of Mexico. Meanwhile, **gold bullion hit fresh 28-year peaks**, as market jitters saw a flight to the precious-metal safe haven.

Equity market rebound continues

The week saw a further run up in risk assets, as global equity markets ended around 1.0% higher, leaving monthly returns at around 4.0% and bringing markets back to broadly flat for the entire third quarter.

While most markets are still below the highs reached in July, notable exceptions include some of the Asian and emerging markets, where the recent rally has seen double-digit performance.

At the sector level, there has been some cyclical bias within the rally, represented by the market-leading energy, information technology, industrials and materials sectors, although telecoms stocks have also been strong. Going forward, we maintain an overweight stance in equities relative to bonds, with preference for European and Asian markets, over those in the US.

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 01.10.2007, 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.