

BLACKROCK MERRILL LYNCH

INVESTMENT MANAGERS

Week in View

Market Review

US markets moved modestly higher for most of the week, but fell back sharply last Friday following the release of weaker-than-expected jobs data. Investors had been expecting more than 100,000 new jobs to have been created in August, but, in the event, the US economy shed 4,000 jobs, marking the first contraction in the workforce for four years. The news sparked concerns about the health of the US economy since it seemed to indicate that the economy was struggling even before the credit crunch hit, while conditions are likely to be tougher from here given the tightening of credit markets. The S&P 500 ended the week down by 1.4%, while the Dow Jones fell by 1.8% and the Nasdaq by 1.2%.

Market Movements

Markets	7 Sep 2007	% Change
S&P 500	1453.55	-1.39
NASDAQ	2565.70	-1.18
TSE 1 st Section	1557.02	-3.19
FTSE/S&P World Europe	421.71	-2.63
FTSE All-Share	3203.80	-1.74
DAX	7436.63	-2.64
Hang Seng	23982.61	0.01
Citi World Govt Bond Index		
All Mats	499.64	0.64
Bonds*	7 Sep 2007	31 Aug 2007
US	4.36	4.54
Japan	1.59	1.61
Germany	4.12	4.24
UK	4.94	5.03
Currencies	7 Sep 2007	31 Aug 2007
USD/Euro	1.38	1.36
GBP/Euro	0.68	0.68
JPY/USD	113.46	115.92
USD/GBP	2.03	2.02
JPY/GBP	233.81	232.94
Commodities	31 Aug 2007	% Change
Oil (Brent Crude)	75.10	3.74
Commodity Futures (CRB) Index	418.53	1.22
Gold	703.30	4.56

Japan's stockmarkets had a challenging week, with the Nikkei 225 down by 2.7% and the broader based Topix falling by 3.2%. Markets were dominated by concerns about the outlook for property companies, as well as continued worries about the prospects for the banking sector as a result of exposure to subprime loans.

European markets followed the downward trend, with Germany's Dax down by 2.6% and France's CAC 40 falling by 4.1%. were mixed. In line with markets worldwide, investors continued to worry about the impact of

subprime loans on the financial sector while investor confidence took a further blow toward the end of the week from the US jobs data.

In the UK, markets also moved lower. The FTSE All-Share was down by 1.7%, while the FTSE 100 fell by 1.8%.

Asia-Pacific markets proved more resilient than many of their global counterparts. China's market rose over the week, while Hong Kong was broadly flat, as was Taiwan and South Korea. with both China and Hong Kong setting new record highs amid rising global equities. Hong Kong saw particular attention fall on property developers, which benefited from increasing hopes of US rate cuts.

Latin American registered relatively modest losses, with Brazil's Bovespa down by 0.1% and Mexico's Bolsa falling 0.3%. In emerging Europe, Russia fell by 1.1%.

US government bonds rallied last week on concerns over the health of credit markets and the meltdown of stock indices. The European market was, once again, much in-line with the US, while in Japan the JGB curve steepened as short-dated maturities rallied in response to a continued flight-to-quality and a re-pricing of the probability of a Bank of Japan rate hike next month.

Fixed income markets were dominated by the weakness of the US jobs data, with 10-year US Treasuries up by well over 1% over the week.

Oil prices continued to strengthen over the week, with Brent crude rising to over US\$75 per barrel (near a fresh peak) on the back of renewed geopolitical in the Middle East and falls in gasoline and oil inventories in the US. Gold prices benefited from a weaker US dollar in the wake of the disappointing jobs data, with the price of gold rising above US\$700-per troy ounce level for the first time in 16 months.

How could the credit crunch affect overall growth prospects going forward?

In our view, the adverse impacts are likely to be concentrated most obviously on consumers rather than firms, and on the US economy rather than other major economies. Indeed, we expect the world outside the US to be affected primarily through any impact on the US economy rather than directly. Why are corporate sectors less vulnerable than consumers? The key point here is that their high profits levels mean that corporate liquidity is generally high, so that many firms are effectively self-financing rather than reliant on substantial borrowing. While slower profits growth could lead to some pressure on corporate finances into 2008, we believe that some increase in borrowing will be relatively easily financed.

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 10.09.2007, 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.