Lawrence Miller & Co

Market Report to 29th February 2008

UK Equities

	Index	vs Last Month %	Year to Date %
FTSE 100	5884.3	0.1	-8.9
FTSE 250	10067.9	1.9	-5.5
FTSE Small Cap	3251.9	4.1	-4.9
FTSE All Share	3013.0	0.4	-8.3

- The market managed a modest recovery in February, although sentiment remains uneasy. A good rally in mid February petered out in the last few days in the face of renewed financial concerns. Nevertheless the market did make some overall progress. Mid-cap and smaller companies, which had been so badly hit in January, tended to recover more sharply than the biggest blue-chips;
- The nationalisation of Northern Rock, following the collapse of bid talks, had an impact on the credibility of the UK's financial system, but the stock market had already discounted it. Markets took the news in their stride and it should be stressed that almost all of the liabilities should be paid back over time. COMMENT: Whilst this episode has been harrowing for all concerned, our view is that nationalisation was the best route and will represent best value for the tax-payer over the long term. It will though be interesting to see if the Rock is allowed to compete on a level playing field. In theory, it must be the safest place in the UK to put one's money, we stress, in theory;
- UK interest rates were again cut by ¼% in February, and the hope that BofE will be decisive in their response to economic slowdown underpinned the recovery in sentiment.

Overseas Equities

	Index	vs Last Month %	Year to Date (£) %
US Dow Jones IA	12,266.4	-3.0	-7.5
Europe	185.9	-0.3	-9.4
Japanese (Nikkei)	13,603.0	0.1	-4.6
Pacific	383.7	2.3	-8.6

- The continuing turmoil in financials and signs of a rapid slowdown in US economic growth meant that the tentative rally in the last week of January quickly fizzled out. In particular a widely followed survey showed the sharpest monthly fall in confidence in the service sector since records began, and GDP figures confirmed a dramatic slowdown for the fourth quarter.
- The dollar continued to fall and reached its lowest level against the Euro since the single currency came into existence.
- Energy and gold prices also continued to rise, in oil's case to an all-time high. This reflects a lack of confidence in global economic and political stability rather than underlying demand.