

## PRESS RELEASE

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# STANDARD LIFE INVESTMENTS ARGUES THAT MULTI SPEED MARKETS ARE APPEARING

Standard Life Investments, the global fund manager, believes that financial markets can often be fickle creatures as investor behaviour in the short run is driven by emotion, usually dressed up as a rational reaction to uncertainty. At times of stress in the markets, emotion often dominates behaviour resulting in heightened levels of correlation across countries, assets and sectors as a combination of fear and the herding instinct kicks in. For investors able to take a longer view this represents an opportunity to be rewarded by recognising that post the global crisis, economies and asset classes will display multi speed characteristics.

In the latest edition of Global Outlook, Standard Life Investments highlights that the first half of 2011 has been a good case in point. Just as recovery appeared to be underway, markets were rocked by the catastrophe in Japan, surging energy prices and the intensification of the debt crisis in Europe. The net result was both a softening in economic activity and a growing recognition that, in the old world at least, growth would be structurally slow as mature economies coped with the continued effects of public and private sector deleveraging.

Commenting, Keith Skeoch, Chief Executive, Standard Life Investments, said,

“Renewed economic uncertainty saw not just volatility increase but many markets and assets again being driven by macro factors or, in the contemporary jargon, risk on/risk off. The dominance of the macro drivers created the conditions for correlations across markets to return not only to elevated levels but also, in some cases, the actual sign of the correlation to change. This provides clear evidence that markets have yet to completely cast off crisis mode and are consequently still driven by fear and macro myopia. This is also reflected in the market’s desire for simple and easily identifiable asset pairs, such as risk on/risk off, emerging /developed and core/peripheral Europe.”

Keith continued,

“The intriguing point is that one of the big lessons of the global crisis is that the economic fundamentals and adjustment speeds are very different within these broad groupings, hence the distinct lack of a policy consensus. India and China may face similar macro issues but they have very different political and economic adjustment mechanisms, as is also very apparent in, say, Ireland and Greece. Market movements may be imputing high degrees of commonality; however, the divergence in country, sector and asset fundamentals laid bare in the crisis point to a multi speed world and markets as well. For investors who are able to take a longer view now is the time to look carefully at the value opportunities that the last six months have thrown up. Diversification may have been difficult over the last few quarters but differentiation is likely to be rewarded over the next couple of years as investors start to recognise the multi speed nature of the ‘new normal’ environment we live in.”

## **Ends**

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### **Notes to Editors:**

1. To give investors a first-hand insight into the issues currently driving markets, Standard Life Investments produces a global series of flagship publications. Its leading publication, [Global Outlook](#), is a collection of articles written quarterly by its top investment directors from each of the main asset classes. On a monthly basis, there is [Global Perspective](#), where Standard Life Investments’ global strategists combine valuable experience, thorough research and analysis to tackle major issues of the moment. Lastly, [Global Horizons](#) provides an in-depth perspective on long-term investment themes. It captures the major changes in the forces likely to influence financial markets in the coming years.
2. Standard Life Investments’ distinctive ‘*Focus on Change*’ investment philosophy provides the foundations for its investment process and seeks to identify the key factors that drive the market price of an investment. This approach allows Standard Life Investments to focus on changes that will lead to revised market expectations and a revised price, and ultimately a superior return for clients.
3. With assets under management of £157.1bn (31/03/11), Standard Life Investments is one of Europe’s major investment houses.
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