



March 31, 2009

Global
Investment Strategy & Macro

Accounting & Tax Policy

Market Commentary/Strategy

Alastair Newton
+44 20 7102 3940
a.newton@nomura.com
NI plc, London

G20: The End of the Beginning?

Investment Conclusion

- A positive outcome to the 2 April G20 Summit could help buoy overall market sentiment.

Summary

- It is, in our view, just possible that the 2 April G20 summit could turn out – in retrospect – to be the "end of the beginning" of the current crisis.

THE G20 SUMMIT: THE END OF THE BEGINNING?¹

AN "ISSUES WHICH KEEP ME AWAKE AT NIGHT" SPECIAL REPORT

"I think it is expecting too much for (the 2 April G20 Summit) to come out with detailed proposals in many different areas... the better goal... would be, as much as possible, to establish some principles that would guide reform around the world."

Ben Bernanke (10 March 2009)

Lessons From 1998?

Absent a truly major event of some description, picking the moment when market sentiment turns decisively can, in our view, be remarkably difficult – even in retrospect. However, we believe that such a moment can be identified with a remarkable degree of certainty in the context of the so-called "global economic crisis" of 1998. That moment was the publication of the *Declaration of G7 Finance Ministers and Central Bank Governors* of 30 October 1998.²

For reasons which (to our mind at least) remain unclear, this declaration – essentially an agenda for the reform of international financial architecture and other related measures to aid economic recovery – quickly convinced markets that the G7 had in hand policy measures commensurate with rapid economic recovery. For sure, whatever the reasons behind that shift, we judge that it did turn out to be the definitive moment in rolling back the 1998 crisis.

It remains our view, however, that such a "miracle cure" for the current crisis is unlikely to be forthcoming.³ So, we are cautious about any suggestion that the 2 April G20 Summit in London could provide a similar turning point.⁴

The G20 Summit: What We Expect To See

Substantively, we expect the 2 April G20 Summit will offer little which will directly address the financial crisis/economic slowdown. What we do expect are "outcomes" along the following lines:

- China may announce a new fiscal stimulus just prior to (or at) the Summit, as it did prior to the Washington Summit – although that stands largely to benefit China's, rather than the global, economy;
- China may also agree to lend additional monies to the IMF as may the US and possibly others (eg Saudi Arabia) – and as the EU and Japan have already; that may reassure markets over sovereign default risk but we judge that risk to be low in any case;

¹ Perhaps the best known reference to this phrase comes from then prime minister Winston Churchill's speech at the Mansion House in London on 10 November 1942 shortly after the German army had been defeated at El Alamein in North Africa, a defeat of which he said: "But it is, perhaps, the end of the beginning".

² See <http://www.g8.utoronto.ca/finance/fm103098.htm>.

³ See, eg, "Issues Which Keep Me Awake At Night: Interim Update – 12 March 2009", Nomura International plc, pp3-4.

⁴ In fact, representation at the 2 April summit will be "G20 plus", with the following 22 countries represented: Argentina, Australia, Brazil, Canada, China, Czech Republic (as the EU presidency); France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Republic of Korea, Russia, Saudi Arabia, South Africa, Spain, Turkey, the United Kingdom and the United States. Additionally, heads of a number of regional organisations, including the ASEAN and the European Commission, and institutions such as the IMF, World Bank and UN will be present.

**ANY AUTHORS NAMED ON THIS REPORT ARE RESEARCH ANALYSTS UNLESS OTHERWISE INDICATED.
PLEASE SEE ANALYST(S) CERTIFICATION(S) ON PAGE 3 AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 4 gl**

- This would likely be linked to some modest progress on reform of international financial institutions (IFIs); but we judge such reforms to be of marginal relevance to the immediate crisis even though it would be a significant step forward in sustaining the relevance of the IMF in particular in the future;
- The Summit communiqué will likely nuance on the question of additional fiscal stimuli worldwide, where a clear difference of view persists between the US (for) and the EU including, now, the UK (against, at least domestically);
- Following US Treasury Secretary Timothy Geithner's 26 March testimony on financial market regulation to the House Financial Services Committee, the G20 communiqué should also be able to declare broad agreement on the principles of regulatory reform (where the EU's Larosière Report remains, in our view, a potentially key "blueprint" not only for Europe but more widely);⁵
- The communiqué will likely note progress on a range of action points from the detailed work programme launched via the G20's 15 November 2008 "Washington Declaration" and agree to further work thereon (and, possibly but by no means certainly, to another Summit later this year or early in 2010);⁶
- There will likely be ritual denunciations of protectionism even though (according to the World Bank) 17 of the countries which committed in the "Washington Declaration" to eschew protectionism have since resorted to protectionist measures of one sort or another.

Anything significantly additional to that would, in our view, be a bonus.

One Step At A Time

Nevertheless, even such a relatively modest consensus should not, we believe, simply be dismissed, for the following reasons:

- At minimum such an outcome would mark at least some bridging of widely reported transatlantic differences of just a few weeks ago (which would, we judge, be a real negative for market sentiment were they to persist);
- There appears to us to have been a deliberate attempt in recent weeks to manage down market (and wider) expectations for the Summit. There is therefore an "upside risk" of generally positive perceptions of the outcome – aided by a (possibly cautiously) upbeat communiqué and subsequent press conferences;
- Bilateral meetings in the margins of the Summit itself – for example, between US President Barack Obama on the one hand and both Chinese President Hu Jintao and Russian President Dmitry Medvedev on the other – could add to the overall positive atmospherics of the day;
- A "successful" Summit stands to reinforce the generally positive market response to the launch on 23 March of the US's *Public-Private Partnership Investment Program* and Mr Geithner's aforementioned 26 March testimony on regulatory reform.⁷

The Bottom Line

At minimum, therefore, the 2 April G20 Summit (possibly coupled with a recent run of slightly improved data for some parts of the US economy) could help buoy overall market sentiment.

To be clear though, if that does indeed turn out to be the case we are not anticipating a turn-around in either markets or (in particular) the real economy comparable to that of 1998 following the G7's 30 October Declaration.

Nevertheless it is, in our view, just possible that we may look back on the 2 April 2009 G20 Summit in due course and see it as "the end of the beginning" of the current crisis.

⁵ See <http://www.usitres.gov/press/releases/tg72.htm> for Mr Geithner's statement; and the Report of "The High-Level Group on Financial Supervision in the EU chaired by Jacques de Larosière", European Commission, 25 February 2009 available at http://ec.europa.eu/ireland/press_office/news_of_the_day/cross-border-financial-supervision-report_en.htm.

⁶ See "Declaration of the Summit on Financial Markets and the World Economy – November 15, 2008, Washington DC", available at <http://www.g20.utoronto.ca/2008-leaders-declaration-081115.html> - which, in our view, is substantively remarkably similar to the G7's 30 October 1998 Declaration.

⁷ See <http://financialstability.gov/>.

Analyst Certification:

I, Alastair Newton, hereby certify (1) that the views expressed in this Industry Note accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Industry Note and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Industry Note.

Important Disclosures Continued:

All share prices mentioned are closing prices unless otherwise stated.

ISSUER SPECIFIC REGULATORY DISCLOSURES

Online availability of research and additional conflict-of-interest disclosures:

Nomura Japanese Equity Research is available electronically for clients in the US on NOMURA.COM, REUTERS, BLOOMBERG and THOMSON ONE ANALYTICS. For clients in Europe, Japan and elsewhere in Asia it is available on NOMURA.COM, REUTERS and BLOOMBERG.

Important disclosures may be accessed through the left hand side of the Nomura Disclosure web page <http://www.nomura.com/research> or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email researchportal@nomura.co.uk for technical assistance.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities.

Distribution of Ratings:

Nomura Global Equity Research has 1370 companies under coverage.

32% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 35% of companies with this rating are investment banking clients of the Nomura Group*.

47% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating, 62% of companies with this rating are investment banking clients of the Nomura Group*.

21% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 14% of companies with this rating are investment banking clients of the Nomura Group*.

As at 06 January 2009.

*The Nomura Group as defined in the Disclaimer section at the end of this report.

Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America for ratings published from 27 October 2008:

The rating system is a relative system indicating expected performance against a specific benchmark identified for each individual stock. Analysts may also indicate absolute upside to price target defined as (fair value - current price)/current price, subject to limited management discretion. In most cases, the fair value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as discounted cash flow or multiple analysis, etc.

Stocks:

- A rating of "1", or "**Buy**", indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months.
- A rating of "2", or "**Neutral**", indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months.
- A rating of "3", or "**Reduce**", indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months.
- A rating of "**RS-Rating Suspended**" indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.

Benchmarks are as follows: **United States:** S&P 500, MSCI World Technology Hardware & Equipment; **Europe:** Please see valuation methodologies for explanations of relevant benchmarks for stocks (accessible through the left hand side of the Nomura Disclosure web page: <http://www.nomura.com/research>); **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia.

Sectors:

A "**Bullish**" stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months.

A "**Neutral**" stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months.

A "**Bearish**" stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months.

Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX® 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009:

Stocks:

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Price Target – Current Price) / Current Price, subject to limited management discretion. In most cases, the Price Target will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc.

- A rating of "1", or "**Buy**" recommendation indicates that potential upside is 15% or more.
- A rating of "2", or "**Neutral**" recommendation indicates that potential upside is less than 15% or downside is less than 5%.
- A rating of "3", or "**Reduce**" recommendation indicates that potential downside is 5% or more.
- A rating of "**RS**" or "**Rating Suspended**" indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company.
- Stocks labeled as "**Not rated**" or shown as "**No rating**" are not in Nomura's regular research coverage.

Sectors:

A "**Bullish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A "**Neutral**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A "**Bearish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008):

Stocks:

- A rating of "1", or "**Strong buy**", indicates that the analyst expects the stock to outperform the Benchmark by 15% or more over the next six months.
- A rating of "2", or "**Buy**", indicates that the analyst expects the stock to outperform the Benchmark by 5% or more but less than 15% over the next six months.
- A rating of "3", or "**Neutral**", indicates that the analyst expects the stock to either outperform or underperform the Benchmark by less than 5% over the next six months.
- A rating of "4", or "**Reduce**", indicates that the analyst expects the stock to underperform the Benchmark by 5% or more but less than 15% over the next six months.
- A rating of "5", or "**Sell**", indicates that the analyst expects the stock to underperform the Benchmark by 15% or more over the next six months.
- Stocks labeled "**Not rated**" or shown as "**No rating**" are not in Nomura's regular research coverage. Nomura might not publish additional research reports concerning this company, and it undertakes no obligation to update the analysis, estimates, projections, conclusions or other information contained herein.

Sectors:

A "**Bullish**" stance, indicates that the analyst expects the sector to outperform the Benchmark during the next six months.

A "**Neutral**" stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next six months.

A "**Bearish**" stance, indicates that the analyst expects the sector to underperform the Benchmark during the next six months.

Benchmarks are as follows: **Japan**: TOPIX; **United States**: S&P 500, MSCI World Technology Hardware & Equipment; **Europe**, by sector — *Hardware/Semiconductors*: FTSE W Europe IT Hardware; *Telecoms*: FTSE W Europe Business Services; *Business Services*: FTSE W Europe; *Auto & Components*: FTSE W Europe Auto & Parts; *Communications equipment*: FTSE W Europe IT Hardware; **Ecology Focus**: Bloomberg World Energy Alternate Sources; **Global Emerging Markets**: MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008:

Stocks:

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

- A rating of "1", or "**Strong buy**" recommendation indicates that upside is more than 20%.
- A rating of "2", or "**Buy**" recommendation indicates that upside is between 10% and 20%.
- A rating of "3", or "**Neutral**" recommendation indicates that upside or downside is less than 10%.
- A rating of "4", or "**Reduce**" recommendation indicates that downside is between 10% and 20%.
- A rating of "5", or "**Sell**" recommendation indicates that downside is more than 20%.

Sectors:

A "**Bullish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A "**Neutral**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A "**Bearish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Price targets

Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

DISCLAIMERS

This publication contains material that has been prepared by the Nomura entity identified on the banner at the top or the bottom of page 1 herein and, if applicable, with the contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or elsewhere identified in the publication. Affiliates and subsidiaries of Nomura Holdings, Inc. (collectively, the "Nomura Group"), include: Nomura Securities Co., Ltd. ("NSC") Tokyo, Japan; Nomura International plc, United Kingdom; Nomura Securities International, Inc. ("NSI"), New York, NY; Nomura International (Hong Kong) Ltd., Hong Kong; Nomura Singapore Ltd., Singapore; Nomura Australia Ltd., Australia; P.T. Nomura Indonesia, Indonesia; Nomura Malaysia Sdn. Bhd., Malaysia; Nomura International (Hong Kong) Ltd., Taipei Branch, Taiwan; Nomura International (Hong Kong) Ltd., Seoul Branch, Korea; or Nomura Financial Advisory and Securities (India) Private Limited, Mumbai, India (Registered Address: 2nd Floor, Ballard House, Adi Marzban Path, Ballard Pier, Fort, Mumbai, 400 001; SEBI Registration No:- BSE INB011299030, NSE INB231299034, INF231299034).

This material is: (i) for your private information, and we are not soliciting any action based upon it; (ii) not to be construed as an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such offer or solicitation would be illegal; and (iii) based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.

Opinions expressed are current opinions as of the original publication date appearing on this material only and the information, including the opinions contained herein, are subject to change without notice. If and as applicable, NSI's investment banking relationships, investment banking and non-investment banking compensation and securities ownership (identified in this report as "Disclosures Required in the United States"), if any, are specified in disclaimers and related disclosures in this report. In addition, other members of the Nomura Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from, companies mentioned herein. Further, the Nomura Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by applicable law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by NSI, referenced above), or derivatives (including options) thereof, of companies mentioned herein, or related securities or derivatives. In addition, the Nomura Group, excluding NSI, may act as a market maker and principal, willing to buy and sell certain of the securities of companies mentioned herein. Further, the Nomura Group may buy and sell certain of the securities of companies mentioned herein, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision.

NSC and other non-US members of the Nomura Group (i.e., excluding NSI), their officers, directors and employees may, to the extent it relates to non-US issuers and is permitted by applicable law, have acted upon or used this material prior to, or immediately following, its publication.

Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk.

The securities described herein may not have been registered under the U.S. Securities Act of 1933, and, in such case, may not be offered or sold in the United States or to U.S. persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. Unless governing law permits otherwise, you must contact a Nomura entity in your home jurisdiction if you want to use our services in effecting a transaction in the securities mentioned in this material.

This publication has been approved for distribution in the United Kingdom and European Union as investment research by Nomura International plc ("NIPlc"), which is authorised and regulated by the U.K. Financial Services Authority ("FSA") and is a member of the London Stock Exchange. It does not constitute a personal recommendation, as defined by the FSA, or take into account the particular investment objectives, financial situations, or needs of individual investors. It is intended only for investors who are "eligible counterparties" or "professional clients" as defined by the FSA, and may not, therefore, be redistributed to retail clients as defined by the FSA. This publication may be distributed in Germany via Nomura Bank (Deutschland) GmbH, which is authorised and regulated in Germany by the Federal Financial Supervisory Authority ("BaFin"). This publication has been approved by Nomura International (Hong Kong) Ltd. ("NIHK"), which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. Neither NIPlc nor NIHK hold an Australian financial services license as both are exempt from the requirement to hold this license in respect of the financial services either provides. This publication has also been approved for distribution in Singapore by Nomura Singapore Limited. NSI accepts responsibility for the contents of this material when distributed in the United States.

No part of this material may be (i) copied, photocopied, or duplicated in any form, by any means, or (ii) redistributed without the prior written consent of the Nomura Group member identified in the banner on page 1 of this report. Further information on any of the securities mentioned herein may be obtained upon request. If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information available upon request.

NIPlc and other Nomura Group entities manage conflicts identified through the following: their Chinese Wall, confidentiality and independence policies, maintenance of a Stop List and a Watch List, personal account dealing rules, policies and procedures for managing conflicts of interest arising from the allocation and pricing of securities and impartial investment research and disclosure to clients via client documentation.

Disclosure information is available at the Nomura Disclosure web page: <http://www.nomura.com/research>