

## Index Commentary

Global equity markets moved generally sideways during the first half of the month, picking up in the second half as investor confidence got a boost from an upward revision to the first quarter US GDP growth rate, initially estimated at 3.1%, but subsequently revised to 3.5%. A sharp rise in the consumer price index (CPI) for both February and March did not adversely affect the mood. US market fears of rising inflation were eased during May with investors believing a pickup in inflation would be met with aggressive interest rate rises by the Federal Reserve. Global equity markets, as measured by the FTSE Global All Cap index, gained 2.0% in dollar terms. The FTSE Middle East & Africa fell most from the regional indices, down 1.5%, closely followed by the FTSE Japan All Cap, down 1.1%, with Japan still suffering from deflationary pressures and sentiment affected by a negative flow of corporate news. The FTSE Latin America All Cap gained most, up 6.8% aided by strong performance within Argentina, Brazil and Mexico.

There was a notable size-based effect during the month, with small cap stocks faring better; the FTSE Global Small Cap gained 3.3% as opposed to the FTSE Global Large Cap's 1.5% gain.



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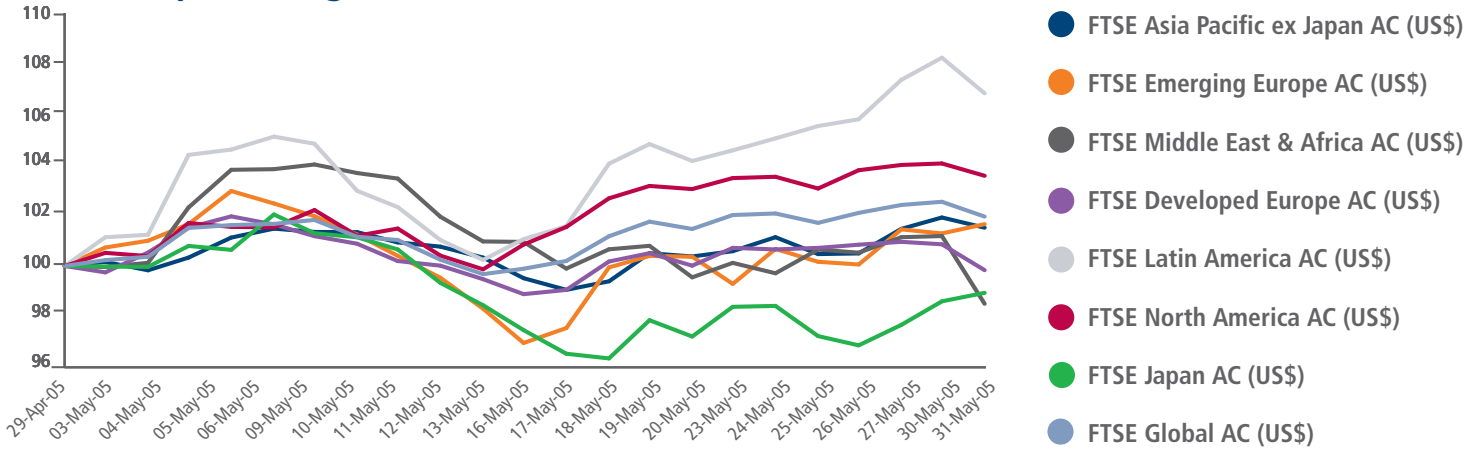
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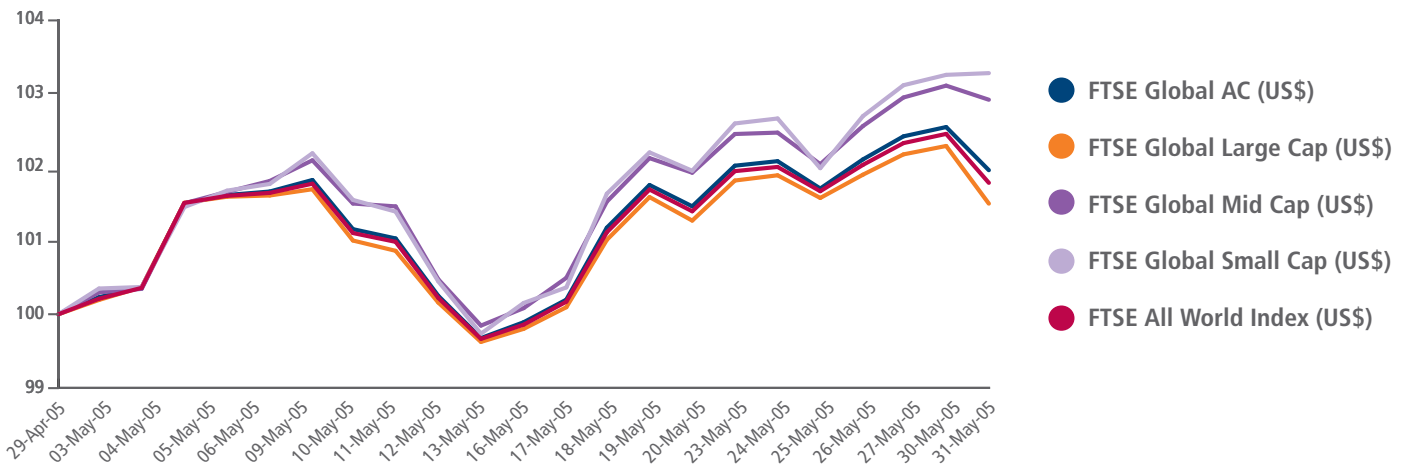
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### FTSE All Cap (AC) Regional Performance



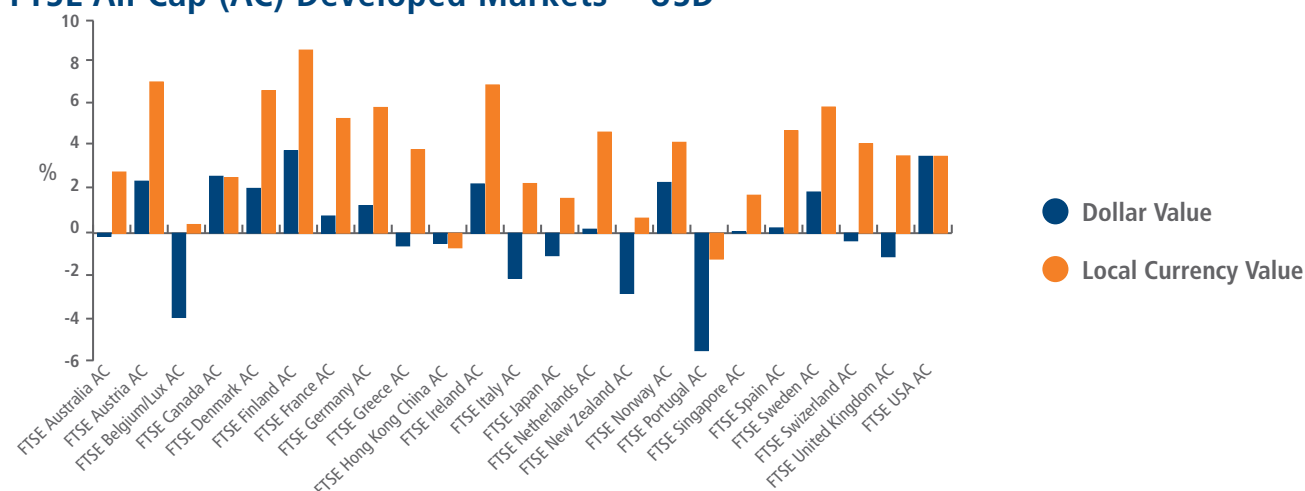
### FTSE All Cap (AC) Size-based Performance



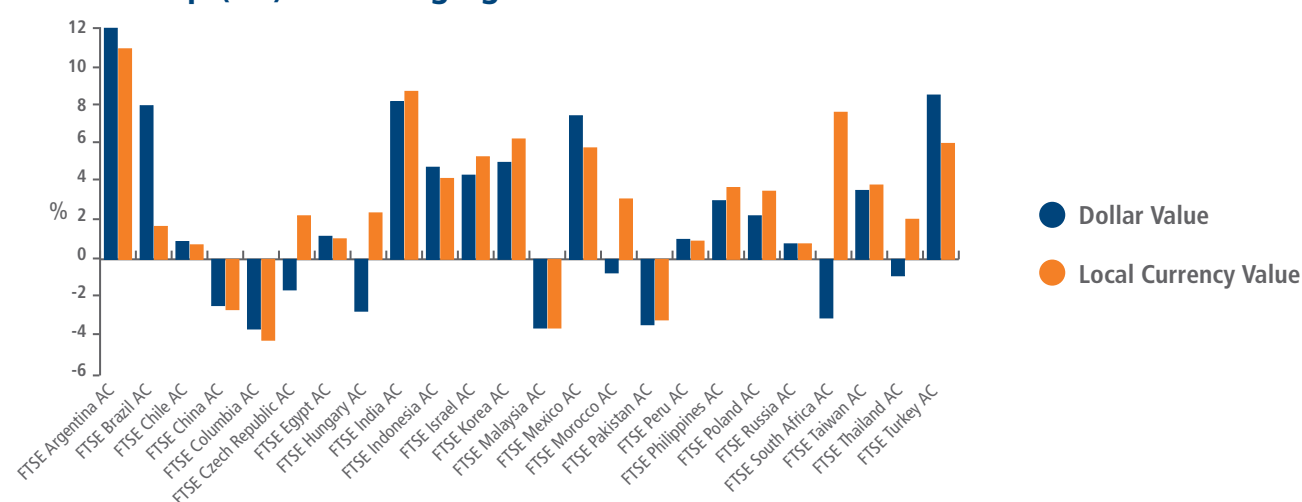
### FTSE All Cap (AC) Regional Indices – US\$



## FTSE All Cap (AC) Developed Markets – USD



## FTSE All Cap (AC) All-Emerging Markets



Country performances were mixed during May, with the more volatile emerging market countries dominating many of the top five and bottom five performers. Argentina gained most, up 11.9%, aided by the International Monetary Fund granting the country a postponement of \$2 billion in debt owed this year. Another large gainer was Turkey, up 8.5% in dollar terms, helped by the lira's advance against the dollar. Also, the Organisation for Economic Co-operation and Development said economic growth is expected to beat its target of 5%, driven by corporate investment, and expand more than 6% this year. Portugal fell most, down 5.5%, with the drop in performance contributed in part by Portugal's largest power company EDP Energias de Portugal, down 6.2%.

### Five Best Performing Countries (USD)

Argentina	11.9%
Turkey	8.5%
India	8.1%
Brazil	7.9%
Mexico	7.4%

### Five Best Performing Countries (Local Curr.)

Argentina	10.9%
India	8.7%
Finland	8.6%
South Africa	7.6%
Austria	7.1%

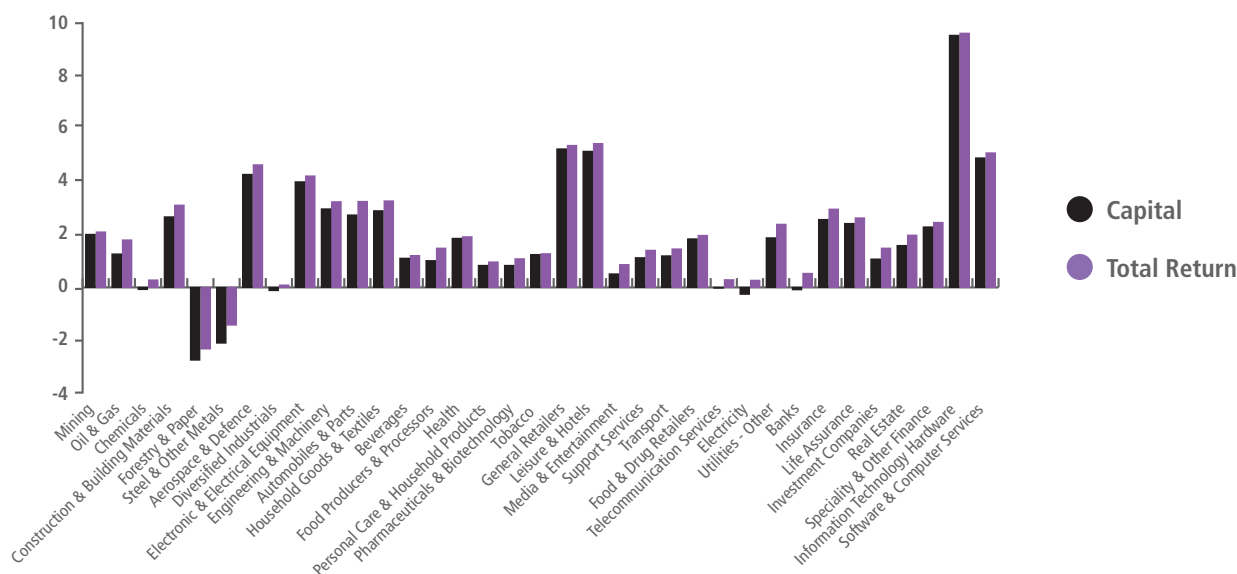
### Five Worst Performing Countries (USD)

Portugal	-5.5%
Belgium/Lux	-4.0%
Columbia	-3.6%
Malaysia	-3.5%
Pakistan	-3.4%

### Five Worst Performing Countries (Local Curr.)

Columbia	-4.2%
Malaysia	-3.5%
Pakistan	-3.1%
China	-2.6%
Portugal	-1.2%

## FTSE Global All Cap (AC) Markets



## Industry Sector Performance

### Five Best Performing Industry Sectors (USD)

Information Technology Hardware	9.5%
General Retailers	5.2%
Leisure & Hotels	5.1%
Software & Computer Services	4.9%
Aerospace & Defence	4.3%

### Five Worst Performing Industry Sectors (USD)

Forestry & Paper	-2.7%
Steel & Other Metals	-2.1%
Electricity	-0.3%
Diversified Industrials	-0.1%
Banks	-0.1%

On a total return basis all but three industry sectors gained ground in May, led by Information Technology Hardware, up 9.5% on gains from Intel Corp, Cisco Systems and Dell Inc, with all companies reporting positive financial results. General Retailers was another large gainer, up 5.2% with the performance contributed primarily by Home Depot, up 11.3% following the company saying first-quarter earnings rose 14% to beat analyst estimates. Forestry & Paper fell most, down 2.7% driven by falls from Weyerhaeuser and International Paper, down 6.5% and 6.1% respectively.

## Stock Performance

### Best Performing FTSE All-World Stocks (USD)

Thai Petrochemical Industry	47.3%
Ameritrade Holding Corp	41.8%
DRD Gold	40.5%
Elan Corporation	38.9%
LSI Logic	37.3%

### Worst Performing FTSE All-World Stocks (USD)

Uniden Corp	-24.5%
DRB-Hicom	-23.3%
Mirvac Group	-22.6%
UEM World	-22.2%
Guangdong Kelon Electrical Holdings (H)	-21.9%

In terms of constituents, Thai Petrochemical Industry gained most from the FTSE All-World, up 47.3%. On 29 April PTT announced plans to pay \$509 million for a 31.5% stake in Thai Petrochemical, below the market price of 3.30 baht a share. Two government funds will also buy shares in the company. Second best performer was the fourth largest independent discount broker by assets, Ameritrade Holding Corp, rising 41.8% after the New York Times reported that rival ETrade Financial Corp offered to buy the company for more than \$5.5 billion.

Uniden Corp was the worst performing constituent, down 24.5%, with the Japanese maker of cordless phones and marine electronics saying profit may drop by half this year as it spends more on factories and equipment outside China, where labour unrest disrupted production last year. Another large loser was the Malaysian company DRB-Hicom, down 23.3% after the Malaysian government said it will take over a \$679 million rail project from DRB and get another company to finish the 180 kilometre electrified doubled track that remains.

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