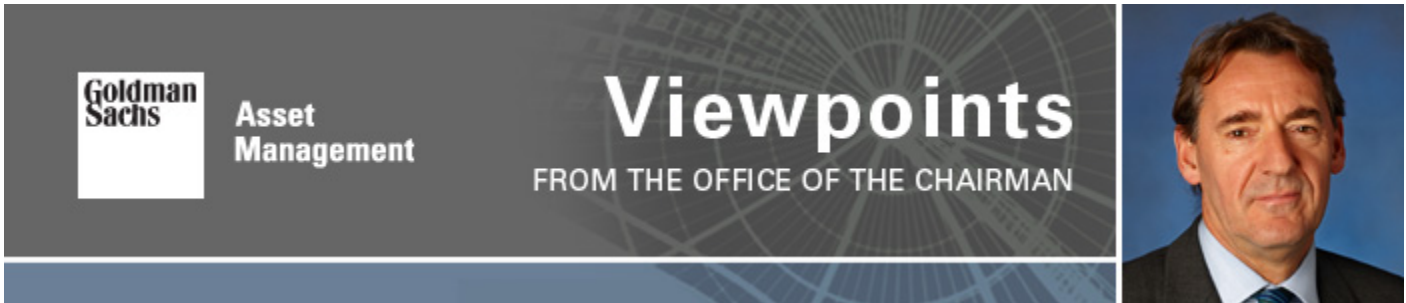

From: O'Neill, Jim [IMD]
Sent: Friday, December 16, 2011 12:17 PM
Subject: Holidays and Rest



Holidays and Rest.

What a shame that 2011 is drawing to a close. It was such a nice easy year for everyone... This will probably be my last Viewpoint for the year, so let me wish you all the very happiest of holidays and best wishes for 2012.

One thing for sure we can say about 2012 is that there will be no shortage of things to think about. In some ways, for the discerning analyst and the ambitious alpha generating fund manager, you couldn't wish for a better environment. The only dilemma is that it is probably quite easy to get something(s) wrong!

Against the background of our December Monthly, let me make some guesses about 2012:

1. We won't all talk about Europe quite as much next year as we have in 2011, although I suspect that, in the first few weeks of the year, it might seem like it. Europe will still be called Europe, and with a bit of luck, it might go back to being as dull as it usually is. (especially with Man United out of the Champions League)
2. As I have said in the past few weeks, the EMU cannot survive without Italy in it, and Italy cannot survive with 6-7 pct 10-year bond yields. In that regard, the stage that this crisis has moved in recent weeks is both scary and exciting. Take your pick as to which one you wish to explore (if not both).
3. The Euro is more likely to reach 1.10 next year, rather than 1.50. I doubt it will see both, and it might not see either, but 1.10 is more likely than 1.50.
4. The Yen is more likely to see Y100 than Y60, and I suspect Y100 is quite likely (although I thought that about 2011 too). In fact, if we can clear the Y79.50-80.0 area, it is rather probable.
5. EUR/CHF is more likely to see 1.40 than 1.00.
6. There are plenty of economic, political, social and policy risks for 2012. They are not all negative. It is quite conceivable that not only the US will continue to surprise on the upside, but others could too. This includes some of the BRIC and other Growth Markets like Brazil and even India – where it is ever-so-fashionable to now think the days of License Raj and Hindu weak growth are back.
7. Europe might easily disappoint even more on the downside – indeed, our first formal GDP forecast is below consensus. But it is not impossible that it might surprise on the upside.
8. The S&P is more likely to be above 1400 this time next year than below 1000.
9. China won't have any kind of landing in reality, neither hard nor soft, but it will still be travelling. It might have seemed like a soft one though.
10. The MIST will continue to hover around the BRICs...As some observers have noticed, the other 4 countries that we define as Growth Markets – Indonesia, South Korea, Mexico and Turkey – can also be expressed in the form of a nifty acronym. And, they are rather interesting places, with all 4 having something to offer. Right at this moment in time, they don't seem to have the same specific issues as each of the BRICs, but they are not quite as important for the rest of us. However, all 8 countries put together are going to become more and more important for the ongoing evolution of

the world economy and markets.

11. A team from Manchester will probably win the English Premier League. A team from Manchester will probably not win the Champions League.

Seasons greetings. With a bit of luck, you won't read one of my Viewpoints again until January 7/8th 2012.

Jim O'Neill
Chairman, Goldman Sachs Asset Management

Viewpoints are also available on our public website: www.gsam.com/jimoneill. Monthly Insights and Strategy Series are available on www.goldman360.com. If you do not have access, please contact your Goldman Sachs relationship manager.

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