# AMG Market Commentary

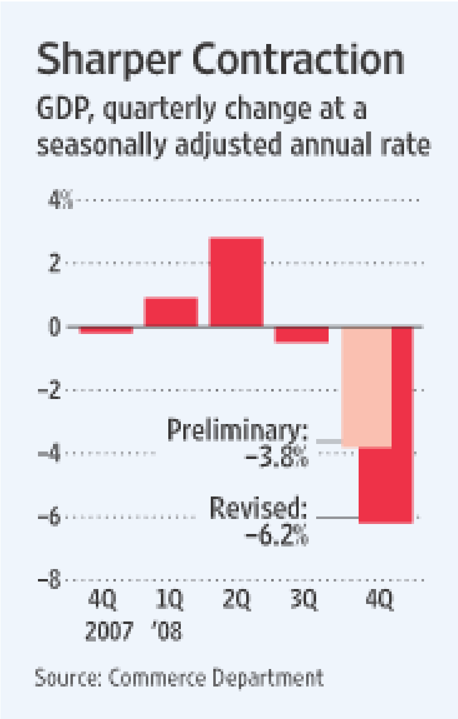
**March 2009**

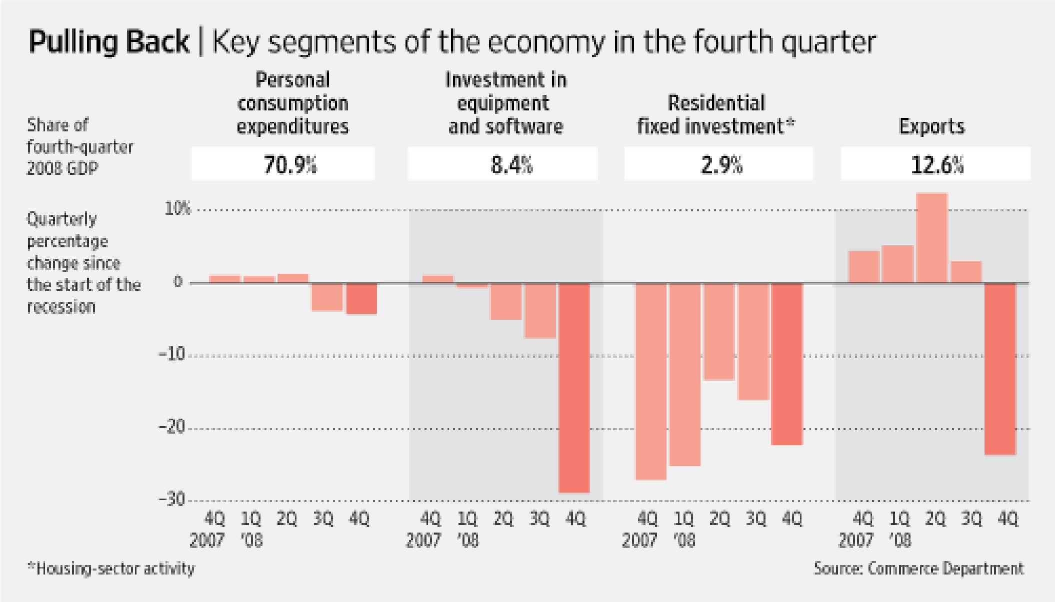
## The thunder storm before the clear sky

The Hong Kong business indices has been contracting for the past 6 months, while real estate prices have also retrieved back to mid 2007 levels. Although the equity market is still struggling right under the 13000 level, news on layoffs and poor earnings still dominates the headlines.

### US: Negative

The U.S. economy deteriorated far more than previously thought in the fourth quarter, according to new revisions of government data, casting fresh doubt about the chances of a recovery this year.






With falloffs in consumer spending and exports, gross domestic product declined at a 6.2% annual rate in the fourth quarter of 2008, according to a Commerce Department report on Feb 27th. The agency's first estimate for GDP, reported in January, was for a 3.8% decline.
The more recent figure -- which represents the steepest dropoff since the depths of the 1982 recession -- raises pessimism among economists. Until recently, many had been hoping for a rebound in 2009 and now sound downbeat about the remainder of this year.
Besides the revised GDP, economic indicators for the first two months of the year point to a deepening recession -- and the prospect of a dismal first quarter, too. Every week in February, more than 600,000 people filed new claims for unemployment insurance, and the unemployment rate rose to 7.6% in January, from 7.2% in December.
DJIA has been halved, from the record above 14000 to closer to 7000 at the end of the month. The index dropped 12% in Feburary, had its worst February since 1933. During the month, 20 of the 30 components reset their 52-week lows, with 13 hitting 52-week lows at some point during the last trading day.
The Russell 2000, which represents the small and mid-caps in U.S., ended the worst February in its history as small-capitalization stocks followed their larger peers into the red.

**Europe: Negative**
European shares also ended February on a miserable note.
For February, the UK's FTSE fell 8%, the German DAX slid 11% and the French CAC lost 9%. It marks the sixth consecutive monthly loss and the longest losing streak since the six-month period that ended in September 2002.

**Japan : Neutral**
Japan's Nikkei Stock Average of 225 companies was down 5% for the month, which already have recovered in the last week as the Yen weakened.

**China : Neutral, Hong Kong : Negative**
Asian markets ended mixed after slipping in and out of the red in volatile trade. In Asia, sentiment remained fragile, with global economic data continuing to paint a worsening picture and as investors worry that returns will diminish as banks around the world rush to recapitalize. China out performed all global markets for being up 20% for the year. Hong Kong suffered in the last week as rumors on HSBC and also results from BEA worried the market.

**Eastern Europe : Negative**
Eastern Europe's currencies are plummeting as investors instead seek the safety of the dollar and the euro.

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This means that Eastern European countries, companies and individuals face increasing challenges to pay back their large foreign-currency loans -- which only deepens the currency problems to create a vicious circle.
The Polish zloty is down 38% against the dollar in the last six months alone. Hungary's forint is down 32%. Ukraine posted a staggering 34% drop in January industrial output from a year earlier.

**Brazil, Indial and Koreal : Neutral**
India suffered a light drop due to the expectation on economical figures and the pessimistic GDP growth. The weakening of WON, which is almost down 20% this year caused foreign investment to pull out of the Korea stock market. Brazil ended the month about flat.

**Commodities : Neutral**
Oil futures have bounced between the low $30s and $50 a barrel since December, after plunging from an all-time high above $145 a barrel last July. Over the last week of the month, oil has risen from about $35 a barrel on hopes that the Organization of Petroleum Exporting Countries has succeeded in putting a floor under prices by following through on pledged crude-output cuts.
Gold hit above the $1000 mark and then retreated, closing under $950 for the month.

**Hedge Funds: Neutral**
Hedge funds have a month of slight drop, with convertible bonds being the best performer, up above 3% according to Barclay's index. (It has been reported that the well known Tremont is closing its operation. Tremont is acquired by Oppenheimer in 2006)

**Bonds: Negative**
Treasury securities prices were slightly pressured across the board as the $93 billion worth of bonds were auctioned in the last week of the months, with an auction of seven-year notes was taking place, the first offering of the maturity since 1993, as part of the Treasury Department's plan to increase bond issuance to finance the bailout and stimulus programs.
On the corporate-bond front, February has been the third-busiest month on record, with investors attracted to relatively high yields.

**Things to Look Forward:**
The rumors on HSBC will have a clearer picture on Monday March 2$^{th}$, with the change of weightings in the HIS of the constitutional stocks, the market is expected to be volatile in the first 2 weeks of March. Negative news should be taken into consideration while investment objectives should stay focused.

* All figures and information are collected from WSJ, Economist & Barclay Hedge.

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