



AMG Weekly Market Update

17th August, 2009

Hong Kong and China market loses steam, watch out for change in fund flow

Last week, Chief Executive Donald Tsang and business tycoon Richard Li warned investors that Hong Kong stock market is not cheap now and caution should be exercised when dealing with stock investment. In fact, many have warned about that before and the market was just driven up by strong capital inflow.

So, outflow of “hot money” became a significant risk for Hong Kong stock market now. And we found more reasons to be concerned about market performance in near future.

2 weeks earlier, Hong Kong stock market reported the first capital outflow in 10 months. It was an alert to investors. And last week, extreme volatility was observed in Hong Kong market though that it managed to make positive return. Besides, turnover shrank a lot. It was very different from what we saw in the strong rally in the last few months.

And for mainland China, A-shares dropped for 2 consecutive weeks. Last week, Shanghai Composite Index was the worst performing stock market index among major markets. It lost over 6% in the week. Moreover, usage of OFII quota dropped. It seemed that foreign interest in A-share faded also.

All of the above showed that investors may be stepping back a bit from Hong Kong and China market. Though that it is still too early to say that foreign capital is leaving, deeper correction cannot be ruled out. For us, we would take the correction as a chance to load up the investment as we have suggested “buying on dips”.

And in U.S., consumer data shook the equities market. University of Michigan consumer confidence index was far below expectations. The reported figure was 63.2 for July 2009, much lower than the expected figure 68.5. It hurts investors’ confidence and triggered a correction in stock markets.

However, we must not forget that many countries e.g. U.S., Germany, Japan and China, reported better GDP growth in 2Q2009 compare with 1Q2009. Even though consumption has remained weak, it did not stop the overall economy to move towards stabilization.

This week, the market focus in U.S. shall be with housing data. The figures for existing homes sales and housing starts in U.S. will come out. Market consensus is that both figures will have an improvement.



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Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
China	CPI	Yoy change	Jul 2009	-1.8%	-1.7%
China	Urban FAI	Yoy change	Jul 2009	32.9%	33.6%
China	Industrial value-added	Yoy change	Jul 2009	10.8%	10.7%
US	University of Michigan Consumer Sentiment Index		Jul 2009	63.2	66.0
US	Industrial production	Mom change	Jul 2009	0.5%	-0.4%
US	Capacity usage	%	Jul 2009	68.5%	68.0%
US	CPI	Yoy change	Jul 2009	-1.9%	-1.2%
US	Business Inventories	Mom change	Jun 2009	-1.1%	-1.0%
US	Retail Sales	Mom change	Jul 2009	-0.1%	0.6%
US	Retail Sales (ex. Auto)	Mom change	Jul 2009	-0.6%	0.3%
Germany	GDP	Qoq change	Q2 2009	0.3%	-3.5%
France	GDP	Qoq change	Q2 2009	0.3%	-1.3%
Japan	Industrial production	Yoy change	Jun 2009	-23.5%	-23.4%
India	Industrial production	Yoy change	Jun 2009	7.8%	2.2%
Singapore	Retail Sales	Mom change	Jun 2009	-8.2%	-10.4%
Singapore	GDP	Yoy change	Q2 2009	-1.0%	-1.9%

* All figures and information are collected from National Statistics Bureau of China, www.bloomberg.com, Federal Statistics Office of Germany, National Institute of Statistics and Economic Studies of France, Singapore Department of Statistics.

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