



AMG Weekly Market Update

21st Dec, 2009

HK stocks plunges on capital outflow

Lately, HKD exchange rate fell slightly after hovering at the ceiling permissible under the peg system with USD for months. It showed that we are having some capital outflow.

There are 2 reasons behind the capital outflow. Firstly, investors demand for protection against currency fluctuation declined as USD climbed on higher expectations for interest rate. Secondly, repatriation of capital at the year end is also leading to capital leaving Hong Kong.

Fortunately, investors are not dumping very kind of risky asset for safety. While USD climbed since late November, the decline was concentrated in precious metals and emerging stock markets. For the major stock markets, they were edging towards new highs in 2009 and government bonds did not run up. Performance in different markets showed that investors are not running away from all risky assets. It should rather be described as an orderly exit from assets with the highest volatility.

Appetite for stock investment is still there and interest rate shall remain very low in at least the next 2 quarters, so liquidity conditions is not expected to tighten significantly. With lots of liquidity around, it is likely that investors will try to risk with their money again in 2010 and better growth in emerging market will still be very attractive for capital. Despite the recent weakness, emerging markets including Hong Kong China are still expected to perform well next year.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
HK	Unemployment rate	%	Sep - Nov 2009	5.1%	5.2%
US	Leading indicator		Nov 2009	0.9%	0.3%
US	Housing starts	Annualized rate	Nov 2009	574K	529K
US	Industrial production	Mom change	Nov 2009	0.8%	0.1%
US	Capacity utilization rate	%	Nov 2009	71.3%	70.7%
Germany	ZEW business confidence indicator		Dec 2009	50.4	51.1
France	INSEE business confidence		Dec 2009	89	90
Japan	Industrial production	Yoy change	Oct 2009	-14.0%	-17.3%



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Australia	Real GDP	Qoq change	3Q 2009	0.2%	0.6%
Singapore	Domestic exports (non-oil)	Yoy change	Nov 2009	8.7%	-6.2%
Singapore	Retail sales	Yoy change	Oct 2009	-4.4%	-12.0%
South Korea	Unemployment rate	%	Nov 2009	3.3%	3.2%

* All figures and information are collected from www.bloomberg.com, Census and statistics department of Hong Kong, Centre for European Economic Research (ZEW), National Institute of Statistics and Economic Studies (INSEE), Ministry of Economy, Trade and Industry of Japan, Australia Bureau of Statistics, National Statistics Office of South Korea.

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