

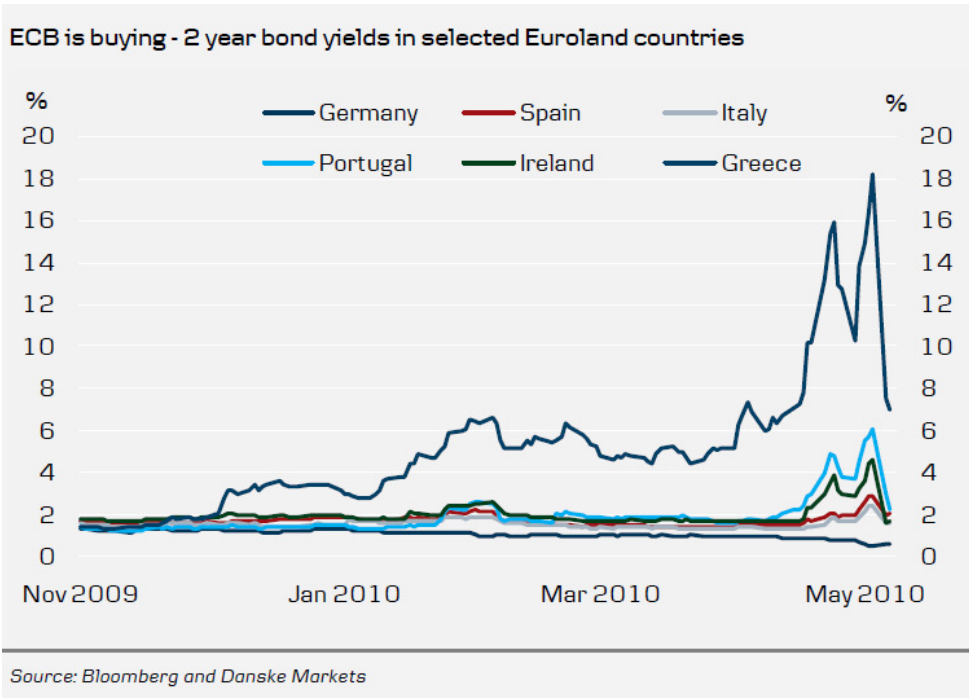


AMG Weekly Market Update

10th May, 2010

Relief for sovereign debt problem in Euro zone

Over the weekend, the European Commission and IMF joined hand to tackle the spread of sovereign debt problems in Euro zone. They announced a new plan, which worth EUR 750 billion to help stabilizing the region and the common currency. The plan includes a EUR 60 billion Euro stabilization fund and total worth of EUR 690 billion loans guarantee for Euro zone members. The large sums of loans guarantee shall be sufficient to meet re-financing needs of the weaker members in the next 1-2 years and reduce the risk of default by them. In conjunction with the loans guarantee, ECB and the central banks of member nations has started to purchase sovereign and corporate debt to ensure the confidence crisis will not turn into a full scale liquidity quench. Market response has been quite positive so far, bond yields on the most concerns countries e.g. Greece, Portugal, Spain, Ireland and Italy dropped significantly. Besides, stock markets and commodities turned up from landslide decline. Clearly, sell-offs in risky assets has come to a halt.



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As the worries about sovereign debt recede, financial markets start to stabilize. Momentum in asset prices is improving and recent figures show that fundamental factors e.g. economic growth, corporate earnings are getting better too. We are optimistic that stock markets shall go back to the uptrend while risky appetite returns. And we maintain our preference for Asian markets and resource exporters e.g. Brazil, Russia and Australia as they are supported by more healthy and less debt dependent growth of Asian countries.

Lastly, we must restate that the sovereign debt problem is not going to be fixed overnight. The origin of the debt problem was loose control on budget deficit and lack of competitiveness. Though that the EU-IMF proposal can help to secure source of finance for coming future, the Euro zone countries still need to work on the underlying problems. If they fail to meet the challenge, the problem could rise again and create more turmoil.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
Hong Kong	Retail sales	Yoy change	Mar 2010	19.0%	31.5%
US	Non-farm payroll	Mom change	Apr 2010	290K	162K
US	Unemployment rate	%	Apr 2010	9.9%	9.7%
US	Factory orders	Mom change	Apr 2010	1.3%	0.6%
US	ISM manufacturing index		Apr 2010	55.4	55.4
US	ISM non-manufacturing index		Apr 2010	60.4	59.6
South Korea	CPI	Yoy change	Apr 2010	2.6%	2.3%
Singapore	Manufacturing PMI		Apr 2010	51.9	51.1
Taiwan	Exports	Yoy change	Apr 2010	47.8%	50.1%
Taiwan	Imports	Yoy change	Apr 2010	52.6%	80.3%
Taiwan	CPI	Yoy change	Apr 2010	1.3%	1.3%
Malaysia	Exports	Yoy change	Mar 2010	36.4%	18.4%
Malaysia	Imports	Yoy change	Mar 2010	45.3%	27.9%

* All figures and information are collected from Census and Statistics Department of Hong Kong, www.bloomberg.com, Bank of Korea, Singapore Institute of Purchasing and Materials Management, National Statistics, R.O.C (Taiwan), Department of Statistics Malaysia.

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