



## AMG Market Commentary

February 2009

### Where is the Bull when it is year of the Ox?

2009 started with a dull January. Markets were still haunted by the troubled financial firms, and everyone laid their eyes on the new president of United States on how he can bring life back to the US economy.

#### US: Neutral

Some markets, including the U.S. stock market, have given back most of their big upswings from late last year, as U.S. stocks have turned in one of their worst Januarys ever. A drumbeat of depressing economic and corporate-profit data drove the Dow Jones Industrial Average down 8.8% last month, its worst January decline in its 113-year history. Which now causes worries on how February could be?

Many investors still fear the recent rebound could be just another blip, before markets fall to new lows.

Signs show that some investors are putting money into the market again with confidence, but optimists are gradually boosting their holdings of stocks, corporate bonds, commodities and other risky assets. Long term investors believe lasting recoveries sometimes happen this way, with choppy gains here and there.

The gains reflect a hope that global growth will recover later this year, with developing countries such as China and Brazil rebounding sooner than the U.S., Europe or Japan.

#### Europe: Negative

The Germany DAX and the France CAC both dropped around 5% for the month with pressure on lowering interest rates and the nationalization of banks, the UK FTSE was down 4%. Earnings, economical data were all under pressure.

#### Japan: Negative

The strong Yen has driven the market to the lower side, while further fueled by the warnings issued by many corporations, including Toyota, Sony and Panasonic.

#### Hong Kong: Neutral and China: Positive

With the lack of direction and also worse economical figures, the Hong Kong stock market is down 8% so far this year.

China has shown signs of turning around, as it trading volume gradually picked up right before the Chinese New year holiday. Comments from Premiere Wan indicated that China is committed to stabilize unemployment and also lending, while not just chasing GDP growth.



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**Emerging Markets, Russia: Negative**

Brazil's main stock index has risen 5% this year, and South Korea is up 3%. Russia is encountering huge pressure caused by the heavy sell off of the currency.

**India: Positive**

India dropped after the gain in the first week of the month, as global demand affected the outlook of the market.

**Commodities: Neutral and Brazil: Neutral**

Liquidity has shown signs on improvement. Some commodities are showing price gains. So are stocks in commodity-exporting countries such as Brazil. Some investors have been buying corporate bonds again as strong companies start issuing new debt, although prices and yields aren't nearly back to normal.

Some signs indicating that inflation might be returning later again later this year. Copper futures are up 5% so far this year and have gained 17% from the low hit late last year. Tin futures are up 7% in 2009. Gold reached beyond the \$900 level.

Crude oil and corn futures both are off 7% in 2009.

**Hedge Funds: Neutral**

Due to the Volatility of the market, most funds were not able to provide impressive returns, but it seems like the heavy redemptions are coming to an end.

**Bonds: Negative**

Some people are gradually moving money away from U.S. Treasury bonds, which had been so much in demand as a haven that their yields had shrunk to multi decade lows as prices soared. Many still crave the safety of Treasury, so prices remain high and yields low. But as a few people move money into riskier investments, Treasury prices have fallen a bit, pushing the yield of the 10-year Treasury note up to about 2.8% Friday from less than 2.1% on Dec. 18.

Junk bonds are up, companies are finding it easier to issue commercial paper and mortgage rates are down.

**Things to look forward:**

Although the U.S. government should be able to start the rescue plans with the 850 billion, but still need to get through the congress and the senate. Also the 3 automakers will need to present their plans on how to bring life back to their industry. The market still has some uncertainties; focus should be still be on earnings.

\* All figures and information are collected from the articles of Wall Street Journal and The Economist.

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