



AMG Weekly Market Update

7th Sept, 2009

Gold price shot up suddenly

Last week, we saw stunning movements in precious metals prices. Gold moved towards USD 1,000 and silver price went up by 10%. Unlike the past, there is no significant rise in oil price or obvious weakness in USD against other currencies.

China announced that it will subscribe to new IMF bonds was the catalyst for the sudden rise in gold prices. Previously, China has talked about making special drawing rights with IMF a reserve currency. The news re-ignited the concerns about leading position of USD as reserve currencies. Capital flowed to precious metals and pushed up gold prices abruptly.

However, the special drawing right with IMF is only a unit of account. It is not a physical currencies and it is not backed by a real economy or any governments. Thus, it is not a viable alternative to USD. Buying gold on the above mentioned idea is not really justified.

As for the factor that really affects gold price – the strength of USD, it does not seem to support a breakout in near future. Since U.S. will continue to make extra Treasuries bonds issuance until Oct 2009, a rapid decline in USD may hinder their plans. So, it is not expected that more significant weakness will only be seen after October. Moreover, the fall is expected to be gradual rather than a landslide.

Though that gold price jumped on the unexpected news, it is only expected to bring about short-term fluctuations. It is still expected to keep in range trading between USD 900-1,000.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
China	PMI		Aug 2009	54	53.3
HK	Retail Sales	Yoy change	Jul 2009	-5.5%	-4.7%
US	Non-farm payrolls	Mom change	Aug 2009	-216K	-276K
US	Unemployment rate	%	Aug 2009	9.7%	9.4%
US	ISM non-manufacturing index		Aug 2009	48.4	46.4
US	Factory orders	Mom change	Jul 2009	1.3%	0.4%
US	Non-farm productivity	Qoq change (Annualized)	2Q2009	6.6%	6.4%



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US	Pending home sales index	Mom change	Jul 2009	3.2%	3.6%
US	Construction spending	Mom change	Jul 2009	-0.2%	0.3%
US	ISM manufacturing index		Aug 2009	52.9	48.9
UK	CIPS/Markit UK Services Business Activity index		Aug 2009	54.1	53.2
UK	CIPS/Markit UK Manufacturing PMI		Aug 2009	49.7	50.2
Germany	Unemployment rate	%	Aug 2009	8.3%	8.2%
Japan	Industrial production	Yoy change	Jul 2009	-22.9%	-23.5%
Australia	Real GDP	Qoq change	2Q2009	0.6%	0.4%
South Korea	CPI	Yoy change	Aug 2009	2.2%	1.6%
India	Exports	Yoy change	Jul 2009	-28.4%	-27.7%

* All figures and information are collected from www.bloomberg.com, Census and Statistics Department of Hong Kong, Markit Economics, Federal Statistics Office of Germany, Ministry of Economy, Trade and Industry of Japan, The Australian Bureau of Statistics, National Statistics Office of Korea.

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