



# AMG Weekly Market Update

28<sup>th</sup> Sept, 2009

## Capital flow to dominate markets

Last week, the dominance of capital flow over asset prices was made obvious. While USD came back up, a wide range of risky assets e.g. stock markets, commodities and high yield currencies all slid. Only very few risk heaven assets such as Japanese Yen advanced.

The catalyst for the rebound in USD were the announcement by Federal Reserve to cut back on extra liquidity provision measures e.g. TAF and TSLF and disappointing economic data.

Last Wednesday (U.S. Time), Federal Reserve announcement the timetable to reduce auction amounts for TAF and TSLF till January 2010. The market perceived it as the early preparation step for withdrawal of excess liquidity and lifting interest rates. It relieved pressure on USD as investors' worries about the impact of the Fed pumping dollar into the financial system. As a result, USD came back a bit.

Besides, the figures reported last week for home sales and durable goods orders let investor down. Existing home sales declined by 2.1% in Aug 2009 and new home sales was lower than expectations. Durable goods order also fell 2.4% as the orders for commercial jets plummeted 42%. Poor economic figures triggered more fund outflow from risky assets.

In the last issue of AMG Weekly Market Update, we pointed out that weakening USD and very low interest rates were making investors to risk their money for return. What happened last week showed the likely consequence of a rebound in USD or adjustment in expectations for interest rate to go up - widespread adjustment for risky assets. However, the adjustment shall be short-lived unless global economy fell into trouble again. In the medium to long term, stock markets, especially the developing countries of which domestic consumption is strong, are expected to go up. Adjustments make good chances for investors to acquire positions in those markets.

### Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
US	New home sales	Annualized Rate	Aug 2009	429K	426K
US	University of Michigan investors sentiment index		Sep 2009	73.5	70.2
US	Durable goods order	Mom change	Aug 2009	-2.4%	4.9%
US	Durable goods order (excl.	Mom change	Aug 2009	0.0%	0.8%



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US	Existing home sales	Annualized Rate	Aug 2009	5.10M	5.24M
US	Leading indicator	Mom change	Aug 2009	0.6%	0.6%
France	INSEE business climate index		Sep 2009	82	76
Singapore	Industrial production	Yoy change	Aug 2009	12.3%	17.0%
South Korea	Consumer confidence index		Sep 2009	114	114

\* All figures and information are collected from [www.bloomberg.com](http://www.bloomberg.com), National Institute of Statistics and Economic Studies, UK National Statistics, Statistics Singapore, Bank of Korea.

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