



AMG Weekly Market Update

16th Nov, 2009

RMB exchange rate not to float on argument

This week, Barack Obama is coming to China on his first official visit as U.S. President. Speculations on RMB appreciation revives as the exchange rate issue comes back to market focus.

In fact, China and U.S. have been struggling on the exchange rate issue for years. Thus far, the Chinese government has always acted on its own interest. The talks by foreign governments or media had achieved little success. And the chance for it to yield any success is slim this time.

The exports of China are still threatened by weak consumer demand in Europe and U.S.. Rapid appreciation of RMB could squeeze exports enterprises out of business and harm job market.

And the appreciation of RMB would not help to shrink the trade deficit of U.S.. For Chinese exports are mainly products of labour intensive industries, companies will only move their production base to other developing nations but not back to U.S. if RMB rises significantly. For the U.S., the trade deficit against China would only shift to somewhere else.

In short, forcing RMB to rise do no good to both China and U.S.. The argument on is really a show to please the politicians. It is unlikely to have an impact on RMB exchange rate. The probable result is that China would announce some significant purchase from U.S. to ease the tension on Sino-US trade.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
China	Industrial production	Yoy change	Oct 2009	16.1%	13.9%
China	Retail sales	Yoy change	Oct 2009	16.2%	15.5%
China	Urban FAI	Yoy change	Oct 2009	33.1%	33.3%
US	Imports	Yoy change	Sep 2009	-20.6%	-28.5%
US	Exports	Yoy change	Sep 2009	-13.2%	-20.6%
US	University of Michigan consumer confidence index		Nov 2009	66	70.6
EMU	Industrial production	Yoy change	Sep 2009	0.3%	1.2%
Germany	ZEW Economic Sentiment Index		Nov 2009	51.1	56.0
Germany	CPI	Yoy change	Oct 2009	0.0%	-0.3%



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Japan	Machinery orders	Mom change	Sep 2009	6.0%	-1.9%
Australia	Unemployment rate	%	Oct 2009	5.8%	5.8%
Singapore	Retail sales	Yoy change	Sep 2009	-7.9%	-5.2%
India	Industrial production	Yoy change	Sep 2009	9.1%	11.0%
Taiwan	Exports	Yoy change	Oct 2009	-4.7%	-12.7%
Taiwan	Imports	Yoy change	Oct 2009	-6.7%	-21.1%
Indonesia	Real GDP	Yoy change	3Q2009	4.2%	4.04%

* All figures and information are collected from National Bureau of Statistics of China, www.bloomberg.com, European Commission - Eurostat, Center for European Research (ZEW), Federal Statistics Office of Germany, Cabinet Office of Japan, Australia Bureau of Statistics, Statistics Singapore, Ministry Office of Statistics and Programme Implementation, National Statistics, R.O.C. (Taiwan), Statistics Indonesia.

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