



# AMG Weekly Market Update

18<sup>th</sup> Jan, 2010

## Policy risk is still plaguing Hong Kong market

Last week, the central government launched the attack on excessive loans growth and liquidity by raising interest rate on central banks notes and required reserve ratio. The Hong Kong stock market was shaken as investors feared about more tightening by the Chinese government, the targets on policy tightening e.g. the banks were particularly pressed. The pressure continued through the weekend and Hong Kong market carried on declining this week.

While in the week, the economic figures for December were also announced for China. Spectacular is the word to describe the economic performance. Retail sales grew 17.5% and industrial production was up by 18.5% compared to last year. International trade, the laggard in China economic recovery, also played catch up. Exports for China reported an increase of 12.4%, the first year on year growth in last 14 months. Undeniably, poor performance in 2009 was a reason for the eye catching growth. But, it is also too obvious that China has turned around from contraction and growing rapidly again.

So, there is a contradiction between the impact of policy changes and economic performance. Which of them shall prevail?

Stock price should reflect corporate earnings and its prospect in the long term and the general economy determines the environment in which businesses operate. What we see in China is that private sector is picking up while government is taking back policy support. It is in fact a more sustainable growth model. Despite that the market can fall further in the near term, but for long term investors it should be another chance to accumulate assets linked to China.

### Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
US	Industrial production	Mom change	Dec 2009	0.6%	0.8%
US	Capacity utilization	%	Dec 2009	72.0%	71.3%
US	Retail sales	Mom change	Dec 2009	-0.3%	1.4%
US	Retail sales (excl. auto)	Mom change	Dec 2009	-0.2%	1.2%
US	CPI	Mom change	Dec 2009	0.1%	0.4%
US	CPI	Yoy change	Dec 2009	2.8%	1.9%
US	CPI (excl. energy and food)	Mom change	Dec 2009	0.4%	0.0%



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US	CPI (excl. energy and food)	Yoy change	Dec 2009	1.8%	1.7%
UK	Industrial production	Yoy change	Nov 2009	-6.0%	-8.4%
France	CPI	Yoy change	Nov 2009	0.9%	0.4%
France	Industrial production	Yoy change	Nov 2009	-7.4%	-8.4%
South Korea	Unemployment rate	%	Dec2009	3.5%	3.3%
Singapore	Non oil domestic exports	Yoy change	Dec 2009	26.0%	8.7%
Singapore	Retail sales	Yoy change	Nov 2009	-1.4%	-4.4%
India	Industrial production	Yoy change	Nov 2009	11.7%	10.3%

\* All figures and information are collected from [www.bloomberg.com](http://www.bloomberg.com), Office of National Statistics, European National Institute of Statistics and Economic Studies (INSEE), Korea National Statistical Office, Statistics Singapore, Ministry of Statistics and Programme Implementation of India.

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