



AMG Weekly Market Update

19th Apr, 2010

Market clouded by bad news, but Chinese economy shines.

A couple of bad news shook the stock market at the end of last week. The news was U.S. SEC announced that they will sue Goldman Sachs and China launched more policies measures to fight against overheating real estate market.

The lawsuit of Goldman Sachs was about alleged fraudulent sales practice for some CDOs. SEC accused Goldman for failure to disclose the fact that John Paulson was betting that the assets in those CDOs will fall in value and he was also advising on selection of underlying assets. There was obviously a conflict of interest in the two roles that Paulson had taken. Still, Goldman did not tell the buyer about that. In the view of the SEC, that was a fraud case. It caused a collapse in Goldman Sachs stock price, but we would say that the amount involved was only USD 1 billion for this case and it is too small to have a significant impact on Goldman. The real threat is whether it is just the beginning of a series of lawsuits against the financial companies, which we need to wait to see.

And the new policy of the Chinese government to curb speculation on real estate includes demanding the banks to stop approving new lending to companies which are suspected for land hoarding and to individual buying his/her third property or to non-local residence. Besides, it also says that the government is considering other anti-speculation measures such as levying a property tax. So, policy risk is still looming over Chinese property market and the related shares are expected to lag behind general market as a result.

Though that there was some bad news, we still have our eyes on fundamental factors such as corporate earnings and economic trends. Last week, China announced the economic data for the first quarter 2010. In sum, China keeps on growing rapidly on strong domestic consumption and investment. The actual figures are GDP growth at 11.9%, retail sales growth at 17.9%, industrial production growth at 19.6% and fixed asset investment at 25.6%. All these numbers tell that sustainable growth trend has returned to China and it was supportive for the corporate profits. And, the CPI retreated a bit to 2.2% for Mar 2010. Lower CPI helped to ease the concerns about risk rate to come shortly. However, we must say that policy changes e.g. more measures to cool down property market and interest rate hike are still the biggest uncertainties for the China market.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
China	Industrial production	Yoy change	Mar 2010	18.1%	12.8%
China	Fixed asset investment	Yoy change	Mar 2010	26.4%	26.6%



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China	CPI	Yoy change	Mar 2010	2.4%	2.7%
China	Real GDP	Yoy change	1Q 2010	11.9%	10.7%
US	CPI	Mom change	Mar 2010	0.1%	0.0%
US	CPI (excl. food and energy)	Mom change	Mar 2010	2.4%	2.2%
US	CPI	Yoy change	Mar 2010	0.0%	0.1%
US	CPI (excl. food and energy)	Yoy change	Mar 2010	1.2%	1.3%
US	Retail sales	Mom change	Mar 2010	1.6%	0.3%
US	Retail sales (excl. autos)	Mom change	Mar 2010	0.6%	0.8%
US	Business inventories	Mom change	Mar 2010	0.5%	0.0%
US	Industrial production	Mom change	Mar 2010	0.1%	0.1%
US	Capacity utilization	%	Mar 2010	73.2%	72.7%
US	New home starts	Annualized rate	Mar 2010	626k	575k
Germany	CPI	Yoy change	Mar 2010	1.1%	1.1%
France	CPI	Yoy change	Mar 2010	1.6%	1.3%
Japan	Industrial production	Yoy change	Mar 2010	31.3%	18.1%
Singapore	Non-oil domestic exports	Yoy change	Mar 2010	27%	23.4%
South Korea	Unemployment rate	%	Mar 2010	4.1%	4.9%
India	Industrial production	Yoy change	Feb 2010	15.1%	16.7%

* All figures and information are collected from National Bureau of Statistics of China, www.bloomberg.com, Federal Statistics Office of Germany, National Institute of Statistics and Economic Studies (INSEE), Ministry of Economy, Trade and Industry of Japan, Australian Statistics Bureau, Singapore Institute of Purchasing and Material Management, Statistics Singapore, Statistics Korea, Ministry of Statistics and Programme Implementation of India.

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