



AMG Weekly Market Update

3rd May, 2010

Risk aversion jumps on sovereign debt problem

After all the turmoil and struggle, Greece finally resorted to EU-IMF loans facility to avoid default on its own debt. The last straw to break its plan to keep away from international financial aids was the deterioration in investors' confidence. As investors flocked away from Greek government debt, the market cost of borrowing shot up. The yield on 2 years bonds once jumped to 27%, it was just infeasible to re-finance in the market.

Thus, Greece request EU and IMF for access to financial aids. While contagion risk was seemingly rising, EU and IMF expanded the rescue package to EUR 110 billion and extended the length to 3 years.

Still, it did not help much in restoring investors' confidence. Their focus has now turned to other high debt, high deficit Euro zone members such as Portugal and Spain. Portuguese and Spanish CDS and sovereign bond yield were elevated and Euro fell sharply on investor's worries. Moreover, U.S., UK and German government bonds surged in value. It seems that investors are herding to traditional safe heaven assets again.

While if we check out about the financial status of Portugal and Spain, their sovereign debt amounts to around 60-80% of their GDP. Obviously, it is not a low level. But, on the other hand, it is not a back breaking burden either. And they have put in place a plan to control budget deficit. The problem now is that time is needed for the effect to show, it is not timely enough to sooth market sentiment. If European institutions e.g. ECB, European Commission remain silent and just wait for members to call for help, it would be very difficult to turn the sentiment around and investment market shall remain volatile for some time.

As for investments, we do not see stock market in an overheat state even before Greek crisis. And signs of economic recovery were seen in large group of countries such as U.S., Asia, some resources exporters like Australia and Brazil and even in Germany. Improvements in economic conditions and stock market being fairly valued are fundamental factor which would lend support to the stock markets in the long run. While for the near future, market sentiment shall remain the dominant factor. A major wild card for the fundamentals conditions would be the conditions of Spain and Portugal and we think investors should focus on that. For now, investors better check if their investment holding are supported by strong fundamental factors and stay calm. Even if certain assets seem undervalued, they should mind their own risk tolerance and not be tempted to over trade.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
HK	Imports	Yoy change	Mar 2010	39.8%	22.4%



Important Note & Disclaimer:

This document has been prepared mainly as information for internal professional advisers and nothing contained in this document should be construed as an invitation or an offer to invest or a recommendation to buy or sell any particular security or to adopt any investment strategy. Although the information provided in this document is obtained or compiled from what we believe to be reliable sources, AMG Financial Group Limited and its affiliates and the author can not and does not warrant, guarantee or represent, expressly or impliedly, the accuracy, validity or completeness of any information or data made available to the recipients of this document for any particular purpose and no liability in respect of any errors or omissions is accepted by AMG Financial Group Limited or its affiliates or any director or employee of AMG Financial Group Limited or his/her affiliates or the author. The author's views are subject to change without notice to the recipients of this document. Past performance is not necessarily a guide to future performance, the value of any investment and the income from it can rise as well as can fall as a result of currency and market fluctuations. The recipients of this document should seek for professional advice if they are in any doubt about any of the information contained herein.

HK	Exports	Yoy change	Mar 2010	32.1%	28.5%
US	Real GDP	Qoq change (Annualized)	Q1 2010	3.2%	5.6%
US	University of Michigan consumer sentiment index		Mar 2010	72.7	71.0
Germany	CPI	Yoy change	Mar 2010	1.0%	1.1%
Japan	Unemployment rate	%	Mar 2010	5.0%	4.9%
Japan	Industrial production	Yoy change	Mar 2010	30.7%	31.3%
Australia	CPI	Yoy change	Mar 2010	2.9%	2.1%
South Korea	Real GDP	Yoy change	Q1 2010	7.8%	6.0%
Singapore	Unemployment rate	%	Mar 2010	2.2%	2.1%
Singapore	Industrial production	Yoy change	Mar 2010	43.0%	17.9%

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

For any comments, please send email to us at enquiries@amgwealth.com.

AMG Financial Group
5/F, Guangdong Investment Tower, 148 Connaught Road Central, Central, HONG KONG
Telephone: (852) 3970 9595 Facsimile: (852) 3426 2650



Important Note & Disclaimer:

This document has been prepared mainly as information for internal professional advisers and nothing contained in this document should be construed as an invitation or an offer to invest or a recommendation to buy or sell any particular security or to adopt any investment strategy. Although the information provided in this document is obtained or compiled from what we believe to be reliable sources, AMG Financial Group Limited and its affiliates and the author can not and does not warrant, guarantee or represent, expressly or impliedly, the accuracy, validity or completeness of any information or data made available to the recipients of this document for any particular purpose and no liability in respect of any errors or omissions is accepted by AMG Financial Group Limited or its affiliates or any director or employee of AMG Financial Group Limited or his/her affiliates or the author. The author's views are subject to change without notice to the recipients of this document. Past performance is not necessarily a guide to future performance, the value of any investment and the income from it can rise as well as can fall as a result of currency and market fluctuations. The recipients of this document should seek for professional advice if they are in any doubt about any of the information contained herein.