



# AMG Weekly Market Update

28<sup>th</sup> June, 2010

## Budget cuts could hurt financial market

Last week, G20 summit stole investors' attention while the market was pretty quiet. The bad news was that the results of the summit would probably add to the trouble in financial markets. Major industrial countries, mainly G7, agreed to the proposal by Canada and European nations to trim their budget deficit by half in the next 3 years and to bring down the fiscal deficit as a percentage of GDP or keep it unchanged in 6 years time. Massive budget cuts and shrinking government spending seems inevitable. While the economic recovery in U.S. and Europe is still fragile, shrinking government spending by large is a threat to the sustainability of their economic growth. For the financial market, it means stronger headwind and more uncertainties are waiting for us.

For the coming week, the most influential news will be the announcement of American employment figures for Jun 2010. While a decline in the non-farm payrolls is expected as a result of the termination of temporary jobs for U.S. census, investors' attention is now on the private payroll numbers. Private payrolls disappointed the market with a setback to addition of 43,000 new employments in May. Investors are now gauging the strength of the U.S. job market with the upcoming figure. A pickup in the private payroll could help to reassure the sustainability of U.S. recovery. But if it disappoints again, it would bring about re-rate for the U.S. and global stock market on dimmer economic prospect.

### Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
Hong Kong	CPI	Yoy change	May 2010	2.5%	2.4%
US	Durable goods orders	Mom change	May 2010	-1.1%	2.9%
US	Durable goods orders (excl. transportation)	Mom change	May 2010	0.9%	-1.0%
US	University of Michigan consumer sentiment indicator		Jun 2010	76.0	73.6
US	New home sales	Annualized rate	May 2010	300K	504K
US	Existing home sales	Annualized rate	May 2010	5.66M	5.77M
US	Real GDP	Qoq change (Annualized)	Q1 2010	2.7%	3.0%
Eurozone	Markit Flash Eurozone		Jun 2010	56.0	56.4



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	PMI				
Germany	Gfk consumer sentiment indicator		Jul 2010	3.5	3.5
Singapore	CPI	Yoy change	May 2010	3.2%	3.2%
Taiwan	Unemployment rate	%	May 2010	5.1%	5.4%
Taiwan	Industrial production	Yoy change	May 2010	30.7%	31.4%

\* All figures and information are collected from Census and Statistics Department of Hong Kong, [www.bloomberg.com](http://www.bloomberg.com), Markit Economics, Gfk Group, Statistics Singapore, National Statistics, R.O.C. (Taiwan).

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