



AMG Weekly Market Update

9th August, 2010

QE extended by Fed

For FOMC meeting held last week, the focus fell onto whether the Fed will expand its asset purchase program. Since Mar 2009, the Fed started injecting liquidity into the debt market through this program. As the program involves direct injection of capital by central bank, it is perceived as the American version of quantitative easing. And now the Fed is getting more cautious about U.S. growth prospect, some are talking about Fed shall expand the quantitative easing to help the struggling economy.

And the result is, the Fed has decided to keep its asset size at current level and extend the asset purchase program. While no extra capital is committed, the Fed will re-invest the principal from maturing debt holding to Treasuries issues with 2-10 years tenure. That is effectively holding the asset purchase program unchanged.

For the financial markets, the impact shall be two folded. Firstly, recycling of the capital shall strengthen the expectation for zero interest rate to stay longer and lead to higher demand for Treasuries issues. It shall help to keep Treasuries issues stay at elevated prices. Secondly, liquidity is ample in financial markets while slower growth remains a risk factor. It may encourage short-term trading and add to the volatility in the market. But for the real economy, keeping the asset purchasing program is not going to help much. The problem with U.S. economy is a lack of end demand due to de-leveraging of household and reluctance to expand for companies. Even if the government keeps liquidity conditions easy, it could not bring back end demand.

Weekly economic indicator update

Country / Region	Economic Indicator		Time period	Latest	Last
China	PMI		Jul 2010	51.2	52.1
US	Consumer credits	Mom change	Jul 2010	USD -1.3B	USD -9.1B
US	Non-farm payroll	Mom change	Jul 2010	-131K	-125K
US	Unemployment rate	%	Jul 2010	9.5%	9.5%
US	ISM non-manufacturing PMI		Jul 2010	54.3	53.8
US	ISM manufacturing PMI		Jul 2010	55.5	56.2
US	Factory orders	Mom change	Jun 2010	-1.2%	-1.4%
US	Personal income	Mom change	Jun 2010	0.0%	0.4%
US	Consumer spending	Mom change	Jun 2010	0.0%	0.2%



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German	Industrial production	Yoy change	Jun 2010	1.3%	2.6%
UK	Industrial production	Yoy change	Jun 2010	14.7%	12.4%
Japan	Unemployment rate	Yoy change	Jun 2010	5.3%	5.3%
Singapore	PMI		Jul 2010	52.2	51.3
South Korea	CPI	Yoy change	Jun 2010	2.6%	2.6%
Taiwan	CPI	Yoy change	Jul 2010	1.3%	1.2%
Malaysia	Exports	Yoy change	Jul 2010	17.2%	21.9%
Malaysia	Imports	Yoy change	Jul 2010	30.1%	34.2%
Indonesia	GDP	Yoy change	2Q 2010	6.2%	5.7%

* All figures and information are collected from The China Federation of Logistics and Purchasing, www.bloomberg.com, Federal Statistics Office of Germany, The National Office of Statistics of UK, Ministry of Internal Affairs and Communications of Japan, Singapore Institute of Purchasing and Materials, Bank of Korea, National Statistics, R.O.C (Taiwan), Department of Statistics Malaysia, Statistics Indonesia.

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