



AMG News Flash

15th March, 2011

Earthquake and nuclear crisis in Japan

Last Friday (11 March 2011), an 8.9-magnitude earthquake hit the seabed right next to North Eastern Japan. After which, massive tsunami was triggered and swept through nearby Fukushima prefecture and Iwate prefecture. Thousands of homes were torn down, villages are ruined. Over 2,000 were reported dead, and more than 10,000 are still unaccounted for.

Admittedly the disaster is huge. Yet, the initial estimates for the loss in economic terms is not unbearable. According to JP Morgan, the expected loss in GDP growth shall be 0.3% and 0.2% for 2011 and 2012, bring the growth figure to 1.7% and 1.8% respectively. For global economy, the damage is expected to be lower. And the immediate impact is expected to be concentrated on the electronic and equipment producers in nearby Asia countries like Taiwan, China and South Korea as supply of major parts and semi-conductors becomes interrupted.

But unfortunately, the earthquake put a nuclear energy plant in Fukushima in crisis. The nuclear plant is suffering from cooling system malfunction. Although the nuclear reactors are already halted, heat is still produced as the nuclear reaction slowly dies down. Without proper cooling, the system is at risk of meltdown. Deadly radiation and radioactive particles released shall put the surrounding area in danger. To prevent the nightmare from becoming reality, sea water and boric acid is being injected to help cool down the reactors. But, whether the plan will succeed is still a question. Up to now (15 March 2011), 3 incidents of hydrogen explosions were reported and certain amount of radiation is leaked. Still, it is reported that the containment vessels of all 6 reactors in the plant remain undamaged. And radiation level detected outside of the factory did not reach a level dangerous to human health despite that radiation level* has risen in Tokyo. So, a large scale nuclear crisis remains a worry thus far.

As the worries spread, stock markets reacted vigorously. The loss once reached 14% for NIKKEI today, and 3-4% intra-day decline was common among Asian markets. Our view is that the biggest risk now is that a nuclear meltdown occurs in Fukushima and it brings economic activities in Japan and Asian countries to a halt. Still, we must say that things have not turned so bad. And we would not recommend investors to join the panic sell today.

*Latest news shows that radiation level detected in the Fukushima nuclear plant and Tokyo has gone down in the evening. The radiation level has come down from 400,000 microsieverts per hour (harmful to human) to lower than 600 microsieverts per hour (no harm to human health). And that detected in the Tokyo region has dropped from 0.809 microsieverts per hour to 0.075 microsieverts per hour.

AMG Financial Group

5/F, Guangdong Investment Tower, 148 Connaught Road Central, Central, HONG KONG

Telephone: (852) 3970 9531 Facsimile: (852) 3426 2650 E-mail: enquiries@amgwealth.com



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.