Asia Pacific Investment Marketing Services

NEWS FLASH

GLOBAL MARKET UPDATE

Asia Pacific morning, 25 January 2010

Week ahead: Plans to ban 'bad' bank business squarely in focus; key sentiment readings from Europe and production data from Asia

Focus for the market this week is going to be heavily skewed towards the potential impact of the Obama banking reforms highlighted last week, following the unfavourable response delivered in the US stock market on Friday. The market will be looking for further details on the proposal and the timing of implementation if successfully passed through the US upper house. The question of whether the plan even gets through in its desired form is a major concern, and there will no doubt be a heavy degree of lobbying from the powers of the banking industry in the US in the period ahead. Responses from other parts of the world have been so far limited. The UK government has made comments to the effect that it endorses the approach but does not intend to pass similar measures onto its own banking industry. World leaders will converge in Davos, Switzerland this week for the World Economic Forum Annual Meeting, with discussion on the plan likely to be amongst other items on the agenda.

Other news in the US this week will be the development of the nation's housing market, with data out on house prices, new home sales and mortgage applications, which considered together, will provide a fair indication of how the recovery within the household sector is progressing. Market economists are forecasting a rise, although persistently high unemployment is likely to have weighed on the housing market. Existing home sales data is due out on Monday while the latest S&P Case-Shiller monthly house price survey will be released on Tuesday. The US Federal Reserve is scheduled to meet this week, discussing the latest thinking on interest rate policy on Tuesday and Wednesday. No change to current rates is expected based on repeated rhetoric from central bankers over recent months. This decision also precedes the fourth quarter Gross Domestic Product release on Friday. The US economy grew by 2.2% during the third quarter, and the market expects another positive number for the quarter.

Economic releases from Europe will be concentrated on the more forward-looking confidence indicators, with surveys on German consumer confidence and its business climate due out early in the week. Business and economic confidence will also be aggregated for the broader euro-zone region and released later in the week. Gross Domestic Product data for the UK will be released on Tuesday, likely to be the highlight of the European economic calendar for the week. Its economy is likely to have grown by around 0.3% over the last quarter, according to the National Institute of Economic Research.

A number of economic data releases are due out of the Asia-pacific region this week, centred on measures of industrial production and price indices. These releases will cover the export-orientated countries of Taiwan, South Korea and Japan. South Korea's Gross Domestic Product for the fourth quarter is also due for release on Wednesday. Growth is forecast to have eased to 0.5% according to the median estimate of economists surveyed by Bloomberg, following its 3.2% advance in the previous quarter, with the economy likely to have been impacted by the strength of the Korean Won against the US dollar. In Australia, the key data point for the week will be the latest inflation figures, with the consumer and producer price Indices due for release a week before the Reserve Bank of Australia meets to debate monetary policy settings. Consumer prices are likely to have risen by about 1% over the quarter, taking the annualised rate to 2.3%, a level well within the Reserve bank's target range, although the authority is likely to continue its program of returning interest rates back to normalised levels.

Economic Calendar:

Jan-28 Japan Bank of Japan Governor Shirakawa to Speak at Business Forum in Tokyo

Jan-25 Germany German GfK Consumer Confidence Survey
Jan-26 Euro-zone Current Account (November)
France French Consumer Spending (December)
Germany German IFO - Business Climate (January)
United Kingdom Gross Domestic Product (Q4)
Jan-27 France French Consumer Confidence Indicator (January)
Germany German Consumer Price Index (January)
Jan-28 Euro-zone Economic Confidence (January)
Euro-zone Business Climate Indicator (January)
Germany German Unemployment Rate. (January)
Jan-29 United Kingdom Nationwide House Prices. (January)

Jan-24 Australia Producer Price Index (Q4)
Jan-25 Singapore Consumer Prices Index
Taiwan Industrial Production
Jan-26 Hong Kong Trade Balance
Japan Merchandise Trade Balance (December)
Singapore Industrial Production
South Korea Consumer Confidence
South Korea Gross Domestic Product (Q4)
Jan-27 South Korea Current Account Balance
Australia Consumer Prices Index (Q4)
Japan Bank of Japan Monthly Report
Japan Retail Trade. (December)
Jan-28 Japan Vehicle Production (December)
Japan National Consumer Price Index (December)
Japan Industrial Production (December)
Jan-29 India Cash Reserve Ratio
Singapore Unemployment Rate
South Korea Industrial Production
South Korea Leading Index
Australia NAB Business Confidence (Q4)
Australia Private Sector Credit (December)

Jan-25 United States Existing Home Sales (December)
Jan-26 United States S&P/Case-Shiller Home Price Index (November)
United States Consumer Confidence (January)
United States ABC Consumer Confidence
Jan-27 United States MBA Mortgage Applications
United States New Home Sales (December)
United States Federal Open Market Committee Interest Rate Decision
Jan-28 United States Durable Goods Orders (December)
United States Initial Jobless Claims (JAN-23)
Jan-29 United States Gross Domestic Product (Q4)
United States Employment Cost Index (Q4)
Canada Gross Domestic Product (November)
Sources: Bloomberg, Reuters, MarketWatch, Datastream

Friday's closing prices:

Equities

Friday's closing bell saw completed the worst three-day stretch for US equity markets since last March 2009 when a recovery in risk appetite began, with US stocks falling more than 2%. The falls in equity markets have also been met with a spike in volatility in recent days, as measured by the VIX index of implied option volatility, an indicator of the market's expectations for volatility.

The VIX has surged 55% over the past three days to post the biggest rise since 2007.
Chicago Board of Exchange Volatility Index (VIX)

U.S. President Barack Obama's proposals to prevent deposit-taking banks from undertaking any proprietary trading un-nerved investors. This combined with disappointing fourth-quarter earnings reports and stronger than expected Chinese GDP and inflation caused widespread selling amongst investors. The S&P 500 ended the day down 2.2%, the Dow Jones fell 2.1% and the FTSE 100 dropped 0.60%. Instead, investors rushed into the perceived safe haven of government bonds. The yield on 10-year US benchmark Treasuries reversed an early rise to drop 5 basis points to 3.59%.

Currencies
US dollar movements remained mixed on Friday after a week of increasing volatility. US President Barack Obama's proposals led to further weakness in the dollar against the euro and yen on Friday, as many exited more risky trades. The yen rose over the week against the US dollar and euro, causing the dollar to fall to a five week low of 89.95.

Commodities
Oil prices continued to slide on Friday to under $75 a barrel. Obama's proposals on Thursday to limit bank risk taking sparked widespread unease, with severe knock-on effects across all commodity prices as investors turned to safer assets. Gold fell 1.5% to $1,094, while the Reuters Jeffries/CRB index, a benchmark commodities basket, lost 0.7%.

Looking ahead
Australia's S&P/ASX 200 index has tumbled this morning on the back of widespread volatility across global stock markets, down 62 points or 1.3% to 4,689.

Latest markets:

	Countries / Regions	Indices	Close		1 day Net change	1 day % change		1 week Net change	1 week % change	1 month % change	MTD % change
Equities - Asia	Japan	NIKKEI 225 STOCK AVERAGE	10,591	η	(277.9)	-2.6 %	η	(391.6)	-3.6 %	2.1 %	0.4 %
	Japan	TOPIX	941	η	(15.1)	-1.6 %	η	(25.5)	-2.6 %	4.2 %	3.7 %
	Hong Kong	HANG SENG	20,726	η	(136.5)	-0.7 %	η	(928.0)	-4.3 %	-1.7 %	-5.2 %
	Hong Kong	HANG SENG CHINA ENTERPRISES	11,976	η	17.8	0.2 %	η	(381.2)	-3.1 %	-3.0 %	-6.4 %
	China	SHANGHAI SE COMPOSITE	3,129	η	(30.3)	-1.0 %	η	(95.6)	-3.0 %	2.6 %	-4.5 %
	China	SHENZHEN SE COMPOSITE	1,162	η	(32.3)	-2.7 %	η	(64.8)	-5.3 %	4.7 %	-3.3 %
	Taiwan	TAIWAN SE WEIGHTED	7,927	η	(200.6)	-2.5 %	η	(429.6)	-5.1 %	0.9 %	-3.2 %
	Korea	KOREA SE COMPOSITE (KOSPI)	1,684	η	(37.7)	-2.2 %	η	(17.5)	-1.0 %	1.7 %	0.1 %
	Australia	S&P/ASX 200	4,751	η	(76.5)	-1.6 %	η	(149.0)	-3.0 %	1.0 %	-2.5 %
	India	INDIA BSE (SENSEX) 30 SENSITIVE	16,860	η	(191.5)	-1.1 %	η	(694.6)	-4.0 %	1.0 %	-3.5 %
	Singapore	STRAITS TIMES INDEX L	2,820	η	(31.3)	-1.1 %	η	(88.7)	-3.1 %	-0.2 %	-2.7 %
	Malaysia	FTSE BURSA MALAYSIA KLCI	1,300	η	(7.9)	-0.6 %	η	1.9	0.1 %	3.2 %	2.2 %
	Thailand	BANGKOK S.E.T.	714	η	(4.9)	-0.7 %	η	(32.4)	-4.3 %	-1.4 %	-2.8 %
	Indonesia	JAKARTA SE COMPOSITE	2,610	η	(28.0)	-1.1 %	η	(36.8)	-1.4 %	5.8 %	3.0 %
	Philippines	PHILIPPINE SE I(PSEi)	3,023	η	(62.1)	-2.0 %	η	(95.0)	-3.0 %	0.2 %	-1.0 %
Equities - Other	US	DOW JONES INDUSTRIALS	10,173	η	(216.9)	-2.1 %	η	(436.7)	-4.1 %	-2.8 %	-2.5 %
	US	S&P 500 COMPOSITE	1,092	η	(24.7)	-2.2 %	η	(44.3)	-3.9 %	-2.4 %	-2.1 %
	US	NASDAQ COMPOSITE	2,205	η	(60.4)	-2.7 %	η	(82.7)	-3.6 %	-2.1 %	-2.8 %
	UK	FTSE 100	5,303	η	(32.1)	-0.6 %	η	(152.4)	-2.8 %	-0.5 %	-2.0 %
	Germany	DAX 30 PERFORMANCE	5,695	η	(51.7)	-0.9 %	η	(180.7)	-3.1 %	-4.2 %	-4.4 %
	France	FRANCE CAC 40	3,821	η	(41.4)	-1.1 %	η	(133.6)	-3.4 %	-2.0 %	-2.9 %
	World	*MSCI WORLD U$	3,760	η	(55.6)	-1.5 %	η	(149.0)	-3.8 %	-0.7 %	-1.5 %
	EMEA	*MSCI EM EMEA $	428	η	(7.7)	-1.8 %	η	(16.3)	-3.7 %	3.2 %	-0.1 %
	Emerging Market	*MSCI EM U$	1,686	η	(30.2)	-1.8 %	η	(81.7)	-4.6 %	1.1 %	-2.5 %
	Global Property	*FTSE EPRA/NAREIT DEVELOPED $	2,325	η	(30.9)	-1.3 %	η	(93.8)	-3.9 %	-1.4 %	-3.7 %
Fixed Interest	Global Bond	*BOFA ML GLB LARGECAP ($)	217	η	0.7	0.3 %	η	(0.8)	-0.4 %	0.9 %	1.1 %
	Euro Bond	*BOFA ML EMU CORP. & LARGE CAP ($)	197	η	1.0	0.5 %	η	(3.2)	-1.6 %	0.5 %	-0.0 %
	US Bond	*BOFA ML US CORP LGCP ($)	224	η	(0.2)	-0.1 %	η	0.4	0.2 %	1.9 %	2.0 %
	Global High Yield	*BOFA ML GLB HY ($)	211	η	(0.7)	-0.3 %	η	(1.8)	-0.8 %	2.5 %	1.9 %
	Euro High Yield	*BOFA ML EURO HIGH YIELD ($)	215	η	0.2	0.1 %	η	(5.2)	-2.4 %	3.0 %	1.8 %
	US High Yield	*BOFA ML US ORIGINAL ISSUE HY ($)	209	η	(0.9)	-0.4 %	η	(1.3)	-0.6 %	1.9 %	1.4 %
	Emerging Debts	*BOFA ML GLB EMRG SOV&CORP($)	353	η	(1.0)	-0.3 %	η	(2.3)	-0.6 %	1.5 %	1.1 %
	Global Inf-Linked	*BOFA ML GLB GVT INFL LKD ($)	240	η	(0.3)	-0.1 %	η	(2.3)	-0.9 %	0.5 %	0.2 %

Source: Datastream, 22-Jan-10, *Regional Indices in USD