

Global Economy: Many helping hands!



Although economies showed sluggish recovery in Western world, Asia told you a different story. Last week, the Bank of Korea raised its benchmark interest rate for the first time since the global crisis, joining counterparts across Asia in removing monetary stimulus as the region leads world growth. Governor Kim Choong Soo boosted the seven-day repurchase rate to 2.25% from a record low 2%. An increase was forecast by just four of 14 economists surveyed by Bloomberg News. Investors are already boosting bets on another move. South Korea joined India, Malaysia and Taiwan in lifting rates in recent weeks, judging that Asia's expansion will remain resilient to Europe's debt crisis. Strengthening growth prompted Malaysia's central bank to raise rates last week for the third time this year, Taiwan to boost borrowing costs last month and the Reserve Bank of India to increase its benchmark three times since mid-March.

The decision follows Kim's assessment that growth may surpass the country's trend rate, and a call by the government to wait until second-quarter data come later this month. South Korea's economy grew more than 1% in the second quarter from the previous three months, and approached its potential output level, Governor Kim said. In addition, Singapore may overtake China as Asia's fastest-growing economy this year, increasing the attractiveness of the city state's stocks and putting pressure on policy makers to check inflation with a stronger currency. GDP of the Southeast Asian island will rise 10.8% in 2010, according to the median of 13 estimates in a Bloomberg News survey before the July 14 second-quarter GDP report. An acceleration in pharmaceutical output and the opening of two casino resorts

boosted growth in the first half, the result of Singapore's efforts to diversify sources of expansion beyond electronics exports. The push to bolster services may sustain the economy and support investment that spurred the island's benchmark stock index to outperform counterparts in China, Taiwan, Japan and Australia this year, according to Bloomberg. Singapore's benchmark stock index has climbed 28% in the past year, more than Hong Kong's Hang Seng and Taiwan's Taiex, while the Shanghai benchmark has fallen 22%. In the meantime, faster growth may prod the Monetary Authority of Singapore to do more at its next policy review in October. Singapore's manufacturing increased an average 45% in the first five months of 2010, after declining an average 13% in the same period last year. **E**

Microscope

Beside the economic growth story in Asia, some economists expect the real winner after the World Cup final may be the economy of the champion, as either Spain or the Netherlands will get a boost from victory in the world's most-watched soccer match. Whatsoever, the all-European final is giving people something to cheer about in the middle of the sovereign-debt crisis that's rocking the continent, according to Bloomberg. Both the finalists could use it. The Dutch, still wrestling with the bailouts of the nation's biggest financial-services companies, saw their government fall in February, while one in five Spaniards is out of work, the highest jobless rate in Europe. Four years ago, Italy's triumph over France in the 2006 World Cup led happier consumers spend more. In the end, GDP expanded 2% in 2006, a six-year high, according to EU data. On the other hand, the winning team itself could boost spending, as Spanish players have been promised 600,000 euros each in bonuses if they win, according to newspaper Marca. The Dutch team will get a bonus of about 300,000 euros per player, De Telegraaf reported on July 2. **E**

MARKET BRIEFING

YTD % (local curr)

US DJ
10,198 (-2.2%)
Nasdaq
2,196 (-3.2%)
Euro Stoxx 50
2,681 (-9.6%)
HSI
20,378 (-6.8%)
Japan NK225
9,585 (-9.1%)
China Shanghai Composite
2,470 (-24.6%)
Singapore
2,917 (0.7%)
India BSE30
17,833 (2.1%)
Brazil BOVESPA
63,476 (-7.5%)
Aus All Ord
4,414 (-9.6%)
US-10yr Bond
Yield 3.05%

As at 09/07/10

Insight: "Premium Financing"

Premium Financing can furnish an individual with an opportunity to bequeath millions of dollars to loved ones with minimal risk and no money down. The technique involves the lending of funds to a person or company to cover the cost of an insurance premium. Premium finance loans are often provided by third party finance entity known as a "Premium Financing Company"; however insurance companies and brokerages occasionally provide premium financing services. To finance a premium, the individual or company requesting insurance must sign a premium finance agreement with the premium finance

company. This is a loan contract that lasts for the life of the insurance coverage. The premium finance company then pays the insurance premium and bills the individual or company, usually in monthly

installments, for the cost of the loan. As such, the benefits to financing an insurance premium include (1) Elimination of the requirement for a large up-front payment to an insurance company and (2) Multiple insurance policies can be attached to a single premium finance contract, allowing for a single payment plan to cover all insurance coverage. However, the consumers should consider the risk of premium financing as well. Since the interest due on the money lent to pay premiums is tied to an index, like the LIBOR (London Interbank Offered Rate) if interest rates rise, the total interest charge will rise as well. **E**

Financial "In & Out"

IN: High yield currencies may continue their bull run amid the optimism that Asian countries illustrate the sustainable growth in Asia and the rising risk appetite for risky assets, including high yield currencies.

OUT: USD will face profit-taking pressure in recent bull run due to concerns over the slow economic growth in the coming year. **E**



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