

Recovering Technology Sector




Soaring global food prices and rising inflationary pressure are raising investment risk in a string of emerging markets even though the receding concern over the credit crunch. Sector-wise, technology sectors outperformed the benchmark over year-to-date with the help of robust growth and the merger-acquisition speculation. Last week, US stocks were mostly higher after upbeat earnings at the computer maker Dell suggested that business spending was holding up while the dollar fell against the euro as some investors sold the US currency after recent gains. US technology stole the limelight as Dell's upbeat results raised investor optimism about the outlook for big-cap tech companies. Dell shares jumped more than 6% last week, making the stock among the Nasdaq's top boosters, along with the chip designer Marvell Technology Group, which rose more than 24% on stronger than expected earnings.

According to Business Week, the sector index is projected to post a 24% increase in 2008 operating EPS, versus a 15% advance for the S&P 500. The sector trades at a price earnings multiple on estimated 2008 EPS of 18.8, versus 13.9 for the S&P 500. Its price earnings to projected five-year EPS growth rate of 1.1 is equal to the broader market's price earnings to growth ratio of 1.1. As such, the technology sector is not expensive when taking its earnings potential into account. In addition, a number of IT companies in recent weeks have indicated demand has been quite healthy, notwithstanding the potentially adverse impact of continued US housing weakness and the credit squeeze. S&P sees more stable semiconductor pricing and inventories, notably sales of computers and lower-end servers, and favorable trends in storage hardware and

software. One of the major trends we see for next year is continuing strength in PC-related revenues, reflecting major new hardware and software offerings, appealing pricing, and strong international demand, especially from developing countries. In fact, the developing countries in Asia, including China and India keep growing in personal and corporate consumptions. Demand for the products and services in technology sector remains robust. That's why another important theme for 2008 is international operations and sales. Although it is widely expected that the US economy to slow, a sustained healthy growth abroad is in sight. In addition, the demand for efficiency improvement will draw more and more acquisition in 2008. 

Microscope

The term information technology has ballooned to encompass many aspects of computing and technology, and the term is more recognizable than ever before. The information technology umbrella can be quite large, covering many fields, covering from computing, installing software applications to designing complex computer networks and information databases. Amid the growing usage of the technology platform and information processing hardware, the areas which have substantial growth potential are data management, networking, engineering computer hardware, database and software design, as well as the management and administration of entire systems. When computer and communications technologies are combined, the result is information technology, or "infotech". Over the coming years, information technology remains important in our daily life and it helps to produce, manipulate, store, communicate, and/or disseminate information. Besides, the emerging importance of solar power companies, demand for storage hardware and software, and the proliferation of Web services is increasing. 

MARKET BRIEFING


YTD % (local curr)

US DJ	12,638 (-4.7%)
Nasdaq	2,522 (-4.9%)
Euro Stoxx 50	3,777 (-14.1%)
HSI	24,533 (-11.8%)
Japan NK225	14,338 (-6.3%)
China Shanghai Composite	3,433 (-34.7%)
Singapore	3,192 (-7.9%)
India BSE30	16,415 (-19.1%)
Brazil BOVESPA	72,592 (+13.6%)
Aus All Ord	5,773 (-10.1%)
US-10yr Bond	Yield 4.05%


As at 30/05/08

Insight: "Risk of Short-term Investing"

Investment involves risk. A common concern with any investment is that you may lose the capital you invest. The value of capital may vary substantially when an investor takes a short-term horizon instead of long period. In a highly liquid market like stock exchanges and across the developed world, the price of securities is set by the forces of supply and demand. Assume a person investing \$10,000 for one year may desire a gain of \$1,000, or a 10% return, providing a total investment of \$11,000 after one year. The result of short-term investing may be different from that of long-term savings. For example, the average annual

compound return of the broad American stock market over the time period from 1926 to 2006 was just over 10% per year. During that eighty year period though, there were more than a few times when massive declines in market value were experienced by investors in that same stock market. From early in the year 2000 through the fall of the year 2002 for example, the broad measures of market valuation, such as the S&P 500 Stock Index fell over 50%. For an investor in 2006 to have seen that average compounded 10% return in the S&P 500 Index, he would have had to invest in 1994. The 15% average annual rate or return was there, it just took twelve years of patient waiting to see it. In case of short-term investing, you might have got loss and given up. That's why investment risk should involve the consideration of investment horizon. 

A-Z Financial Tools

Treasury Inflation Protected Securities – TIPS is a Treasury bond that offers protection from inflation. This security pays interest every six months and pays the principal when the security matures. However, the coupon payments and underlying principal are automatically increased to compensate for inflation as measured by the consumer price index. 



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