

G20 – Political Reshuffle

According to Bloomberg, the biggest developed and emerging nations agreed to further steps to shore up a global economy sliding into recession, and laid out regulatory proposals to prevent a recurrence of the financial crisis. The Group of 20 on last Saturday urged a broader policy response, citing the potential for additional interest-rate cuts and fiscal stimulus, in a statement after meeting in Washington. The group set a March deadline for recommendations on strengthening accounting standards, derivatives markets and oversight of hedge funds and debt-rating companies. The call for an overhaul of the world financial industry indicates leaders want future expansions to be smoother than the boom and bust of this decade. However, a lack of any specific pledges to stimulate growth may disappoint some investors. Based on the announcement, markets may be vulnerable because there was no clear

pledge for coordinated tax and interest-rate cuts. On the positive side, the group pledged not to erect new trade barriers, guaranteed more resources for the International Monetary Fund if needed and promised to meet again before May. In fact, tumbling stock markets and forecasts for a worldwide recession are intensifying pressure on the G-20 leaders to act, 15 months after the credit crunch began. The IMF predicts advanced economies will together contract next year for the first time since World War II. According to Bloomberg, writedowns and losses totaling \$964.6 billion at financial institutions have triggered a surge in the cost of credit, cutting off access to capital for consumers and companies. The euro-area fell into its first recession in 15 years in the third quarter and data suggests the US, Japan and UK have as well. In addition, developing markets

are also feeling the pain, with Chinese industrial production growing at the weakest in seven years last month. Nevertheless, developing countries, especially BRIC, are playing more and more important role after the financial crisis this time. Chinese President, speaking to leaders from the Group of 20 nations in Washington, said China can help alleviate the impact of the financial crisis and slowing global growth by stoking its own economy. Previously, China announced a \$586 billion economic stimulus, focused on building low-rent housing, roads, railways and airports. The package also allows tax deductions for fixed assets such as machinery to stimulate investment. By the way, economic playground is now changing. 



Microscope

The G-20 (more formally, the Group of Twenty Finance Ministers and Central Bank Governors) is a group of finance ministers and central bank governors from 20 economies: 19 of the world's largest national economies, plus the European Union (EU). Collectively, the G-20 economies comprise 90% of global gross national product, 80% of world trade and two-thirds of the world population. The G-20 is a forum for cooperation and consultation on matters pertaining to the international financial system. It studies, reviews, and promotes discussion among key industrial and emerging market countries of policy issues pertaining to the promotion of international financial stability, and seeks to address issues that go beyond the responsibilities of any one organization. With regard to the comment on the current financial turmoil, G20 countries emphasized to upgrade the capital standards, particularly for banks' structured credit and securitization activities. The leaders directed their finance ministers to work on recommendations for enhancing disclosure by investors and institutions, including hedge funds, of their financial conditions. 

MARKET BRIEFING


YTD % (local curr)

US DJ	8,497 (-35.9%)
Nasdaq	1,516 (-42.8%)
Euro Stoxx 50	2,456 (-44.2%)
HSI	13,542 (-51.3%)
Japan NK225	8,462 (-44.7%)
China Shanghai Composite	1,986 (-62.2%)
Singapore	1,759 (-49.2%)
India BSE30	9,385 (-53.7%)
Brazil BOVESPA	35,789 (-44%)
Aus All Ord	3,726 (-42%)
US-10yr Bond	Yield 3.73%


As at 14/11/08

Insight: "Savings Strategies"

Ahead of the upcoming economic downturn, "playing safe" with the help of savings is very critical to sustain daily activities. Accessible savings are needed not only for emergencies, but also for both short-term and long-term goals. There is a rule of thumb - "70-20-10 Rule" - showing how you can successfully divide your money into amounts saved for retirement, emergencies and goals. To follow the 70-20-10 Rule, divide your income in the following manner: (1) Spend 70% for living expenses such as rent, food, clothing, and gasoline; (2) Save 20%, including 5% for an emergency fund. The goal is to save three

to six months of living expenses in the account. This is not for impulse spending. Keep it for unexpected expenses like lay-offs, home maintenance and medical expenses. Another 5% are for goals, like vacation, and a new computer. The remaining portion of 20% is for the long term, including your MPF. The last part of 10% is for debt payments like credit cards, but exclude home mortgage. In addition, you should realize that when you exceed these percentages in any category, it means a reduction in the other areas. If your living expenses are high, you won't be able to save as much. Similarly, if your debt level is too high, you won't be able to contribute as much as your savings, investments or both. If you want to put more money into your savings, all you have to do is decrease your living expenses, decrease your debt or do both. 

A-Z Financial Tools

Financial Planning is to evaluate the investing and financing options available to an individual or a family. Planning includes attempting to make optimal decisions, projecting the consequences of these decisions for the individual or family in the form of a financial plan, and then comparing future performance against that plan, especially for the discrepancy from the expected plan. 



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