


China: Kung Fu Panda!




Microscope

Amid the optimism that the economic recession around the world is being over, new lending and money supply in China surged to records last month and the premier said the economy showed signs of better than expected recovery in the first quarter. China's stocks rose to the highest in almost eight months. The Shanghai Composite's 36% gain this year makes it the second-best performer among 88 key stock gauges tracked by Bloomberg globally. Stocks rallied after the news of the government's 4 trillion yuan stimulus package was announced. While interest rates were cut five times from September to December, the borrowing costs have been pushed downward substantially. Furthermore, record number of new lending can certainly spur a recovery in its economy amid the global recession. As a matter of fact, new loans jumped more than six-fold from a year earlier to 1.89 trillion yuan in March and M2, the broadest measure

of money supply, grew 25.5%, according to the People's Bank of China. The government has pushed banks to lend in support of the stimulus, implemented after the global recession led to a collapse in exports that dragged economic growth to the weakest pace in seven years. China's lending boom contrasts with the struggle in the US to rid banks of illiquid assets and efforts by central banks from Switzerland to Japan to unfreeze credit markets. On the economic front, China's industrial production climbed 8.3% from a year earlier in March and consumer demand grew relatively rapidly in the first quarter, adding to signs the government's stimulus plan is taking effect, according to the official Xinhua News Agency. China Daily quoted People's Bank of China as saying that China would continue to implement a moderately relaxed monetary

policy and keep sufficient liquidity in the banking system. It is expected that China must maintain liquidity in the banking system, and ensure that monetary supply is sufficient to meet the needs of economic development from larger companies to small businesses. In fact, banks extended 1.89 trillion yuan in local currency-denominated loans in March, bringing the total for the first quarter to 4.58 trillion yuan -- nearing the government's full-year target of at least 5 trillion yuan. That helped lift annual growth in the broad M2 measure of money supply to a record 25.5% in March, up from 20.5% in February and easily exceeding economists' expectations of a 21. Nevertheless, there are still many unresolved problems to be dealt with. Of them unemployment and the risk in banking system cannot be underestimated. 

In fact, the biggest danger now to China's economy and financial system is the degree of bad loans. The recent lending numbers are extraordinarily strong. It raised concerns about the impact on overall loan quality, the potential for new asset-price bubbles, and whether these funds can all be allocated to investment projects effectively. At the end of 2008, commercial banks' bad-loan ratio was 2.45%, according to the China Banking Regulatory Commission. The ratio was more than 20% in 2003, before the government completed a cleanup of the banking system that cost more \$500 billion. To proactively manage this risk, the Commission has asked all banks to raise bad debt provisions to 150% of outstanding non-performing loans to be prudent. Last week, the central bank also pledged to prevent loans from going to high energy-consuming or polluting enterprises or to industries where there is overcapacity. It also reiterated support for loans to the agricultural sector, as well as to small- and medium-sized companies. It seems that China has implemented multidimensional measures to boost growth and cap bubble at the same time. 

MARKET BRIEFING

YTD % (local curr)


US DJ	8,083 (-7.9%)
Nasdaq	1,652 (4.8%)
Euro Stoxx 50	2,247 (-8.3%)
HSI	14,901 (3.6%)
Japan NK225	8,964 (1.2%)
China Shanghai Composite	2,444 (34.2%)
Singapore	1,828 (3.8%)
India BSE30	10,803 (12%)
Brazil BOVESPA	45,538 (21.3%)
Aus All Ord	3,617 (-1.1%)
US-10yr Bond Yield	2.75%

As at 10/04/09


Insight: "Use of Family Trust"

A trust is a technical legal term which refers to a relationship, based on confidence, under which property is held by and formally vested in one party, who is known as the "trustee", as its legal owner, but on behalf of other parties who are entitled to the fruits of that ownership - the "beneficiaries" (or "objects") of the trust. A family trust is generally established by a family member for the benefit of members of the "family group". It can make provision for the family, including in particular very young children and adult children with a disability. Moreover, the trust allows to attach certain conditions to gifts, and to give

children the benefits of family wealth without losing control over key assets. It can also assist in protecting the family group's assets from the liabilities of one or more of the family members, for instance,

in the event of a family member's bankruptcy or insolvency. In addition, it provides a mechanism to pass family assets to future generations and can provide a means of accessing favorable taxation treatment by ensuring all family members. Last but not the least, a family trust allows administrative, investment and recordkeeping functions and possibly also property management functions to be centralized and handled more efficiently and at a lower cost. Besides, a family trust has other potential benefits, including avoiding issues such as challenges to the will following a death of a senior member of the family. 

A-Z Financial Tools

Prospective Earnings Growth (PEG) Ratio is based on forecasts from proprietary sources such as Institutional Brokers' Estimate System (IBES), First Call, or Zach's to estimate the corporate earnings. Growth is forecast of earnings minus current earnings divided by current earnings. This is a forward-looking measure rather than typical earnings growth measure which look back in time. 



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