

China: Keeping Warm Inside!



Urban fixed-asset investment climbed 32.9% in the five months to the end of May from a year earlier, according to the statistics bureau in China. The increase in spending was faster than the 30.5% gain in the first four months and the 31% median estimate of 16 economists surveyed by Bloomberg News. China's spending on factories, property and roads surged by the most in five years. On the other hand, property investment is picking up, rising 6.8% in the first five months, compared with a 4.9% increase through April. The number of new investment projects jumped by 47% in the first five months to 123,878, the bureau said. Planned spending on those projects was 5.33 trillion yuan, almost double the amount a year earlier. Besides, retail sales rose 15.2%, up from last month's 14.8%, better than expected 15%. All these signs indicate a recovery is on track. Meanwhile, the Shanghai Composite Index has climbed

over 50% this year on optimism that company profits will revive as economic growth accelerates. Nevertheless, exports were still weak. Overseas shipments declined 26.4% last month from a year earlier, due to the weak demand in developed markets. The slide in exports was the biggest since data began in 1995 and worse than economists' median estimate of a 23% decline. By the way, the government's 4 trillion yuan stimulus package is countering the slump in export. Full-year economic growth is expected to achieve 8%, although it expanded 6.1% only in the first quarter from a year earlier. China's new lending doubled in May from a year earlier, adding to a credit boom that is supporting the government's 4 trillion yuan (US\$585 billion) stimulus plan. New lending was 664.5 billion yuan, the central bank said on

its Web site last week. M2, the broadest measure of money supply, rose 25.7%. It is obvious that the government is battling to overcome an export collapse by flooding the economy with money to fuel domestic demand. A record growth of loans during the past few months raises concerns that banks might be lowering their lending standards. Besides the risk of bad debts, the credit boom may inflate asset prices and increase the likelihood of inflation making a comeback. Fitch Ratings said last month that it's increasingly wary of China's banking industry as it expected an increase in bad debts, and the nation's banking regulator had urged lenders to ensure they didn't loosen management of loans. To conclude, stimulus always is good for the economy in the short run but this may come with a cost for long-run prospects. **E**

Microscope

To capture the recent optimism over economic recovery, the China Securities Regulatory Commission released new listing reform guidelines in May and planned to restart IPOs soon. Although it's good news for long-term economic growth, the flood of new shares could depress the recent market rally. An upward trend in mainland stocks has slowed over the past few weeks, partly on worries that a heavy supply of new equity will divert capital from the secondary market. The securities watchdog suspended new listings last year in a bid to prop up the sagging market. The door to IPOs will reopen in mid-June at the soonest and probably ahead of the start of growth enterprise board. Based on the number of new shares to be issued and the average price-earning ratio on the secondary market, it is expected that the 32 companies now waiting could raise as much as 70 billion yuan in their IPOs. One of the most eye-catching issuers of impending IPOs is China State Construction Engineering Corp (CSCEC), the country's biggest home builder, which is expected to issue 12 billion new shares and raise about 42 billion yuan, the fifth-largest in mainland IPO history. **E**

MARKET BRIEFING

YTD % (local curr)

US DJ	8,770 (-0.1%)
Nasdaq	1,862 (18.1%)
Euro Stoxx 50	2,522 (2.9%)
HSI	18,791 (30.6%)
Japan NK225	9,981 (12.7%)
China Shanghai Composite	2,797 (53.6%)
Singapore	2,381 (35.2%)
India BSE30	15,411 (59.7%)
Brazil BOVESPA	53,410 (42.2%)
Aus All Ord	4,047 (10.6%)
US-10yr Bond	Yield 3.83%

As at 11/06/09

Insight: "Retirement Planning"

It is certainly that everyone would like to retire comfortably. But how? The complexity and time required in building a successful retirement plan can make the whole process seem nothing short of daunting. When it comes to retirement planning, it seems to be different to women and men. Certain statistics can lead one to believe that women may have some additional considerations. The mere fact that a woman's life expectancy if longer than a man's means, all else equal, she will need to save more than her male counterpart. But even if you're a guy, you've likely got a wife, a daughter, or a sister. It is better to understand

the implications the gender just might have to plans for retirement. A little preparation can go a long way. In 2009, with the unemployment rate rising practically weekly, many people are facing real financial

emergencies. In case you do come across a job loss, you might have tapped your emergency fund. Unfortunately, many people still don't actually have emergency funds. As a result, they may consider tapping their investment to get by while they look for new employment. Déjà vu! Someone might sell investment assets in January this year while he could not "refill" them in time before these assets' price has recovered since March. By the way, you can recontract your plan now and prepare again. At the same time, it is appropriate to set aside sufficient amount of emergency fund, say, at least six times of your monthly expenses. **E**

A-Z Financial Tools

X-Generation, or Gen-Xers, is a term used to describe a group of people born from 1964 to late 1970s. This generation is important in consumption behaviour around the world. The culture of Starbucks-drinking has been revolting against their conservative Baby Boomer parents. Gen-Xers are also willing to splurge on homes that are simple and contemporary. **E**



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