

## China: Climbing to New High?




## Microscope

Amid the concern over the timing of “exit” strategy being adopted, China’s cabinet pledged in October to continue monetary and fiscal stimulus even after growth exceeded officials’ expectations for the first nine months of the year. Commerce Minister Chen Deming warned that the global economy may “plunge” if nations withdraw support measures too quickly. It is widely expected that China will sustain its economic rebound this quarter and growth is likely to top the government’s 8% target for 2009. Policy makers need to “manage inflation expectations,” curb excess capacity and encourage sustainable lending growth, the central bank said in its report on the third-quarter economy. According to Bloomberg, Billionaire investor George Soros said Oct. 30 in Budapest that China will be the “greatest winner” from the global financial crisis, with the US losing the most, leading to a shift in their positions that exceeds expectations. Nobel Prize-winning economist Joseph Stiglitz also said that emerging economies including China need to guard against “bubbles” caused by the surge in liquidity as governments around the world try to stimulate growth. 

China’s manufacturing grew at the fastest pace in 18 months and a government researcher said economic growth will accelerate this quarter. The Purchasing Managers’ Index rose to a seasonally adjusted 55.2 in October from 54.3 in September, the Federation of Logistics and Purchasing said today in an e-mailed statement in Beijing. This PMI number was higher than the median estimate of 54.7 in a Bloomberg News survey of 10 economists. A reading above 50 indicates an expansion. The figure compares with a record-low 38.8 in November last year, when recessions in the US, Europe and Japan sent export orders plunging. An index of export orders climbed to 54.5 from 53.3. China, the world’s third-biggest economy may expand at a 9.5 percent annual pace this quarter, Zhang Liqun, of the State Council Development and Research Center, said in the statement. A jump in the import index to 52.8

from 50.7 also shows an acceleration of domestic demand. An output index rose to 59.3 in October from 58 in September and a measure of new orders climbed to 58.5 from 56.8. Surging auto sales, driven by tax cuts and subsidies, are boosting manufacturing. Passenger-car purchases exceeded 1 million for the first time in September as General Motors Co., the largest overseas automaker in China, reported that sales doubled. On the other hand, an index of employment dropped to 52.4 from 53.2, indicating the economic recovery is still overshadowed by the uncertainty in domestic consumption. Premier Wen Jiabao’s \$586 billion stimulus plan and unprecedented growth in new loans are sustaining China’s rebound amid signs that exports may start to recover as the global slump eases. China’s three largest lenders advanced 3.3

trillion yuan of new loans in the first nine months, helping drive an economic recovery and will accelerate profit growth at the banks to at least 20% next year, according to estimates compiled by Bloomberg. In addition, new loans doled out by Chinese banks tripled to 7.37 trillion yuan in the first half from a year earlier after the government eased restrictions in November to help revive the economy. New credit slowed to 1.28 trillion yuan in the third quarter after the banking regulator warned about potential risks in defaults and asset bubbles. Although the economy has been heavily reliant on government-directed investment, the recovery is impressive. In addition, external demand will soon to emerge around the globe, providing an additional source of support for growth in the months ahead. 

### MARKET BRIEFING


#### YTD % (local curr)

|                          |                |
|--------------------------|----------------|
| US DJ                    | 9,712 (10.7%)  |
| Nasdaq                   | 2,045 (29.7%)  |
| Euro Stoxx 50            | 2,743 (11.9%)  |
| HSI                      | 21,752 (51.2%) |
| Japan NK225              | 10,034 (13.3%) |
| China Shanghai Composite | 2,995 (64.5%)  |
| Singapore                | 2,651 (50.5%)  |
| India BSE30              | 15,896 (64.8%) |
| Brazil BOVESPA           | 61,545 (63.9%) |
| Aus All Ord              | 4,646 (27.0%)  |
| US-10yr Bond Yield       | 3.38%          |


As at 30/10/09

## Insight: “Comprehensive Financial Plan”

Comprehensive financial planning is a term used to describe the analysis of multiple financial concerns together at the same time. Typically, an advisor will consult with you to discuss retirement, college funding, debt management, insurance, estate planning and tax issues. The result is a strategy for accomplishing your family’s goals that is implemented and monitored overtime. The process of a comprehensive financial planning begins with an initial interview with you. The financial advisor inquires about your family’s objectives, risk tolerance, overall financial knowledge and investment

experience. This could include anything from sending children to college, buying a new apartment, or starting a new business, to traveling the world during retirement. The advisor will then analyze your current financial status by reviewing investment statements, mortgage documents, insurance policies and so on. The advisor reviews all of the information, often consulting with existing professionals such as investment advisor, accountants or attorneys. The advisor analyzes all information to determine how close your family is to meeting its goals and creates strategies for accomplishing them. The next step is to implement the plan, which could include reallocating assets and launching new retirement plans. Once the plan is implemented, the advisor monitors it to identify any needed changes. 

## A-Z Financial Tools

**Reward-to-variability ratio** is a measure of the excess return per unit of risk in an investment asset. It is used to characterize how well the return of an asset compensates the investor for the risk taken. The ratio has as its principal advantage that it is directly computable from any observed series of returns without need for additional information surrounding the source of profitability. 



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