

## Global Market: Drying up?



## Microscope

According to the International Monetary Fund, it is expected that traders are using the dollar to fund carry trades around the world and the currency may still be overvalued even after its slide this year. These trades may be contributing to upward pressure on the euro and some emerging-economy currencies. While the dollar has moved closer to medium-run equilibrium, it is still on the strong side, according to IMF. In a carry trade, investors borrow in countries with low interest rates to invest in higher-yielding assets. Benchmark interest rates of 0.1% in Japan and as low as zero in the US compare with 7% in South Africa and 3.5% in Australia, making the yen and dollar favored targets for investors seeking to fund carry trades. Due to weak consumption, US interest rates look to remain near zero through the first half of 2010 at the very least, which provides traders plenty of time to continue with carry trades. In addition, the stock index in the US trades for more than 21 times reported earnings from the past year, near the highest level since 2002, according to data compiled by Bloomberg. Based on analysts' average 2010 profit projections, the valuation falls to 13.7. 

European Central Bank President Jean-Claude Trichet said on Nov. 5 that the ECB will withdraw some liquidity operations after evidence mounted that the region's economy is pulling out of the recession. The Bank of England on the same day slowed the pace of bond purchases. Although both central banks kept their benchmark interest rates at record lows, it is widely expected those expansionary monetary policies adopted after the financial tsunami happened in 2008 will eventually reverse. Last week, the Europe's biggest insurer, Allianz SE, also urged the central bankers to roll back their economic stimulus measures. In fact, the global economy is on the path to recovery. However, if exit strategies are delayed too long, we risk entering a new boom-bust cycle. Given the long time-lag of monetary policy, an exit from monetary-policy expansion should begin earlier than for fiscal policies, especially in Europe. German government bonds posted a weekly decline, the fourth in five weeks, as policy makers began preparing the ground for ending measures designed to revive economic growth, according to Bloomberg. The 10-year bund, Europe's benchmark debt security, fell for five straight days. US Federal Reserve policymakers, at the end of a two-day policy meeting on Nov. 4, reiterated their intention to keep interest rates exceptionally low for an extended period. It is speculated that the Fed will keep rates on hold into next year, fueled by US Labor Department figures on Nov. 6 that showed the nation's unemployment rate jumped to 10.2% in October, exceeding 10% for the first time since 1983. Payrolls fell by 190,000 workers last month, compared with a 175,000 drop anticipated by the median forecast of economists surveyed by Bloomberg News, figures from the Labor Department showed. The data also showed companies cut 91,000 fewer jobs in August and September than originally reported. In fact, US employers have shed 7.3 million jobs since the recession began in December 2007, 3.5 million since President Obama took office in January. Obama said his administration will continue to pursue measures that will stimulate job growth. For example, the president made his remarks after signing into law a measure extending an \$8,000 tax credit for first-time homebuyers and benefits for unemployed workers. It also provides tax refunds to money-losing companies. However, there is no signal from the Fed to enhance its asset purchase program. Undoubtedly, money-printing is coming to a turning point. 

### MARKET BRIEFING

#### YTD % (local curr)


<b>US DJ</b>	10,023 (14.2%)
<b>Nasdaq</b>	2,112 (34.0%)
<b>Euro Stoxx 50</b>	2,794 (14.0%)
<b>HSI</b>	21,829 (51.7%)
<b>Japan NK225</b>	9,789 (10.5%)
<b>China Shanghai Composite</b>	3,164 (73.8%)
<b>Singapore</b>	2,658 (50.9%)
<b>India BSE30</b>	16,158 (67.5%)
<b>Brazil BOVESPA</b>	64,466 (71.7%)
<b>Aus All Ord</b>	4,604 (25.8%)
<b>US-10yr Bond</b>	Yield 3.50%

As at 06/11/09


## Insight: "Insurance Planning"

To plan for insurance coverage, like life insurance, some companies suggest that you need a face amount of life insurance that equals between five to eight times your current earnings. But, is it enough to support the family expenses in case of premature death? Your financial professional can help you decide how much life insurance is sufficient. In general, when you are younger, you need plenty of insurance if you have young children or there are others who depend on you. You should count on keeping a good deal of insurance on your life until the children finish school or leave home, whichever comes

first. After that, your life insurance needs will depend on your unique personal and work situation. When you get older, or once you retire, you should have retirement savings, but you should still consider the

need for life insurance by the time you retire, if you fall into one of the following situations. For example, you had children later in life. It's wise to keep life insurance at least until the child completes school. If you think an additional death benefit will help your spouse if you predecease him or her, consider keeping the life insurance. Or, when you have not adequate net worth to leave to your children, life insurance can play an important role to fill up the gap. Finally, it should be noted that although costing of an insurance plan is important, the supplementary benefits, like riders should also be taken into account. 

## A-Z Financial Tools

**Soft dollar** is a term used to describe the commission generated from a trade or other financial transaction between a client and an investment manager. This soft dollar arrangement is one in which the investment manager directs the commission generated by the transaction towards a third party or in-house party in exchange for services that are for the benefit of the client but are not client directed. 



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