

## Emerging Europe: Still freezing!



Although the global economy is slowly recovering, Central and Eastern Europe's economy still suffered from recession. However, the economic slump in the region eased in the third quarter as its main export markets in the west recovered from recession, signaling the region has moved past the worst of the crisis. The Czech economy shrank an annual 4.1%, after a revised contraction of 4.7% in the previous period, according to Bloomberg. The Czech Republic, which relies on exports for about 70% of GDP, sells products such as cars made by Volkswagen AG's Skoda and electronics goods. The central bank forecasts the economy will grow 1.4% next year, according to Bloomberg. Slovakia, which adopted the euro in January as the second east European country after Slovenia, also relies on exports for 67% of output, mainly from its automotive industry centered around factories of Volkswagen, PSA Peugeot Citroen and Kia

Motors. Hungary's decline slowed to 7.2% from 7.5% and Slovakia's economy shrank a preliminary 4.9% from 5.3%. Hungary was the first European Union country to obtain an international bailout last year to avert default when investors shunned its assets. The terms of its loan included a cap on the budget deficit, which limited the government's ability to cushion the recession with state spending. It is obvious that the overall picture is that they're still lagging behind the rest of the world, although the asset bubbles happened as in other emerging market. In addition, the waning recession in western Europe, led by a recovery in Germany, is helping eastern Europe's export-driven economies get back on track because of renewed demand following the worst contraction since World War II. Germany and France, the euro area's two

largest economies, emerged from recessions in the second quarter. In the July-September period, German GDP rose 0.7% from the April-June quarter, according to the statistics office, and France's economy expanded 0.3% in the third quarter from the previous three months. As a whole, the 16-nation euro region may expand 0.7% in 2010 and 1.5% in 2011, after contracting 4% this year, the European Commission (EC) forecast this month. The only country in the European Union's east to report a deeper contraction in the third quarter was Bulgaria. Bulgaria last week reported a 5.8% contraction, worse than the 4.9% in the previous period. The EC said in early November that Bulgaria will be the last in the EU to emerge from recession, with contractions expected until the fourth quarter of next year. **IB**

## Microscope

On the stockmarket, Russian billionaire's aluminum producer United Co. Rusal may offer stakes in smelters and mines to Chinese companies to ensure the success of its initial public offering in Hong Kong. It is expected to the world's largest maker of the metal plans to sell a 10% stake in Hong Kong to help repay more than \$14 billion of debt. Rusal may seek to win Chinese state-owned companies as investors by offering production joint ventures and access to raw materials. The only way that Rusal can get a high valuation is if it gets a couple of big state-backed Chinese investors. As a matter of fact, success to Rusal's output would help China, the largest aluminum user, to secure supplies as its own production is limited by comparatively higher costs. A deal may also cement a deepening trade relationship between the countries. Russian Prime Minister Vladimir Putin, with a delegation including Deripaska, visited China last month to clinch oil, natural gas and nuclear deals that totaled more than \$100 billion this year, according to Bloomberg. However, Rusal, like many companies in central and eastern Europe, may need to agree on a debt restructuring with foreign creditors before the IPO. **IB**

### MARKET BRIEFING

YTD % (local curr)

<b>US DJ</b>	10,270 (17.0%)
<b>Nasdaq</b>	2,167 (37.5%)
<b>Euro Stoxx 50</b>	2,883 (17.6%)
<b>HSI</b>	22,553 (56.8%)
<b>Japan NK225</b>	9,770 (10.3%)
<b>China Shanghai Composite</b>	3,187 (75.1%)
<b>Singapore</b>	2,727 (54.8%)
<b>India BSE30</b>	16,848 (74.6%)
<b>Brazil BOVESPA</b>	65,325 (74.0%)
<b>Aus All Ord</b>	4,722 (29.1%)
<b>US-10yr Bond</b>	Yield 3.42%

As at 13/11/09

## Insight: "Investment Planning"

Investment planning belongs to one of the elements in financial planning. It begins after you have taken into account your current and expected income level and have laid down your financial goals. The important aspects of investment planning are to achieve the objective of capital growth, or to obtain regular income. Usually, investors aiming at long-term goals focus on capital growth. It is because a long-term investment will allow you to tide over rough times without changing your plans. Stocks, or unit trusts represent investment options for capital growth. On the other hand, if you're investing to meet

a short-term goal or to give you a regular flow of funds to complement your present salary, you should opt for income investments. These investments generate a regular flow of income in the form of interest

and include fixed-income investments, such as bond funds. While making a selection, you should consider the associated risks. Typically, more risky investments offer higher returns in order to make it worthwhile for investors to take on the additional risk. Investment planning should take into account an investor's risk appetite, which depends on your current income level, savings, lifestyle and responsibilities. Finally, it is required to review your investment plan regularly so as to help in fine-tuning a portfolio to suit your current financial situation and a change in risk preference. **IB**

## A-Z Financial Tools

**Treynor index** is a measure of the excess return per unit of risk, where excess return is defined as the difference between an investment portfolio's return and the risk-free rate of return over the same evaluation period and where the unit of risk is the portfolio's beta. It can act as a measurement to assess the performance of particular fund manager or portfolio manager. **IB**



### IBC Group

Comprehensive Financial Planning  
Wealth Management Advisory  
International Business Advisory  
Call 2268 6308  
Email: [insider@ibccapital.com](mailto:insider@ibccapital.com)

Next Insight  
"Wealth Protection"