

Dubai Crisis: “Black Friday” is not bad!



Microscope

Dubai borrowed \$80 billion in a four-year construction boom that transformed the sheikhdom into a regional tourism and financial hub, according to Bloomberg. It suffered the world's steepest property slump in the global recession, with home prices dropping 50% from their 2008 peak. Dubai World, controlled by the emirate's ruler, borrowed from more than 70 lenders to buy assets ranging from stakes in Las Vegas casino company MGM Mirage to London-based Standard Chartered Plc. HSBC Holdings Plc, Europe's biggest bank, and Standard Chartered Plc led declines in Asian financial stocks on concern lenders may be hurt by Dubai World's plan to delay payments to creditors. Bank shares in markets including Japan and Taiwan also fell, following the biggest declines in European stocks in seven months last Friday after Dubai World said it would seek a standstill agreement to delay repayment on much of its \$59 billion of debt. However, the Hong Kong Monetary Authority sees no systemic risk to the city's banking sector from Dubai World. It is estimated that the banks' total exposure to the United Arab Emirates amounted to a mild 0.39% of total banking assets at end September.

Although US retailers reported strong shopper traffic on Black Friday, as a result of aggressive discounts on televisions, toys and computers drawing budget-conscious crowds across the US, the global stockmarkets were dampened by the Dubai Crisis. Fundamentally speaking, US economy is picking up slowly. However, investment sentiment is dominated by the worries over the debt write-off and assets' offloading in the meantime. Dubai, the Persian Gulf emirate whose state-run companies are seeking to defer debt payments, may owe more than the \$80 billion to \$90 billion in liabilities assumed by investors, according to Bloomberg. Dubai Worlds, which has said on Nov 25 that it will raise as much as \$20 billion selling bonds to repay borrowings with \$59 billion of liabilities, would ask creditors for a standstill agreement as it negotiates to extend debt maturities. In fact, the request to delay debt repayment came as a

major shock to global financial markets. Investors are worried over the larger-than-expected credit-default swaps began trading in January, according to CMA Datavision prices. Default swaps on Dubai World unit DP World Ltd., the Middle East's biggest port operator, jumped 167.4 basis points to 776. Certainly, financial markets will remain volatile in short-term due to the rising risk aversion. However, the amount and the spectrum of the possible default will not be likely to lead to have same impact as the collapse of Lehman Brothers happened last year, let alone the global economy is recovering. To conclude, the aftermaths of 2008's financial tsunami is far from resolving, but peak season of retail consumptions especially in the US has also

soared to the fifth highest worldwide last week, exceeding Iceland's and Latvia's, and climbed to 687.5 basis points, after the biggest increases since the credit-default swaps began trading in January, according to CMA Datavision prices. Default swaps on Dubai World unit DP World Ltd., the Middle East's biggest port operator, jumped 167.4 basis points to 776. Certainly, financial markets will remain volatile in short-term due to the rising risk aversion. However, the amount and the spectrum of the possible default will not be likely to lead to have same impact as the collapse of Lehman Brothers happened last year, let alone the global economy is recovering. To conclude, the aftermaths of 2008's financial tsunami is far from resolving, but peak season of retail consumptions especially in the US has also

MARKET BRIEFING	
YTD % (local curr)	
US DJ	10,309 (17.5%)
Nasdaq	2,138 (35.6%)
Euro Stoxx 50	2,831 (15.5%)
HSI	21,134 (46.9%)
Japan NK225	9,081 (2.5%)
China Shanghai Composite	3,096 (70.0%)
Singapore	2,762 (56.8%)
India BSE30	16,632 (72.4%)
Brazil BOVESPA	67,082 (78.6%)
Aus All Ord	4,597 (25.6%)
US-10yr Bond	Yield 3.21%
As at 27/11/09	

Insight: “Financial Needs Analysis”

Financial needs analysis is a core element of a financial plan. Before making recommendation for your insurance and investment planning, you have to understand the financial gap between your existing resources and the expected goal's requirement. It means properly analyzing your current financial position, your financial needs and wants, and how you plan to achieve your financial goals. The best way to do this is to carry out a financial needs analysis on you. While financial advice comes in many forms, a thorough review and analysis of all aspects of your financial affairs and those psychological factors that impact on your life

is required. What's required for a financial needs analysis? Basically, your personal details, like your occupation, and number of dependents, current assets and liabilities and your net income after deducting all necessary and discretionary expenses to determine any available income with which to work are required. This means that you can save or invest for future consumptions and to achieve your financial goals. Thereafter, your financial needs are required to be addressed and the order of their importance should be list out so as to effectively make use of limited resources. Factors, such as emergency funds, life and disability insurance, retirement capital and a will are taken into account. In addition, a schedule of current insurance policies and investments, assumptions as to future inflation and interest rates are crucial.

A-Z Financial Tools

Variable life insurance policy is a whole life insurance policy that provides a death benefit dependent on the insured's portfolio market value at the time of death. Typically the company invests premiums in common stocks, so variable life policies are referred to as equity-linked policies. The policy is used for hedging against the upcoming inflation while the interest rate remains subdued.



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