


G-20 Meeting: Fund flow's reversal?




Microscope

The G-20 accounts for about 85% of global gross domestic product. Its members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the US, U.K. and EU. The latest agenda of this G20's finance chiefs' meeting not only included the discussion over Yuan, but also the rescue measures of Greece debt. Greece was prepared to ask euro-region governments for a bridge loan as \$11.3 billion in bonds come due next month and borrowing costs surge to the highest level since 1998, according to Greek government official. As Greece struggles to cut its budget deficit below the EU's 3 percent limit by 2012, the country is likely to cut or delay payments to bond investors. As Moody's Investors Service cut its rating on Greek debt one notch to A3 and the EU revised the country's budget deficit higher, saying the gap may have topped 14% of gross domestic product last year. Whatsoever, investors were waiting for Greece to hammer out terms of a 45 billion-euro (\$60 billion) aid package with the European Union and International Monetary Fund. 

G-20 finance chiefs discussed the latest financial issues again on last Friday. It was widely expected that they may intensify pressure on China to revalue the yuan. The pressure came from Washington to Mumbai and Brussels, according to Bloomberg. International lobbying may still take time to pay off. It took almost two years of G-7 pressure for China to loosen the yuan's peg to the dollar in July 2005. In a sign some in China are still against allowing the yuan to gain. Three weeks since US Treasury Secretary called the G-20 talks in the US capital an avenue for advancing US interests on the Chinese currency, counterparts are rallying to his side. Speculation the G-20 will press China for a revaluation, after the body ducked the topic of exchange rates in recent years, lifted yuan forwards to a three-month high during last Thursday. The G-20 avoided the topic of exchange rates after its leaders began regular meetings

in November 2008, just after the collapse of Lehman, because of the need to first integrate China into the international policy-making fabric. That may now be changing as the recovery strengthens and authorities pledge policies that make the world less reliant on US demand and Chinese savings. Whether the lobbying proves successful provides another test of the G-20's ability to achieve results as splits over hedge fund rules and bank taxes fracture the united front its members formed in battling the global recession. After scrapping a peg to the dollar in July 2005, the Chinese government allowed the yuan to gain 21% before holding it at about 6.83 to the dollar since July 2008. While that aids its exporters, it has incurred criticism abroad for hurting foreign companies and fanning Chinese inflation. In addition, Brazil's central bank said April 20'ts

absolutely critical that China let its currency appreciate. Moreover, less developed economies are suffering the most from China's currency regime, according to Harvard University. Reserve Bank of India Governor said April 20 exports to India from China have grown faster than shipments in the other direction and that obviously is a reflection of differences in the exchange-rate management. To conclude, many people argue that the principal losers from the weak Renminbi are other emerging markets, not the US. European officials are also seeking an effective real appreciation of the Renminbi, according to an EU draft document. In fact, Chinese executives including Yang Yuanqing of computer maker Lenovo Group and Qin Xiao of China Merchants Bank Co. said last month they favored a stronger yuan. 

MARKET BRIEFING


YTD % (local curr)

US DJ	11,204 (7.4%)
Nasdaq	2,530 (11.5%)
Euro Stoxx 50	2,918 (-1.6%)
HSI	21,244 (-2.9%)
Japan NK225	10,914 (3.5%)
China Shanghai Composite	2,983 (-9.0%)
Singapore	2,988 (3.1%)
India BSE30	17,694 (1.3%)
Brazil BOVESPA	69,509 (1.3%)
Aus All Ord	4,913 (0.6%)
US-10yr Bond Yield	3.81%

As at 23/04/10


Insight: "Momentum Investing"

Momentum investing or trend trading stocks is the theory that goes directly against the contrarian investing strategies. That is to say, it tries to buy when prices are high and sell when they are falling. Amazingly it has proven itself time after time to be the most successful way to approach the market. Stocks move in a similar way, some good fundamental news can push the stocks up and start an upward trend. The pure momentum of that trend can push the stock higher and higher, well above what the true value of the stock actually is. Simply put it assumes that prices tend to trend in one direction, even if there is

no fundamental reason for it to do so. The dominating factor affecting the investor's psychology is the movement trend. It works similar to a roller coaster ride, when a roller coaster falls down a steep slope it tends to build up momentum, so it can do things like spinning around in loops without actually having to use any mechanical help. The momentum alone is able to push the cart. The reason an uptrend tends to continue, is that no one wants to be left out. When a stock starts trending up, investors and mutual fund managers fear that they are going to miss the next big move so they start jumping in. This pushes the stock even higher and so on. The smart traders are not the ones calling a top but the ones who average up when a stock is making a new high. That's why investors do not want to risk missing any opportunity. 

Financial "In & Out"

IN: Western European equities may continue to bottom out amid the optimism that the economies in Euroland are improving and the concern over default risk of Greece debt will fade out.

OUT: Japanese stock may face profit-taking pressure due to the stagnant economy and the expensive valuation after several months' rises in stock prices. 



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