


India: Gathering Momentum!




Microscope

India is planning to set up US\$11 billion debt fund to build ports, roads and bridges needed to drive economic growth. In fact, India doubled its target for infrastructure spending to \$1 trillion in the five years starting 2012 to narrow the gap with China, the world's fastest growing major economy. India spent 6.5% of its GDP in 2009 on infrastructure, compared with about 11% by China, according to an Ernst & Young India report. Failure to lift investment may imperil Prime Minister's target of boosting economic growth to 10% needed to pull 828 million people living on less than \$2 per day out of poverty. India in February offered tax breaks to individuals and companies to encourage infrastructure investments. The country is ranked 89 out of 133 nations for its infrastructure, according to the World Economic Forum's Global Competitiveness Index. Global funds including 3i Group Plc have invested in India's ports and power plants. Macquarie Group Ltd., Australia's biggest investment bank, and State Bank of India, the nation's largest lender said last year that they raised \$1 billion to invest in the South Asian nation's infrastructure. 

Global financial markets, especially emerging markets, are affected by the recent Greek crisis. But the Federal Finance Secretary of India commented last week that the Greek crisis will have minimal impact on its country and the euro-zone turbulence could prompt overseas investors to rush to the safer, rapidly-expanding South Asian economy. The comment came after the European Union earlier Monday agreed to a EUR750 billion (\$955 billion) bailout plan in an effort to stanch a burgeoning sovereign debt crisis that began in Greece but now threatens the stability of financial markets worldwide. India had emerged relatively unscathed from the global financial meltdown that erupted late 2008 and dragged major economies into the worst recession since the Great Depression. In fact, Greece is much smaller in scale and magnitude compared to what we have seen in the last one-and-a-half years. Moreover,

foreign investors have been net buyers of \$12.8 billion worth of shares and bonds in India so far this year, compared with a net outflow of \$154.40 million in the same period last year. Although the benchmark wholesale price index rose 9.59% from a year earlier, it slowed from 9.90% in March. The data suggest the country may be past the worst, but an upward revision of the February inflation figure to more than 10% rekindled concerns that the central bank will raise interest rates between meetings. Some analysts believe it's likely, as price pressures that were limited to food products now afflict the wider economy. The central bank has raised its two key policy rates by 0.5 percentage point and has withdrawn 485 billion rupees (US\$11 billion) of liquidity from the banking system so far this year to control inflation. Nevertheless,

Finance Minister said GDP growth in the January-March quarter was expected to exceed 8.6%, and that India was on track to achieve the government's projected 7.2% expansion for the just-ended fiscal year. India withstood the global economic crisis with minimal harm even as developed economies were struggling. India has capacity to allow economic growth to keep up with China. Compared with China, there are many stories to tell to boost the economy in India. For example, India's per capita spending on city development is \$17 each year, just 15% of what China spends, according to a report released by McKinsey & Co. last month. The average time taken by ships to unload and load at Indian ports is almost 96 hours, about 10 times longer than in Hong Kong, the government said in its latest annual economic survey. 

MARKET BRIEFING


YTD % (local curr)

US DJ	10,620 (1.8%)
Nasdaq	2,346 (3.4%)
Euro Stoxx 50	2,633 (-11.2%)
HSI	20,145 (-7.9%)
Japan NK225	10,462 (-0.8%)
China Shanghai Composite	2,696 (-17.7%)
Singapore	2,855 (-1.5%)
India BSE30	16,994 (-2.7%)
Brazil BOVESPA	63,412 (-7.5%)
Aus All Ord	4,643 (-4.9%)
US-10yr Bond	Yield 3.45%

As at 14/05/10


Insight: "Insurance Planning"

The major part of insurance planning is related to life insurance planning. Such planning is taking the necessary steps to preserve and protect your present lifestyle, while preparing for your future income needs by utilizing life insurance. As a matter of fact, it is a continuous process that should adapt to your changing financial objectives. For example, when you are young, you want to provide security for your family and establish a sound financial base. As you get older, you look toward wealth creation and retirement. In later years, your objectives may include estate enhancement, wealth preservation and

succession planning. Whether your life events are personal in nature or business related, they deserve careful consideration when planning for your financial future. Corporate-wise, many business owners choose life insurance to protect themselves against the loss of a key employee. The death of a key employee can have a disastrous effect, eg, decreasing productivity which can lead to capital losses. Life insurance premiums are small compared to funds from other sources, which would have to be quickly raised out of earnings or by borrowing when a death occurs. If permanent insurance policies are used, there can also be a cash value buildup, which may be available to the business in time of need. Loans, withdrawals, and other distributions will affect the policy values and net cash value and may affect the death benefit. 

Financial "In & Out"

IN: Prices of Asian debt will rise with the help of risk-adversity in Europe amid the concern over the debt crisis in European counties as well as the depreciating Euro.

OUT: Government and corporate bonds in Europe may face short-term selling pressure as the risk appetite of investors for these issues are waning. 



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