

US:

Economic growth is on track!



Although the economic recovery in the US is slower than desired because households are deleveraging, we see the start of imminent growth in employment. Employers added 290,000 jobs last month, the most in four years, as the unemployment rate rose to 9.9% from 9.7%, according to the US Labor Department. The payrolls increase exceeded the median estimate of economists surveyed by Bloomberg News and followed a 230,000 gain in March that was larger than initially estimated. The US economy grew at a 3.2% annual rate in the first three months of 2010, after growing at a 5.6% pace in the last quarter of 2009, according to a Commerce Department report last month. Rising exports, the need to replenish depleted inventories and spending on new equipment and software are generating production gains that are leading the economy out of its worst recession in seven decades. Factory production

climbed 6% in the 12 months to April, the biggest year-on-year increase since April 2000, according to Bloomberg. In fact, orders for US factory goods, sales of new and existing homes and consumer spending probably climbed in April, indicating the US recovery was strengthening before the European debt crisis rattled global financial markets, economists said reports this week may show. Bookings for durable goods also increased 1.5%, according to the median of 60 estimates in a Bloomberg News survey ahead of a Commerce Department report May 26. Combined sales of new and existing homes last month probably rose 5.5% to an annual rate of 6.08 million, while household purchases probably rose for a seventh month, other surveys showed. As a matter of fact, we're in the early stages of a lasting recovery in the US, analysts

may be leaning toward raising growth forecasts, but the financial turmoil has given them pause to delay any upgrade. Economic growth is likely to be more sluggish than desired, banks remain under significant stress, and economic growth has been fueled by temporary sources such as fiscal stimulus programs. On the other hand, the recovery from the worst housing slump since the Great Depression has been largely driven by the timing of a government homebuyer tax credit worth as much as \$8,000. Sales of previously owned homes probably rose 5.6% in April to a 5.65 million-unit annual pace. Coupled with the benign inflation, these headwinds to growth explain why the Federal Reserve is keeping short-term interest rates unusually low, boding well for the extended bull run in the stockmarket. **IB**

Microscope

Global stocks, including the US stockmarket, fell on concern that European governments are divided on how to contain the region's sovereign-debt crisis after Germany unilaterally banned some bets against government bonds and financial institutions. According to Bloomberg, Germany's one-sided ban on naked short-selling is counterproductive and unlikely to boost investor confidence. Such measures have a poor historical track record and are unlikely to be adopted on a wider scale. Technically speaking, the biggest decline in 13 months in US stocks on May 20 pushed the S&P's 500 Index below its average closing price during the previous 200 days for the first time since July 2009. In addition, the Chicago Board Options Exchange Volatility Index, the benchmark gauge of US stock options known as the VIX, jumped 30% to 45.79 the same day, the highest level since the financial crisis spurred by the bankruptcy of Lehman Brothers Holdings Inc. The VStoxx Index, which measures the cost of protecting against declines in the Euro Stoxx 50 Index, rallied 8.4% last week, reaching a 15-month high of 49.87 on May 20. **IB**

MARKET BRIEFING

YTD % (local curr)

US DJ	10,193 (-2.3%)
Nasdaq	2,229 (-1.8%)
Euro Stoxx 50	2,574 (-13.2%)
HSI	19,545 (-10.6%)
Japan NK225	9,784 (-7.2%)
China Shanghai Composite	2,583 (-21.2%)
Singapore	2,701 (-6.8%)
India BSE30	16,445 (-5.8%)
Brazil BOVESPA	60,259 (-12.1%)
Aus All Ord	4,325 (-11.4%)
US-10yr Bond	Yield 3.24%

As at 21/05/10

Insight: "Estate Planning"

With regard to estate planning, many people decide how property should be distributed at death, but it also includes techniques to build the estate during life and, for small business owners, the operation of the business, including passing that business on to the next generation. Most young families start with a modest estate but have major commitments to dependents. It is often said that these families are the ones most in need of estate planning. Their modest estate must provide for dependents should either or both parents die. Their concerns should be determining who receives the property in the

estate, the administration of the estate, and providing for the care of children. Younger persons also are concerned about increasing their estates to provide for dependents and seeing that property generates income during their lifetimes to supplement the income from their labor. To succeed a partnership business, life insurance is usually adopted to help transfer one partner's interest to the other partners if that partner dies. Various arrangements can be used. In a cross-purchase agreement, each partner owns a policy on each of the other partners, and names himself or herself as beneficiary. When a partner dies, the remaining partners will have sufficient funds to purchase the deceased partner's share of the business. Succession planning decisions involve complex questions of law, tax, and business planning. **IB**

Financial "In & Out"

IN: Euro may rebound with the help of short-covering amid the optimism that debt crisis of Greece may not last too long and the determination of ECB to maintain the strength of Euro.

OUT: US dollar may face short-term selling pressure as the risk appetite of investors is increasing. **IB**



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