

## Global Financial Markets: Opportunity behind volatility!



Global stocks tumbled last Friday amid the sustainable debt crisis in Europe and slow employment growth in the US. Credit-default swaps on sovereign bonds surged on speculation Europe's debt crisis is worsening after Hungary said it's in a very grave situation because a previous government lied about the state of the economy, according to Bloomberg. Hungary's financial markets reacted negatively after a spokesman for Prime Minister said talk of a default is not an exaggeration because a previous administration manipulated figures. The country was bailed out with a 20 billion-euro (\$24 billion) aid package from the European Union and International Monetary Fund in 2008. The cost of insuring against losses on Hungarian sovereign debt jumped 83.5 basis points to 391.5. Swaps on France, Austria, Belgium and Germany also rose, sending the Markit iTraxx SovX Western Europe Index of contracts on 15

governments 10 basis points higher to 163, and close to the all-time high of 167 on May 6. On the other hand, US private payrolls rose by 41,000 in May, trailing the 180,000 gain forecast by economists. Including government workers, employment rose by 431,000, boosted by a jump in hiring of temporary census workers. Although the jobless rate fell to 9.7% from 9.9% as Americans discouraged by the lack of available jobs dropped out of the labor force, unemployed Americans are facing the longest wait on record to find work, a sign faster economic growth is needed to reduce the jobless rate from close to a 26-year high. The number of Americans who were out of work for 27 weeks or more rose to 6.76 million in May from 6.72 million in April. The group reached a record 46 percent of all jobless workers. According to the US

Labor Department, the average duration of unemployment jumped to 34.4 weeks in May from 33 weeks the prior month and 16.5 weeks in December 2007 when the recession began. The number of unemployed has almost doubled to 15 million since the start of worst slump since the 1930s. In fact, if that level of private job creation continues, it will not make a substantial dent in the unemployment rate. The economy expanded at a 3% annual pace the first quarter. Some economists expected that the economy would need to grow at an annual rate of 3.5% for three years to recoup the 8 million jobs that have been lost since the recession began. As yet, the US economy should take time to achieve such growth rate. Nevertheless, US interest rate can be maintained at historical low level for a longer time.

## Microscope

Last week, Euro plunged below \$1.20 for the first time since March 2006 and dropped for a sixth straight week versus the yen. The dollar and the yen climbed as a lower-than-forecast payrolls report last week fueled concern the US economic recovery may be slowing, damping demand for growth-linked currencies. The euro fell 7.4% against the dollar in May on concern Europe's sovereign-debt crisis will damage the region's banks and slow its economic growth. Behind the day-to-day risk on and risk off, market perceptions of fiscal risk have been the key underlying driver of the majors over the past few months. Euro's drop may not be a bad thing, especially for European countries. Europe wants the currency to weaken to generate growth, increase tax revenues and inflate its way out of debt. It's also a tried-and-true method to deal with massive debt problems. Group of 20 finance chiefs meeting in Busan, South Korea, last week signaled they will delay introducing new rules aimed at forcing banks to raise the quality and quantity of capital they hold to buffer against financial crisis. Euro area officials voiced concern haste would hurt economic growth.

### MARKET BRIEFING

#### YTD % (local curr)

<b>US DJ</b>	9,931 (-4.8%)
<b>Nasdaq</b>	2,219 (-2.2%)
<b>Euro Stoxx 50</b>	2,556 (-13.9%)
<b>HSI</b>	19,780 (-9.6%)
<b>Japan NK225</b>	9,901 (-6.1%)
<b>China Shanghai Composite</b>	2,553 (-22.1%)
<b>Singapore</b>	2,806 (-3.1%)
<b>India BSE30</b>	17,117 (-2.0%)
<b>Brazil BOVESPA</b>	61,675 (-10.1%)
<b>Aus All Ord</b>	4,472 (-8.4%)
<b>US-10yr Bond</b>	Yield 3.20%

As at 04/06/10

## Insight: "Steps in Financial Planning"

Financial planning is a multi-step process that provides you with two important things: (1) An in-depth review of your current financial situation, and (2) a blueprint that shows you how to achieve your goals and objectives for the future. It is important to remember that financial planning is a process, not an event. To create this blueprint, you focus on your goals, objectives, priorities and values first. For instance: the reduction of current and future income taxes may be an immediate goal, funding a quality education for your children and/or grandchildren may be an intermediate goal, and enjoying a secure financial

future in your retirement years is likely to be one of your most important long-term goals. Another great goal in life for some people is creating wealth and leaving an estate for your chosen beneficiaries. You may already be on the road to meeting these objectives and simply need a new strategy, professional insight, or to fine-tune your plan. You may just be starting out, or you may be somewhere in between. Whatever your unique situation may be, everyone needs a periodic assessment of where they are on the road to meeting their financial goals. That's why we do an in-depth review of your current financial situation. Next, you need to know how you can set about achieving (or continue working toward) your financial goals. Finally, to achieve the intended results, you must eventually implement and monitor your plan.

## Financial "In & Out"

**IN:** Gold prices will resume its bull run amid the spread of debt crisis in Eastern Europe and the expectation that interest rate in the US will remain low for an extended period.

**OUT:** Japanese yen will depreciate further on optimism that Japan government will boost its export to protect against the sinking economy and to balance its trade with major partners.



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