



Indices performances

	Price	Weekly Change
China & HK Indices		
HSI	21,752.87	-3.70%
HSCEI	12,769.36	-4.11%
CSI300 Index	3,280.37	-3.89%
SHA Index	3,143.88	-3.61%

Source: Bloomberg
*Price as of Oct 30, 2009

HSCEI 1-year price performance



Source: Bloomberg

3Q Results Largely in Line

- **Sector Highlights.** China Insurance Regulatory Commission announced that the maximum amount of corporate bonds that insurers can buy is raised to 40% of insurers' assets from previously 30%. Insurers may also buy BBB-rated corporate bonds in Hong Kong issued by state-owned companies. However, insurers can only buy bonds sold by companies whose annual bond interest payments are less than their average annual net profit in the preceding three years (vs. previously, companies with profits in three consecutive years).
- **Sector Performance.** The H-share Index lost 4% w/w. China property sector retreated by over 7% after strong performance the previous week. Oil sector lost over 2% after **PetroChina (857)** reported lower-than-expected 3Q results and international crude price fell. China banking sector outperformed and fell less than 1% after **ICBC (1398)** and **BOC (3988)** reported decent 3Q results. Insurance sector also outperformed on favourable government policy.
- **Company Highlights.** **ICBC (1398)** reported a 19% yoy growth in 3Q earnings to RMB33.5bn, qoq growth at 7.4% was above expectations. **BOC (3988)** reported a 3.8% yoy increase in 9-month 09 earnings to Rmb62.2bn. 3Q qoq earnings dropped 6.4% to RMB21.1bn. **China Shenhua (1088)** reported 3Q net profit of RMB8.8bn, up 11% yoy. For the first nine months of 2009, net profit reached RMB26.0bn, up 14.6% yoy. **PetroChina (857)** reported 3Q09 net profit of RMB30.8bn, down 23% yoy and 2% qoq. 3Q realized oil price was US\$62/barrel, down 41% yoy. Crude oil production was down 2% while natural gas output gained 13%. **China Railway Construction (1186)** 3Q09 headline profit up 69% yoy, thanks to Rmb325mn FX gain. Stripping out that, the company's 3Q09 recurrent profit is Rmb1.2bn, up 10% yoy. **China South Locomotive (1766)** announced that 3Q net profit rose 65% yoy to RMB415mn with revenue up 13.6% to RMB10.8bn. Results were driven by a 3% yoy expansion in gross margin to 16.8%. **Zijin (2899)** 3Q net profit rose 15% yoy to RMB958mn, driven by higher gold price and copper price and production. **Chalco (2600)** barely broke even for 3Q, with a net profit of RMB21mn, down 88% yoy. That already improved from the net loss situation in 1H09 due to improved metal prices. **Anhui Conch (914)** reported 3Q09 net profit of RMB938mn, up 33% yoy and 6% qoq. For the first nine months of 2009, net profit reached RMB2.24bn, up 11% yoy.
- So far, the 3Q results of H shares remained on track highlighted by the solid financials of the large State banks while the smaller commercial banks continued to see capital pressure. We expect trading range of HSCEI at between 12,300 – 13,000 for the week.

Property Shares Dropped on Fears of Property Price Peaking



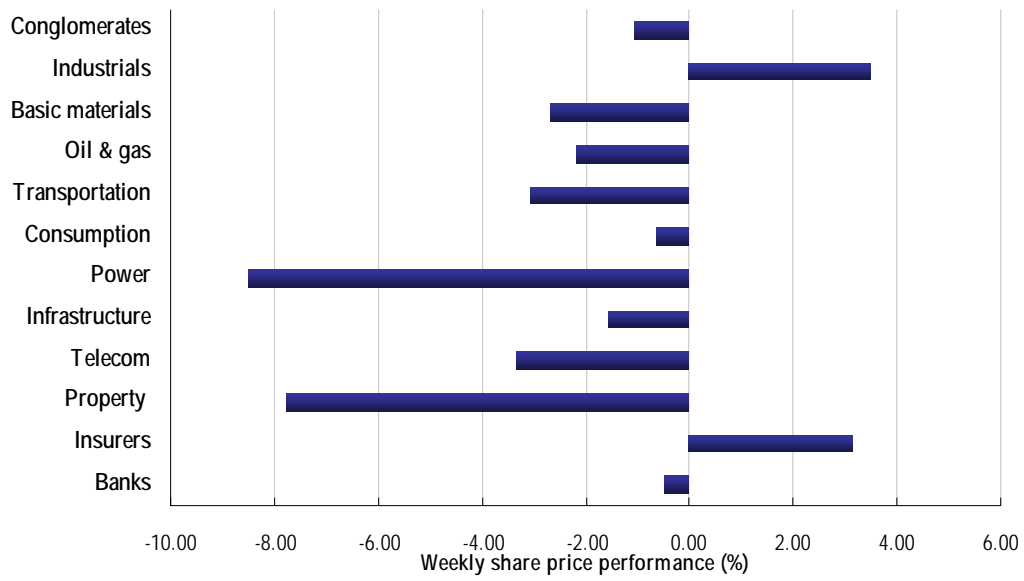
HSI 1-year price performance



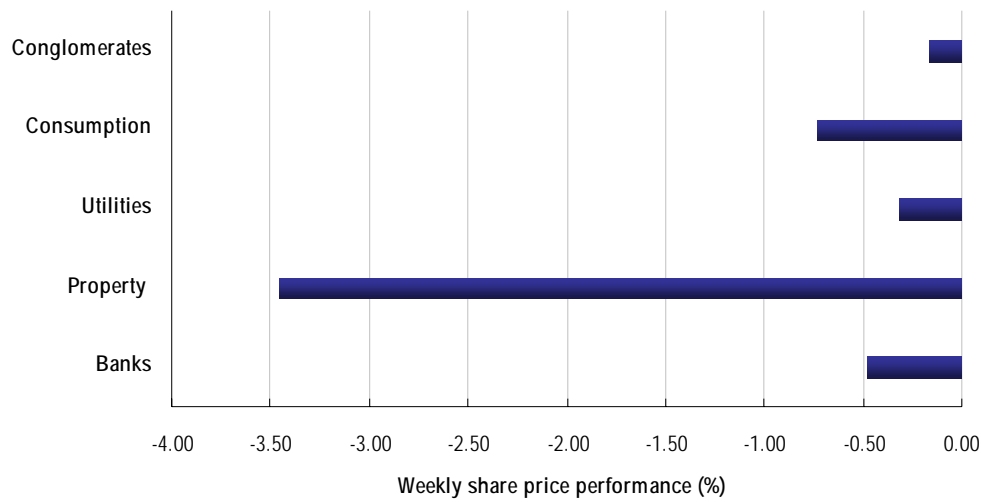
Source: Bloomberg

- **Market Highlights.** The HSI fell 3.7% last week to 21,752 points, dragged down by property and telecom sectors. Average daily turnover increased further to HK\$75bn from HK\$70bn the previous week.
- **Macro Highlights.** HK September export declined by 8.6% yoy to HK\$226bn, narrowed from the 13.9% decline in August. September import dropped 3.1% yoy, compared with the 9.8% decline in August. For the first nine months of 2009, exports fell 16.2% yoy while imports decreased by 15.7%.
- **Sector Performance.** Local property sector dipped 3.5% w/w on fears of peaking in property prices in the city. Local banks were relatively resilient and lost only 0.5% with Friday's rebound recovered most of the losses in the earlier week. Conglomerate shares mostly closed down, with **Hutchison (13)** and **Swire (19)** traded down 4% and 1% respectively.
- **Company Highlights.** **BOCHK (2388)** reported a 3.7% qoq drop in net operating income to HK\$6.8bn before impairment allowances, dragged by a drop in trading income from a high base. Operating expenses increased to HK\$5bn (vs HK\$2.2bn in 2Q) as the company incurred HK\$3bn of Lehman mini-bonds repurchase expenses. **COSCO Pacific (1199)** reported 3Q results with net profit down 45% yoy and 9% qoq to US\$40mn. Revenue was down 9% yoy and was flat qoq. Container throughput declined by 4% yoy but rose 10% qoq. **Henderson Land (12)** and its joint venture partner **New World Development (17)** announced that the consortium will accept the land premium for the conversion of its agricultural land in *Lok Wo Sha*, Shatin. The land premium is finalized at HK\$3253/sf above expectations of HK\$2300-2500/square feet. **COFCO Packaging (906)**, which is engaged in the packaging of food cans and drink cans in China, offered shares at HK\$3.85-5.39 per share to raise HK\$0.77-1.08bn. The funds raised will mainly be used for construction and expansion of production facilities. BOCI and CICC are the sponsors.
- While China 4Q GDP looks set to improve further from 3Q, mixed US economic figures and fears of removal of economy bailout measures overseas may cap the market. We expect HSI to trade at between 21,000 – 22,000 for the week.

China Sector Performance



HK Sector Performance





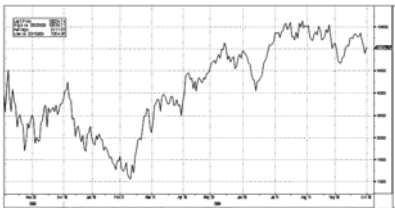
Japanese Investors Doubt Recovery's Sustainability

Indices performances

	Price	Weekly Change
Japan Indices		
Nikkei 225 Index	10,034.74	-2.4%
Topix Index	894.67	-0.8%

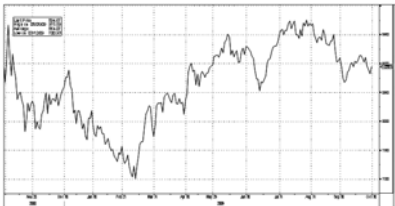
Source: Bloomberg
*Prices as of 30/10/2009

Nikkei 225 1-year price performance



Source: Bloomberg

Topix 1-year price performance



- **Macro Highlights.** Japanese stocks ended last week lower as earnings season officially began. The Nikkei 225 and Topix dropped by 2.4% and 0.8% to end at 10,034.74 and 894.67, respectively.
- The Bank of Japan indicated it will stop buying corporate debt at the end of this year, as central banks around the world begin to phase out emergency measures at the height of the financial crisis. At the same time, Board members voted to extend a program designed to provide unlimited loans to banks backed by collateral through March 31, 2010. The central bank also expects deflation to linger into 2011, with core inflation falling to 0.4%. However, overall economic growth could accelerate to 2.1%.
- Japan's unemployment rate fell to a 4-month low of 5.3% in September, adding evidence that the recovery is gaining traction. A leading indicator of employment trends showed that the job-to-applicant ratio improved for the first time in more than 2 years.
- Japan's industrial production rose 1.4% as companies planned to increase production during October and November. Growth in China continues to generate sales for manufacturers and the pace of the current recovery is occurring faster-than-expected.
- **Company Highlights.** **Nintendo (7974)** reduced its full-year annual profit forecast to ¥230bn due to slumping sales of Wii consoles. Selling prices for Wii consoles were cut by 20% in order to improve sales. **Mitsubishi (8058)** raised its full-year forecast by 9% after oil prices rebounded and coal sales increased. Management expects full-year net income to reach ¥240bn. The company generates more than 50% of its profits from energy and commodities. **Nippon Steel (5401)** reported its smallest loss in three quarters to ¥29.6bn. Stimulus spending in China and emerging Asian nations helped to spur steel exports from Japan. Production forecast was raised to 15mn metric tons in the second half compared to 11.5mn tons for the first 6 months. **Sony (6758)** narrowed its full-year loss forecast to ¥95bn, citing faster-than-expected cost reductions and improving earnings from consumer electronics.
- Earnings season for fiscal second quarter (July to September 2009 period) continues this week and many corporate managements are beginning to raise full-year forecasts despite yen strength. The Nikkei 225 index is still expected to trade within 9,800 and 10,200 this week. Our year-end target for the Nikkei 225 remains at 11,000.



Dragged Down By Wall Street Losses

Indices performances

	Price	Weekly Change
Taiwan Index		
TWSE - Taiwan TaieX Index	7,340.08	-4.21%

Source: Bloomberg
Price as of 30/10/2009

TWSE 1-year price performance



Source: Bloomberg

Macro Highlights

- The nation's money supply expanded in September, the Central Bank of China said. M2, the broadest measure of money supply rose 8.28 percent last month from a year earlier after gaining 8.17 percent in August. M1B, which excludes time deposits and foreign-currency deposits included in M2, rose 23.51 percent from a year earlier, following a 22.14 percent increase in the previous month.

Market Performance

- The Taiwan market fell week-on-week as Wall Street corrections hit the country's stocks. The local bourse ended the week 4.2% lower at 7,340.08. Sector performances: Industrial -0.14%; Technology: -0.37%; Consumer Cyclical: -0.34%; Basic Materials: -0.34%; Financial: -1.61%; Communications: +0.11%; Energy: -1.14%; Utilities: +0.24%; Diversified: -6.81%.

Company Highlights

- **Altek Corp. (3059 TT)**, a Taiwan camera-maker, gained 3.3 percent on Friday, the most since Sept. 16, to NT\$56.20, the most since Sept. 16, after it posted third-quarter net income of NT\$762 million. This is the highest profit in four quarters. **Asustek Computer Inc. (2357 TT)** advanced 4.8 percent to NT\$61 after the maker of the Eee PC low-cost laptop aims to ship 16 million laptops next year, a 30 percent increase from 2009, a local paper reported. **Compal Communications Inc. (8078 TT)**, a Taiwanese maker of mobile phones, surged by 12 percent to NT\$49.10, the highest since June 11, 2008, after Motorola Inc. predicted fourth-quarter profit that may exceed analysts' estimates. Goldman Sachs Group Inc. wrote on September 7 that Motorola is the company's biggest customer. **Compal Electronics Inc. (2324 TT)**, climbed 3.1 percent to NT\$41.55 after the media reported the world's largest contract laptop maker's shipments may double to 73 million units a year within the next three years. The company forecasts shipments of 36.5 million units this year. Separately, Credit Suisse Group AG. upgraded the company to "outperform" from "neutral." The stock gained 1.1 percent to NT\$40. Morgan Stanley also raised the firm's target price to NT\$45 from NT\$42. **Hannstar Display Corp. (6116 TT)**, a Taiwan flat-panel maker, jumped 6.1 percent to NT\$6.27 last Friday, the most since July 2, after it posted a third-quarter net income of NT\$491 million, the company said. This is the first profit in five quarters. **Farglory Land Development Co. (5522 TT)**, Taiwan's biggest construction company, slid 13.2 percent to NT\$67.20 after the central bank asked the country's state-owned lenders to curb loans used for property investment. **Cathay Real Estate Development Co. (2501 TT)** lost almost 10% to NT\$13.15. The central bank said it asked state-controlled banks to tighten loan risk management. Chinatrust Financial Holding Co. (2891 TT) dropped 6.8 percent to NT\$20, the most since August 5, after Taiwan's biggest credit-card issuer said its banking unit, Chinatrust Commercial Bank, bought NT\$2.4 billion of subordinated debentures issued by Standard Chartered Bank (Taiwan), according to a stock exchange filing. **Formosa Plastics Corp. (1301 TT)**, the world's second-biggest maker of polyvinyl chloride, or PVC, lost 2.2 percent to NT\$63.20 after it posted a 35 percent decline in third-quarter profit to NT\$9.2 billion. Formosa Plastics' third-quarter profit figure was derived by deducting first-half net income from nine-month earnings.
- For this week, we expect the TaieX Index to trade in-between 7,400 and 7,700.



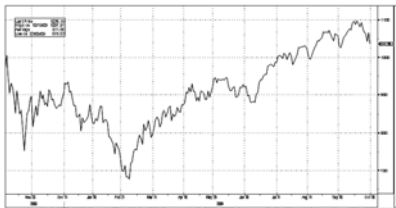
Investors Remain Cautious Despite US GDP Returns to Positive Growth

Indices performances

	Price	Weekly Change
US Indices		
Dow Jones 30	9,712.73	-2.6%
S&P 500	1,036.19	-4.0%
Nasdaq	2,045.11	-5.1%

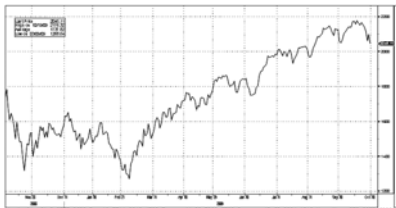
Source: Bloomberg
*Price as of 30/10/2009

S&P 500 1-year price performance



Source: Bloomberg

Nasdaq 1-year price performance



Source: Bloomberg

- **Macro Highlights.** US equity indices recorded sharp losses last week even though US 3Q09 GDP returned to positive growth. The Dow Jones Industrial Average slipped by 2.6% to 9,712.73. The S&P 500 index plunged by 4.0% to 1,036.19 and the Nasdaq Composite Index also dipped by 5.1% to 2,045.11.
- 349 of the S&P 500 companies have reported 3Q09 earnings so far, with average year-over-year declines of 7.7%. Initially, consensus estimates were expecting a 23.2% drop and indicate that corporate earnings are coming in better than originally projected.
- US 3Q09 advanced GDP rose by 3.5%, ahead of market expectations of 3.2%. A 22% jump in consumer spending was largely supported by purchases of automobiles attributable to the Cash for Clunkers program. Excluding the influence of auto sales, production and inventories, GDP grew by 1.9%. Residential construction also jumped by 23% as homebuilding rebounded. Government spending rose by 2.3%.
- US Senators have agreed to extend a first-time homebuyer tax credit through the end of April 2010. The credit would also be expanded to those who have lived in their home for 5 consecutive years. The credit for repeat buyers would be \$6,500. Credit will also be available to individuals whose annual salary amount to \$125,000 and couples earning \$225,000. The tax credit extension has been welcomed by President Obama's administration.
- **ExxonMobil (XOM)** posted 3Q09 net income dropped by 68% to \$4.73bn or \$0.98 per share, which was short of market expectations of \$1.03. Revenues fell by 40% to \$82.3bn because of lower crude prices. Upstream earnings fell by 25% to \$4bn on lower crude oil and natural gas prices. Higher operating costs also reduced earnings by \$300mn. Downstream earnings were down 89% to \$325mn on lower refining margins. Chemicals segment fell 19% to \$876mn. Management spent \$4bn on share repurchases during the quarter, down from \$5bn in 2Q09. **Proctor & Gamble (PG)** reported 3Q09 net income fell by 1% to \$3.31bn or \$1.06 per share, well ahead of \$0.95 expected. Sales fell by 6% to \$19.81bn. Even so, management boosted its sales forecast for the current quarter and full-year EPS estimate from \$3.99-\$4.12 to \$4.02-\$4.12. **Colgate Palmolive (CL)** reported 3Q09 net income rose by 18% to \$590mn or \$1.12 per share, ahead of \$1.11 expected. Sales were flat at \$4bn, but its gross margin rose from 56.1% to 59.2%. Global prices rose by 5% and unit volumes increased by 1.5%, helping organic sales to increase by 7% excluding currency effects and other acquisitions. It gained market share in major markets such as the US and Latin America.
- The Dow Industrial is expected to trade within 9,500 and 10,000 this week, with a medium-term target of 11,000.



Indices performances

	Price	Weekly Change
Pan-European Indices		
DJST Euro Stoxx 50 Index	2,743.50	-4.94%
FTSE 100 Index	5,044.55	-3.78%
DAX Index	5,414.96	-5.67%
CAC 40 Index	3,607.69	-5.27%

Source: Bloomberg
*Price as of 30/10/2009

DJST Euro Stoxx 50 Index 1-year price performance



Calamitous Corrections

Macro Highlights

- **German unemployment unexpectedly declined in October**, with the number of people out of work falling to 26,000 on a seasonally adjusted basis to 3.43mn people. Market expectations had expected an increase of 15,000. The jobless rate slipped to 8.1% from 8.2% in the previous month.
- **U.K. mortgage approvals climbed to their highest level for 18 months in September**, adding to signs the housing market is recovering from a rout. Lenders granted 56,215 home loans, compared with 52,970 in August, the Bank of England said. The median forecast was 53,600. By value, mortgage lending rose by 922 million pounds.

Sector Performance

- European stocks posted their biggest weekly drop since July amid concern the European Union may impose restrictions on financial companies in return for government aid and speculation a near eight-month rally in equities has outpaced the prospects for growth. National benchmark indexes fell in 16 of the 18 western European markets. France's CAC 40 retreated 5.3 percent and the U.K.'s FTSE 100 slid 3.8 percent. Germany's DAX Index slumped 5.7 percent, the steepest weekly decline since February. ING Groep NV sank 23 percent after agreeing to demands from the EU that it sell its insurance units and announcing plans to raise more than \$11 billion in a rights offer to help repay government assistance. Bank of Ireland Plc Allied Irish Banks Plc, which have received 7 billion euros from the Irish government, tumbled more than 20 percent. Lloyds, the U.K.'s biggest mortgage lender, lost 9.6 percent and RBS, Britain's biggest government-owned bank, sank 11 percent. KBC Groep NV, the recipient of a 7 billion-euro rescue by the Belgian government, retreated 14 percent. SAP AG sank 11 percent after the world's biggest maker of business-management software cut its sales forecast and reported third-quarter earnings that trailed analysts' projections. ArcelorMittal led steelmakers lower, dropping 9.8 percent, after saying it may report a full-year loss. The world's largest steelmaker also posted earnings that missed estimates.

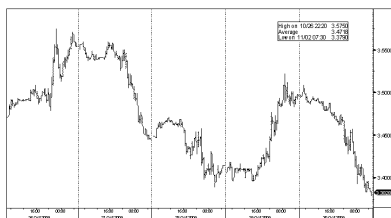
Company Highlights

- **ArcelorMittal (MT NA)** posted a 76% decline in 3Q09 earnings to \$903mn or \$0.60 per share. Revenues fell by 35% to \$16.17bn and shipments fell by 29% to 18.2mn metric tons. Prices are hot-rolled coil gained 16% while steel coils dropped by 38%. For 4Q09, management is expecting average steel selling prices to be higher than in 3Q09. The company is also maintaining a dividend of \$0.75 for 2010. **SAP AG (SAP GR)** reported 3Q09 net income rose by 12% to 435mn euros and sales fell by 9.2% to 2.51bn euros. Its software and software-related services revenues came in weaker than expected because of challenging environments in the emerging markets and Japan. Outlook for 2009 is now expected to drop between 6% and 8%, which is more than earlier projections of a 4%-6% decline. **BG Group (BG/ LN)** reported 3Q09 net profit fell by 44% to £484mn and revenue dropped by 33% to £2.2bn, affected by lower demand and prices for natural gas and crude oil. Production during the quarter rose 5% to 56.6mn barrels of oil equivalent per day, mainly affected due to a delay in the start-up of a facility in Tunisia. **Banco Santander (SAN SM)** reported 3Q09 net profit rose by 0.7% to 2.22bn euros. Higher earnings from the UK and Brazil helped to offset loan losses. Cost bad loans provisions rose to 2.57bn euros or 3.03% of total loans. Meanwhile, profit from the UK and Brazil rose to 430mn euros and 628mn euros, respectively. Management is repeating guidance that it can equal last year's profit of 8.88bn euros in 2009. **BP Group (BP/ LN)** posted a 34% decline in 3Q09 earnings to \$5.34bn, driven by sharply lower crude oil prices compared to one year ago. Excluding one-time items and inventory changes, net profit came in at \$4.67bn, well ahead of consensus expectations of \$3.25bn. Management is targeting higher output this year after ramping up production in the Gulf of Mexico. It is also aiming to increase market share in the refining business by the end of 2010. **Bayer AG (BAYN GR)** reported 3Q09 net income fell by 10% to 249mn euros and sales fell by 7% to 7.39bn euros. Lower prices, unfavorable weather and lagging demand for herbicides and fungicides resulted in a 16mn euro loss at the CropScience division. Management is expecting to post full-year sales of between 31bn to 32bn euros.
- For this week, we expect the DJST Euro Stoxx 50 to trade in-between 2,600 and 2,900.

Major Rates

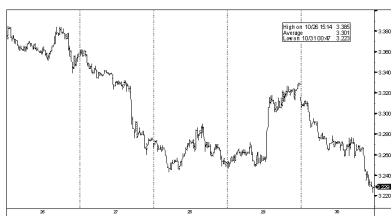
	Closed	Weekly Change
USD		
2-Year Treasury Yield	0.889%	-11 bps
10-Year Treasury Yield	3.382%	-11 bps
30-Year Treasury Yield	4.225%	-7 bps
EUR		
2-Year Bund Yield	1.288%	-9 bps
10-Year Bund Yield	3.231%	-11 bps
30-Year Bund Yield	3.978%	-14 bps

US Treasury 10-Year Benchmark Yield



Source: Bloomberg

German Bund 10-Year Benchmark Yield



Source: Bloomberg

US Treasury Bonds

US GDP Rose 3.5%, the First Time in a Year

- Last week, US Treasury prices rose as equity market slumped and demand for safe haven soared. The 10-Yr Treasury yield traded in a range from 3.559% to 3.379% and ended at 3.382%, down 11 bps from previous week.
- Market rumoured CIT Group, the commercial lender, would file for bankruptcy protection. The rumour turned out to be true on Monday, and CIT said it plans to trim US\$10Bn of debt in the restructuring. The \$2.3Bn of Government funding injected into CIT would unlikely be recovered.
- The \$123 Bn of notes plus TIPS sold last week drew strong demand. The bid-to-cover ratio of 5-yr auction was 2.63x, the most since Oct 2007. 2-yr auction had a bid-to-cover ratio of 3.63x, the most since Aug 2007. Overall, the auction this year was greatly absorbed by the market.
- Data wise, 3Q GDP rose 3.5%, beating estimated figure of 3.2% and was stronger than -0.7% last quarter. It rose for the first time in a year. On the other hand, personal spending dropped 0.5% in Sep, meeting consensus but lower than 1.3% in Aug. The figure triggered concern that consumer may restrain spending and may damage the recovery.
- Expected Range: **10-year UST at 3.20/3.60%**

German Bunds

Yield Underpinned by Improving Economy

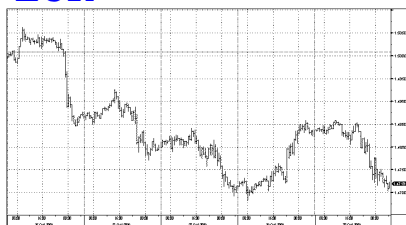
- European government bonds prices dragged for another week as the economy continued to improve. The yield of 10-year Bund closed at 3.231%, ranging from 3.385% to 3.223%, down 11bps from the previous week.
- The global economy was gathering pace of recovery and depressed the bund prices. The Executive and Consumer sentiment in region rose the highest level since September 2008. The German's Unemployment also unexpectedly dropped 26k to 3.43Mn in October.
- However, investors would pay the attentions in some countries in region. The credit agents downgraded the rating of Greek to A1 and A-. Moody's also lowered the outlook of Portugal to Negative. The deterioration of fiscal positions of those countries remained major concerns in the region.
- The ECB Axel Weber signalled the policy makers might start withdrawing emergency stimulus measures next year. Indeed, given the subdued inflation pressure and the slow healing economy, the central bank would have no pressure to raise the benchmark rate from the historical low level.
- Expected Range: **10-Year Bunds at 3.10/3.40%**

Foreign Exchange and Gold

USD Overview

Dollar rebounded on the growing concerns early last week that U.S. home sales might cool unless Congress decides to extend the USD8,000 credit due to expire November 30. Despite that a gauge of home prices in 20 U.S. cities rose in August for a third consecutive month, confidence among U.S. consumers unexpectedly fell for a second month in October, reinforcing the views of Federal Reserve policy makers who say household spending will be restrained by rising unemployment. What's worse, sales of new U.S. homes unexpectedly fell in September as the end of a tax credit for first-time homebuyers approached, highlighting the importance of government aid to the emerging economic recovery. The market was finally inspired on Thursday when data showed that the world's largest economy expanded at a 3.5% annual pace from July through September, but shortly on Friday night, sentiment was hit again by the disappointing U.S. personal spending figure for the third quarter, which brought pressures to most major foreign currencies at the end of last week.

EUR

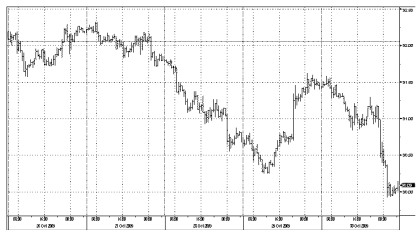


Source: Reuters

Lacking Support above the 1.50 Mark

- Euro started at the highest level at the beginning of last week and gradually slid to its weekly low on Thursday. Lacking of data release itself, the movement of euro largely reflected the overall cautious market sentiment before the release of the U.S. GDP figure and the somehow disappointing U.S. housing market data. Euro was boosted after a surprisingly strong U.S. GDP growth in the third quarter and a pick-up in the region's factory usage. However, data also showed that the region's economic recovery can be slow as the unemployment stays high. The EUR/USD finally closed at 1.4719, losing 289 bps or 1.93% from the previous week.
- European factories increased capacity usage on assembly lines for the first time in two years this quarter as confidence in the economic outlook rose to the highest since Lehman Brothers Holdings Inc. collapsed. Assembly-line activity in the euro area rose to 70.7% of capacity this quarter from 69.6% in the prior three months, the European Commission said on Thursday. The increase in capacity usage at euro-area factories was the first since the second quarter of 2007 and brought the gauge up from the lowest since the data were first collected in 1990, the commission's report showed. Besides, an index of executive and consumer sentiment jumped to 86.2, the highest since September 2008. The gain in economic confidence was the seventh in a row.
- Data showed on Friday that the jobless rate in the euro region rose to 9.7% in September, the highest since January 1999. The unemployment rose for a 15th month, with the highest rates in Spain, with 19.3%, and Ireland, at 13%. The rate in France rose to 10% while in Germany it held steady at 7.6%. The International Monetary Fund forecasted that euro-area unemployment may rise to 11.7% in 2010.
- The region's consumer prices fell for a fifth month in October after unemployment increased to the highest in more than a decade, curbing household spending and prompting retailers to offer discounts. Prices in the 16-nation euro region declined 0.1% from a year earlier after falling 0.3% in September, according to the European Union statistics office. The figure matched the median estimate of the economists. Even as Europe is starting to recover from the worst recession in 60 years, inflation will remain "very weak," said European Central Bank Governing Council member Guy Quaden, making it easier for the ECB to keep interest rates at a record low for longer.
- Expected range for EUR/USD this week: 1.4550 – 1.4900.

JPY

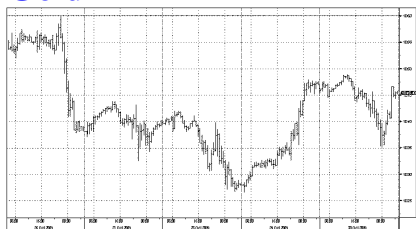


Source: Reuters

BOJ Ends Debt Buying as Central Banks Phase Out Emergency Steps

- Data ranging from Japanese consumer to manufacturer sectors showed an improving economic outlook of the nation. However, the sentiment weakened early on Thursday before the release of the U.S. GDP figures and rebounded quickly afterwards. On Friday, the BOJ left the key rate unchanged and said it is pledged to keep borrowing costs at “low levels” as it forecast deflation will extend into fiscal 2011. The bank also announced to stop buying corporate debt at the end of the year, as central banks around the world phase out emergency measures taken at the height of the financial crisis. The USD/JPY finally closed at 90.09 on Friday, down 197 bps or 2.14% from a week ago.
- Japan's retail sales fell less than economists forecast in September, adding to signs that consumers may be becoming confident about the resilience of the recovery. Sales merely slid 1.4% from a year earlier, the Trade Ministry said on Wednesday, the smallest drop in 10 months. The median estimate was for a 1.6% decline.
- Japanese manufacturers increased production for a seventh month in September, extending the longest stretch of gains in 12 years, as spending by governments worldwide helped to revive trade. Output rose 1.4% last month from August, when it climbed 1.6%, according to the Trade Ministry. Economists had expected for a 1% gain.
- Japan's jobless rate unexpectedly dropped to a four-month low in September, adding to signs that a recovery in the world's second-largest economy is spreading to consumers. The unemployment rate fell to 5.3% from 5.5% in August, the statistics bureau said on Friday, while it was expected to increase to 5.6%.
- However, Japan's consumer prices fell at a near-record pace in September, a sign that deflation is likely to remain a drag on the economic recovery. Prices excluding fresh food slid 2.3% from a year earlier after dropping an unprecedented 2.4% in August, the statistics bureau said. The median estimate was for a 2.4% decline.
- The Bank of Japan left its benchmark interest rate at 0.1% and Governor Shirakawa said he's “committed to prolonging the current extremely accommodative financial environment.” Shirakawa and his colleagues said they will only extend a program providing unlimited collateral-backed loans to banks one last time through March 31.
- Expected range for USD/JPY this week: 89.00 – 92.00.

Gold



Source: Reuters

Stronger Dollar, Weaker Gold

- Gold fell at the beginning of last week amid concerns that the dollar will extend a rally, curbing demand for the precious metal as an alternative asset. Hedge funds and other large speculators trimmed their net-long position in gold futures by 2% as of Oct. 20, from a record in the previous week, and miners, producers and commercial users increased their net-short position, Commodity Futures Trading Commission data showed. A net-long position benefits when prices rise, while net-shorts gain from a decline. Similar to most major foreign currencies, the gold rallied from the low after the U.S. GDP in the third quarter was announced to have topped the most optimistic market forecast. The spot gold finally closed at USD1,045.40 on Friday, down 0.95% or USD10.00.
- Expected range for gold this week USD 1,030 – 1,060.

Market Snapshot

Major stock markets

	Last	Previous Week	Change (%)
DJIA (US)	9,712.73	9,972.18	-2.60
S&P500 (US)	1,036.19	1,079.60	-4.02
NASDAQ (US)	2,045.11	2,154.47	-5.08
FTSE 100 (UK)	5,044.55	5,242.57	-3.78
DAX (GERMAN)	5,414.96	5,740.25	-5.67
CAC 40 (FRANCE)	3,607.69	3,808.24	-5.27
NIKKEI 225 (JAPAN)	10,034.74	10,282.99	-2.41
S&P/ASX 200 (AUSTRALIA)	4,643.20	4,859.40	-4.45
TWSE (TAIWAN)	7,340.08	7,649.28	-4.04
KOSPI (KOREA)	1,580.69	1,640.17	-3.63
SET (THAILAND)	685.24	708.76	-3.32
HSI (HK)	21,752.87	22,589.73	-3.70
HSCEI (HK)	12,769.36	13,316.02	-4.11
HSFM 25 (HK)	7,696.17	8,033.77	-4.20
HS MID-CAP (HK)	4,452.31	4,586.12	-2.92

Major Currencies

	Last	Previous Week	Change (%)
USD/JPY	90.09	92.06	-2.14
EUR/USD	1.4719	1.5008	-1.93
GBP/USD	1.6452	1.6306	0.90
USD/CHF	1.0263	1.0088	1.73
USD/CAD	1.0848	1.0538	2.94
AUD/USD	0.8997	0.9224	-2.46
NZD/USD	0.7181	0.7545	-4.82

Bonds Yields

	Last	Previous Week	Net Change
US 10YR TREASURY (%)	3.3828	3.4900	-0.1072
US 30YR TREASURY (%)	4.2253	4.2923	-0.0670
UK10YR GILT (%)	3.6190	3.6750	-0.0560
GE 10YR BUND (%)	3.2310	3.3480	-0.1170
AU 10YR GOV'T (%)	5.5430	5.7010	-0.1580
NZ 10YR GOV'T (%)	5.7260	5.8350	-0.1090
CA 10YR GOV'T (%)	3.4230	3.5020	-0.0790

Interest Rates

	Last	Previous Week	Net Change
US FED RATE (%)	0.250	0.250	0.000
UK BASE RATE (%)	0.500	0.500	0.000
CANADA BANK RATE (%)	0.250	0.250	0.000
EUR REFINANCING RATE (%)	1.000	1.000	0.000
HK PRIME (%)	5.250	5.250	0.000
AU CASH RATE (%)	3.250	3.250	0.000
NZ CASH RATE (%)	2.500	2.500	0.000

Economic Data

US

US GDP ANNUALIZED (3Q)	3.50%	-0.70%
GDP PRICE INDEX (3Q)	0.80%	0.00%
UNEMPLOYMENT RATE (SEP 09)	9.80%	9.70%
ADVANCE RETAIL SALES (SEP 09)	-1.50%	2.70%
US LEADING INDICATORS (SEP)	1.00%	0.60%
INDUSTRIAL PRODUCTION (SEP 09)	0.70%	0.80%
FACTORY ORDERS (JUL, 09)	1.30%	0.40%
ISM MANUFACTURING (SEP, 09)	52.60	52.90
ISM NON-MANUFACTURING (SEP 09)	50.90	48.40
CONSUMER PRICE INDEX (YOY) (SEP)	0.20%	0.40%

UK

UK GDP (YOY) (3Q A)	-5.20%	-5.50%
CLAIMANT COUNT RATE (SEP 09)	5.00%	5.00%
UK RPI EX MORT INT.PAYMENTS (YOY) (SEP)	1.30%	1.40%

EURO ZONE

GDP S.A. (YOY) (2Q F)	-4.80%	-4.70%
UNEMPLOYMENT RATE (AUG 09)	9.60%	9.50%
EURO-ZONE CPI (YOY) (SEP 09)	-0.30%	-0.30%

AUSTRALIA

GDP YOY (2Q)	0.60%	0.40%
AU UNEMPLOYMENT RATE (SEP 09)	5.70%	5.80%
HEADLINE CPI YOY (3Q)	1.30%	1.50%

NEW ZEALAND

GDP YOY (1Q, 09)	-2.70%	1.90%
UNEMPLOYMENT RATE (2Q)	6.00%	5.00%
INFLATION YOY (3Q 09)	1.70%	1.90%

CANADA

GDP ANNUALIZED (2Q)	-3.40%	-5.40%
CA UNEMPLOYMENT RATE (SEP 09)	8.40%	8.70%
INFLATION YOY (SEP, 09)	-0.90%	-0.80%

JAPAN

GDP ANNUALIZED (2Q F)	2.30%	3.70%
JOBLESS RATE (SEP 09)	5.30%	5.50%
INFLATION YOY (SEP, 09)	-2.20%	-2.20%

HONG KONG

GDP CONSTANT PRICE (YOY) (2Q)	1.20%	-4.30%
UNEMPLOYMENT RATE (SEP 09)	5.30%	5.40%
CPI YOY (SEP 09)	0.50%	-1.60%

Source: Bloomberg L.P.

Coming Economic Indicators

Mon	Tue	Wed	Thu	Fri
2 Nov	3 Nov	4 Nov	5 Nov	6 Nov
US	US	US	US	US
- ISM Manufacturing (Oct)	- Factory Orders (Oct)	- Total Vehicle Sales (Oct)	- Nonfarm Productivity (3Q P)	- Change in Nonfarm Payrolls (Oct)
- ISM Prices Paid (Oct)	UK	- MBA Mortgage Application (Oct 31)	- FOMC Rate Decision (Nov 5)	- Unemployment Rate (Oct)
- Construction Spending (MoM)(Sep)	- PMI Construction (Oct)	- Challenger Job Cuts (YoY)(Oct)	- Unit Labor Costs (3Q P)	- Change in Manufact. Payrolls (Oct)
- Pending Home Sales (YoY)(Sep)		- ADP Employment Change (Oct)	- Initial Jobless Claims (Nov 1)	- Average Hourly Earnings (YoY)(Oct)
EURO ZONE		- ISM Non-Manf. Composite (Oct)	EURO ZONE	- Average Weekly Hours (Oct)
- PMI Manufacturing (Oct F)		EURO ZONE	- Retail Sales (YoY) (Sep)	- Consumer Credit (Sep)
GERMANY		- PPI (YoY) (Sep)	- ECB Announces Interest Rates (Nov 6)	- ICSC Chain Store Sales (YoY)(Oct)
- PMI Manufacturing (Oct F)		HONG KONG	UK	UK
UK		- Purchasing Managers Index (Oct)	- Industrial Production (YoY)(Sep)	- PPI Input NSA (YoY)(Oct)
- PMI Manufacturing (Oct F)			- Manufacturing Production (YoY)(Sep)	- PPI Output n.s.a. (YoY)(Oct)
FRANCE			- BOE Announces Rates (Nov 6)	CANADA
- PMI Manufacturing (Oct F)			JAPAN	- Unemployment Rate (Oct)
JAPAN			- BoJ Monetary Policy Meeting Minutes	
- Vehicle Sales (YoY)(Oct)			NEW ZEALAND	
HONG KONG			- Unemployment Rate (3Q)	
- Retail Sales- Volume (YoY)(Sep)				

Source: Bloomberg L.P.

Remarks:

MoM : Month on month QoQ: Quarter on quarter YoY: Year on year

Next Weekly Commentary will be available on 10 November 2009.

Please refer to page 13 of this commentary for disclaimer.

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