TTG WealthManagement

MoneySense **February 2011**

Market Commentaries

Global equity markets have experienced an unexpected round of sell-offs due to the political instability in Egypt. The Hang Seng Index was +1.97% underperforming the MSCI World Index which was +2.19% for January 2011

- Egypt erupted in mass protests that brought the 29 years regime of President Hosni Mubarak to a precipice
- Standard & Poor's (S&P) downgraded Japan's sovereign credit rating to AA- from AA with a stable outlook
- China's State Council announced another round of property tightening measures which include (1) down-payment ratio for second home mortgage to be at least 60% and interest rate has to be at least 1.1x of the base lending rate, (2) individuals that hold properties for less than five year will have to pay 5.5% sales tax for the "total" value of the properties, (3) imposing limits on second properties purchase for cities that has excessive property price hike and etc.

"Balanced" Approach for 2011 Q1

For 2011, we anticipate the markets will continue to be liquidity driven, hence, keeping a well balance portfolio is important in order to participate in every mini boom cycle across different asset classes. Our team believes the main investment themes for 2011 would be competitive devaluation between the major currencies and the threat of inflation in emerging markets. As such we anticipate:

- The global markets to be less volatile compared with 2010 given most of the known situations have been addressed with possible solutions in 2010
- The major governments will continue to implement expansionary monetary policies to support economic recovery
- Core inflation with the G7 will be mild while the inflationary risks continue to be high for the emerging economies
- Global competitiveness will results in a continuation of a low interest rate environment
- Precious metals, base metals and agriculture commodities will continue to see support with the increase in global political instabilities and investors continue to question the financial strength of the major Governments
- RMB is likely to appreciate at modest levels as the China Government is implementing various measure to discourage speculators

MAJOR EQUITY MARKETS	CLOSE	P/E	1 M %	YTD%
HANG SENG	23,489	14.7	1.97	1.97
MSCI WORLD	1,308	15.6	2.19	2.19
S&P 500	1,286	15.4	2.26	2.26
RUSSELL 2000	781	33.3	-0.31	-0.31
DOW JONES	11,892	13.8	2.72	2.72
NASDAQ	2,700	27.3	1.78	1.78
FTSE 100	5,863	17.7	-0.63	-0.63
EU ESTX50	2,954	12.8	5.76	5.76
BRAZIL BVS	66,575	13.4	-3.94	-3.94
RUSSIA MICEX	1,732	9.4	2.63	2.63
INDIA SENSEX	18,132	16.4	-11.59	-11.59
SHANGHAI A	2,799	17.8	-0.32	-0.32
NIKKEI 225	10,275	18.1	0.45	0.45
TAIWAN TAIEX	9,145	15.9	1.93	1.93

MAJOR BONDS	CLOSE	P/E	1 M %	YTD%
iBoxx Treasuries TR	187.2		0.10	0.10
JPM Global Bond	489.7		1.42	-0.06

MAJOR COMMODITIES	CLOSE	P/E	1 M %	YTD%
GOLD SPOT $/OZ	1,337.8		-5.84	-5.84
WTI CRUDE OIL	92.1		-0.12	-0.12
CRB INDEX	341.4		2.59	2.59
DB AGRICULTURE	117.2		5.98	5.98
DB BASE METAL	249.8		0.66	0.66

MAJOR CURRENCIES	CLOSE	P/E	1 M %	YTD%
EURO€/US$	1.37		2.86	2.68
GBP£/US$	1.61		3.64	2.82
AUS$/US$	1.00		-1.25	-1.88
JAP¥/US$	81.85		-0.13	-0.89
CAN$/US$	1.00		-0.34	0.08
RMB/US$	6.59		0.20	0.20

Source: Bloomberg (February 1st, 2011), TTG (HK)

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