

Analyst Express

Global macro data comment: The US stock market continuing to rally due to good macro data released

- ❖ ICSC same store sales (stores open since more than one year) were stronger than expected in August at 3.2% YoY (c.f.+2.8% YoY) and initial claims for the week ending August the 28th declined by 6K at 472K compared to 478K the week before, below consensus forecast (475K). The 4-weeks moving average, less volatile, declined by 2.5K. Continuing claims declined by 23K on the same period. Pending home sales increased surprisingly by 5.2% MoM (c.f. -1% MoM). Today's data as well as manufacturing PMI data yesterday are in line with our view of gradual recovery of the US economy.
- ❖ The ECB decided to maintain the Refi rate at 1%, as still high uncertainty, despite better than expected GDP growth in 2Q10, requires to maintain the expansionary stance of its monetary policy. In particular, the governing Council decided to extend unconventional measures, such as long term refinancing operations (LTRO), fine tuning operations, and full allotment of liquidities in main refinancing operations, to keep insuring an unlimited access to liquidity to European banks. The ECB staff has revised upward its GDP growth forecast in a range of 1.4% YoY to 1.8% YoY in 2010, and in a range of 0.5% YoY to 2.3% YoY in 2011. This upward revision reflects the sentiment that the scenario of double dip is not likely, according to the own words of Jean-Claude Trichet, President of ECB.
- ❖ Eurostat published the second estimate of Euro zone GDP, confirmed at 1% QoQ in 2Q10, a very strong performance mainly due to the significant rebound of German GDP, up 2.2% QoQ in 2Q10. The second estimate gives the detail of GDP components. Household consumption contributed by 0.3pct point to the 1% QoQ increase, investment by 0.3 pct point, government expenditures by 0.1 pct point, inventories by 0.2 pct point, exports by 1.7 pct point and imports by -1.6 pct point. Despite the good performances in terms of exports, especially in Germany, we observe a contribution of net exports by only 0.1pct point. Finally, components of domestic demand were the main contributors to the good performances of Euro zone in 2Q10
- ❖ Outlook: Advance indicators continue to provide a favourable outlook for the US economy, which is still on track for recovering steadily and firmly, making S&P 500 to rebound by 0.9% yesterday. This US recovery, beside the stability of consumption and dynamism of investment, will be supported by a stronger than expected growth in Europe. We expect Euro zone GDP to grow by 1.4% YoY in 2010. Given the current high uncertainty and the slowdown to come in this area in 2H10 and 2011, linked to austerity measures, the level of Refi rate remains appropriate. We don't expect any move in this rate in the foreseeable future.

Principal Market Indices

Index	Close	Change %		
		1-d	5-d	YTD
CSI 300	2921.39	1.30	2.5	-18
S&P/CITIC300	2474.66	1.30	2.6	-17
S&P/CITIC 50	2034.73	0.97	1.1	-25
Shanghai Composite	2655.78	1.25	2.0	-19
Hang Seng Index	20868.92	1.19	1.3	-5
H-share index	11688.84	1.65	2.2	-9
Red Chip	4065.59	1.28	3.2	0
Nikkei 225	9062.84	1.52	1.8	-14
Dow Jones	10320.10	0.49	3.4	-1
S&P 500	1090.10	0.91	4.1	-2
Nasdaq	2200.01	1.06	3.8	-3
DAX	6083.85	0.00	2.9	2
CAC	3631.43	0.21	4.5	-8
FTSE 100	5371.04	0.09	5.1	-1
BDI	2835.00	3.43	2.2	-6

Major mercantile futures

Futures	Close (USD)	Change %		
		1-d	5-d	YTD
NYME Oil	75.02	1.50	2.3	-5
NYME Gold	1252.10	0.43	1.4	14
LME Copper	7625.75	0.36	7.6	4
LME Aluminum	2122.50	1.71	6.9	-4
LME Zinc	2174.00	1.92	10.7	-15
Spot silver	19.65	1.50	3.7	16
Corn futures	447.50	0.17	3.6	3
Soybean futures	1009.00	0.35	-0.5	-5
Wheat futures	713.75	0.71	3.7	26
Cotton futures	89.49	2.38	3.9	16
Rough rice futures	11.43	0.84	-1.6	-26
Sugar futures	20.81	1.56	8.0	-10

Major foreign exchanges

FX	Close	Change %		
		1-D	5-D	YTD
USD index	82.46	-0.07	-0.6	6
USD-RMB	6.81	-0.05	0.2	0
USD-JPY	84.24	-0.26	-0.5	-10
EUR-USD	1.28	0.09	0.8	-11
GBP-USD	1.54	-0.37	-0.9	-5

Major stock index futures in China

Futures	Chg%	Basis	Position	Chn in position
IF1005	1.64	7.81	25167	-1919
IF1006	1.67	19.61	2722	-176
IF1009	1.57	50.81	3173	-50
IF1012	1.55	80.81	827	3

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Investment rating system

Performance of stock or sector relative to MSCI-China over next 6 months after research publications

	Rating	Remark
Stock rating	Buy	Relative performance over MSCI-China Index >20%
	Overweight	Relative performance over MSCI-China Index 5% ~ 20%
	Hold	Relative performance over MSCI-China Index -10% ~ 5%
	Sell	Relative performance over MSCI-China Index > -10%
	NR	Not rated
Sector rating	Outperform	Relative performance over MSCI-China Index >10%
	Neutral	Relative performance over MSCI-China Index -10% ~10%
	Underperform	Relative performance over MSCI-China Index > -10%

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