

## Analyst Express

### Global macro event comment: Minutes of the FOMC show determination of the Fed to support US economy

- ❖ Minutes of the FOMC of August 10 2010 showed that the Fed continues to see a gradual recovery of the US economy despite having revised downward its growth scenario recently. The real news contained in these Minutes deals with the August 10 decision to maintain the size of Fed balance sheet around USD 2 tn. According to the Minutes, it was preferable to foster the purchase of government bonds for doing this, but reinvesting in MBS "might become desirable if conditions were to change". It shows the determination of the Fed to continue to support the housing market in case of aggravation of difficulties of this sector, and to recover more aggressive QE policy.
- ❖ US S&P 20housing price index increased by 1% MoM compared to 1.3% MoM in May. On a YoY basis, US S&P20 came out at 4.2% YoY (c.f. + 3.5% YoY) compared to 4.6% YoY in May. After a decline by 33% since the peak of 2006, housing prices partially recovered to reach finally the levels of Autumn of 2003 at the end of 2Q10. The tone of the S&P release remains cautious for the near future given the weakness of existing and new home sales in July, and given the weakness of housing credit. We can expect a deceleration of housing prices in the months to come. However, the expected gradual improvement of labor market condition in the months to come, and the easing of credit conditions, will finally lead housing prices to evolve in a range of 1% YoY to 3% YoY on average in 2010.
- ❖ Conference Board consumer confidence index increased to 53.5 in August (c.f. +50.7) compared to 51 in July. The Present Situation Index was down to 24.9 from 26.4 in July, whereas the expectations Index was up to 72.5 in August from 67.5 the month before. This survey shows that despite the current difficulties, US households remain confident in the capacity of the US economy to recover. The share of households saying that jobs are "hard to get" increased to 45.7 % from 45.1 % and the share of those seeing jobs as plentiful decreased to 3.8% compared to 4.4% in July, pointing to weak data for nonfarm payrolls to be published on Friday. In a 6 months horizon, the pessimistic opinions on job market have decreased and optimistic views increased between July and August, showing the awaited improvement of job market in the months to come.
- ❖ As expected, Chicago PMI declined significantly in August to 56.7 (c.f. 57) from 62.3 in July. All subcomponents, production, new orders and employments registered a marked decline, indicating a growth rate still in positive territories but at lower level in comparison with the previous months.
- ❖ Outlook: Today's data reflect that economic recovery continues but at a slower pace. The Press Secretary of the White House, Robert Gibbs, mentioned that President Obama will announce in the coming days new measures to support the economy. The continuation of stimulus program, the expansionary stance of monetary policy, the capacity of private sector to cumulate profits and create jobs, and the confidence of households in the coming improvement of macroeconomic conditions, lead us to think that the US economy will avoid a double dip scenario. We expect 2.8% YoY of growth in 2010 compared to a decline by 2.6% YoY in 2009.

### Principal Market Indices

Index	Close	Change %		
		1-d	5-d	YTD
CSI 300	2903.19	-0.41	-0.3	-19
S&P/CITIC300	2461.72	-0.30	0.0	-18
S&P/CITIC 50	2022.37	-0.90	-1.7	-25
Shanghai Composite	2638.80	-0.52	-0.4	-19
Hang Seng Index	20536.49	-0.97	-0.6	-6
H-share index	11402.90	-1.12	-1.5	-11
Red Chip	3990.47	-0.13	0.5	-2
Nikkei 225	8824.06	-3.55	-1.9	-16
Dow Jones	10014.72	0.05	-0.3	-4
S&P 500	1049.33	0.04	-0.2	-6
Nasdaq	2114.03	-0.28	-0.5	-7
DAX	5925.22	0.22	-0.2	-1
CAC	3490.79	0.11	0.0	-11
FTSE 100	5225.22	0.45	-0.2	-3
BDI	2713.00	0.04	-4.5	-10

### Major mercantile futures

Futures	Close (USD)	Change %		
		1-d	5-d	YTD
NYME Oil	71.92	-3.72	0.4	-9
NYME Gold	1249.00	0.89	1.4	14
LME Copper	7432.25	-0.28	2.6	1
LME Aluminum	2039.25	-0.12	0.8	-7
LME Zinc	2065.00	-1.43	1.0	-19
Spot silver	19.35	1.76	5.3	15
Corn futures	439.25	-0.51	4.5	1
Soybean futures	1010.00	-1.22	1.1	-5
Wheat futures	685.75	-2.66	-3.1	21
Cotton futures	86.20	-0.27	1.2	12
Rough rice futures	11.34	-1.35	-1.6	-26
Sugar futures	19.75	-0.30	-2.0	-14

### Major foreign exchanges

FX	Close	Change %		
		1-D	5-D	YTD
USD index	83.20	0.05	0.1	7
USD-RMB	6.81	0.11	0.2	0
USD-JPY	84.11	-0.72	0.0	-10
EUR-USD	1.27	0.09	0.1	-11
GBP-USD	1.53	-0.86	-0.8	-5

### Major stock index futures in China

Futures	Chg%	Basis	Position	Chn in position
IF1005	-0.63	7.21	26318	-1562
IF1006	-0.67	17.01	2574	-142
IF1009	-0.61	48.21	3194	-15
IF1012	-0.67	79.81	750	-62

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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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