Weekly Investment Bulletin

11th February 2013

MITHRIL
ASSET MANAGEMENT

Market Roundup:

Markets overall maintained their lofty levels but it was not surprising to see some losses after weeks of strong performance.

Starting with Asia, local indices had a rocky week, with the Hang Seng shedding 2.14% for the week. With public holidays arriving ahead of Chinese New Year, trading motivation was light and saw investors closing positions.

Falls were mitigated by further upbeat economic data from China. The advance came after data for January showed exports jumped 25% and imports climbed 28.8% from the year-ago period, giving the country a trade surplus of $29.2 billion. All figures beat market expectations.

Official figures released separately also showed that the country’s consumer price index rose 2% in January from a year-earlier, easing from a 2.5% rate of increase in December.

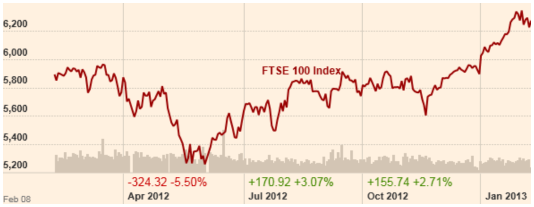
In Europe, investors were given a timely reminder that the debt situation lingers and hence suffered minor losses on the week. This came despite positive comments from ECB Chief Mario Draghi, saying that sentiment in the region had improved however China trade data garnered a late rally. In Brussels, Ministers agreed a 3% (€34.4bln) budget cut over 7 years.

In the US, the DOW retook 14,000 and the S&P 1,500 also on the back of China and saw its trade deficit fall by almost 21% in December to $38.5 billion, marking the biggest drop in four years, as exports rose and imports softened.

Market Data (12 month):

S&P 500:

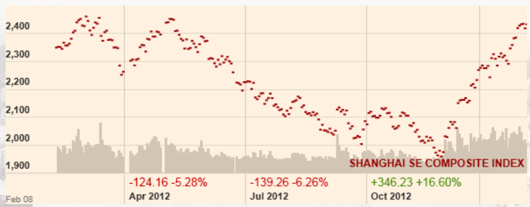
FTSE100:



FTSE Eurofirst 300:

Nikkei 225:

Shanghai Composite:



Source: www.ft.com

Registered Office: 3rd Floor, Ebene House 33, Cybercity, Ebene, Mauritius. Licence Number: C108007141. Company Number: 086547 C1/GBL

The Outlook for Latin America:

Economic performance in Latin America has continued to diverge between the region's two heavyweights, Brazil and Mexico, with little indication that that will change any time soon.

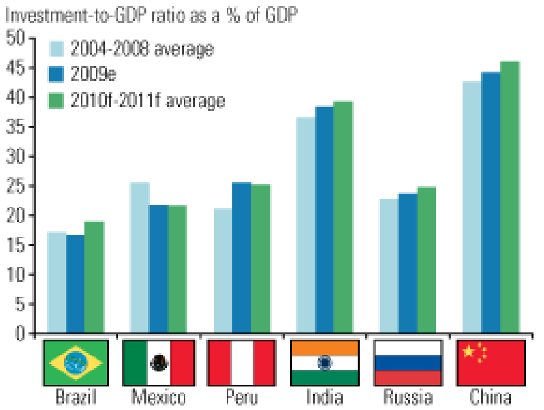
Third quarter GDP growth data, released by Brazil's national statistics office (IBGE), in November, fell well short of market expectations of 1.9% growth year on year, with the actual numbers coming in at just 0.9%, and 0.6% quarter on quarter, dragged down by a disappointing industrial sector.

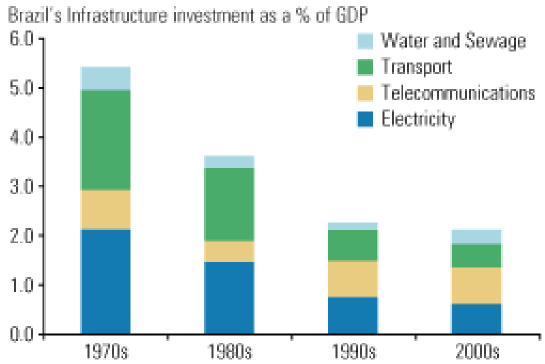
A 2% quarter-on-quarter fall in investment, the largest since early 2009, was a major source of weakness in the third quarter. As a result, the rate of growth in investment has been declining steadily and has been in contracting for three quarters.

Full-year GDP growth is projected to be well below trend, at only 1% year on year, one of its weakest performances in a decade, in spite of a recent prediction from Brazil's finance minister, Guido Mantega, of a strong second-half economic recovery. Mantega has made clear that he intends to promote pro-growth economic policies, focusing especially on reducing the onerous corporate sector tax burden among a number of other targeted measures. This year's lacklustre growth follows above-trend growth of 7.5% in 2010 and 2.7% in 2011.

In an attempt to kick-start growth, the central bank continued to ease monetary policy in the fourth quarter, cutting the benchmark rate in October by a further quarter percent to a historic low of 7.25%. Although monetary policymakers have played down market expectations of further policy loosening, there is minimal probability of any early rise given the lack of evidence of a strong recovery.

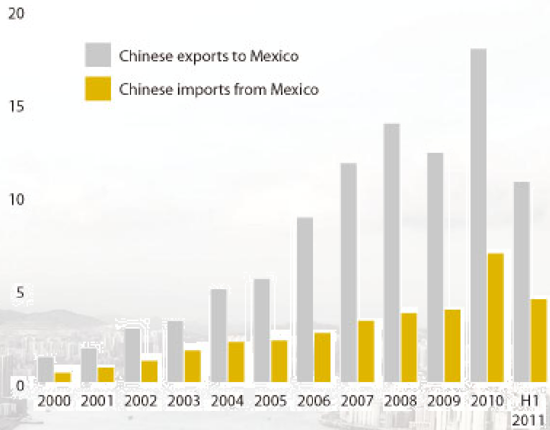
Brazil Infrastructure Spending Needs to Improve:





Source: www.seekingalpha.com

Chinese Trade with Mexico:



Source: www.thebeijingaxis.com

Cont:

While Brazil's economy has continued to languish, Mexico has remained much more resilient to the global economic slowdown, with the country seemingly on course to deliver another year of steady, sustainable growth of about 4% in 2012.

Market optimism about Mexico's economic prospects has received a further boost from the long-awaited recent approval of a new labour law, which constitutes the most significant overhaul in employment legislation in four decades and provides a massive boost to the economy's future growth by up to 1.5 percentage points. It potentially could lift the economy's sustainable rate of expansion to between 5% and 5.5%.

At its final monetary policy committee meeting of 2012, held in November, Banco de Mexico left the overnight rate unchanged at 4.5%. The rate has remained at this level since July 2009, during which time the year-on-year change in consumer prices has remained above the mid-point of the central bank's target range of 3% +/-1%.

Latest inflation figures show a 4.2% rise in prices in November, down from 4.8% in September. Despite price changes remaining above the ceiling of the target range, downside risks to economic growth mean that the monetary authorities are unlikely to tighten policy, particularly since the central bank expects inflation to fall further and there remains little evidence of second round effects.

Equally encouraging is the fact that Mexico's normally deeply divided Congress approved the new labour bill, which bodes well for cohesion on policy in the future, for example on tax and energy reform (vital for sustainable economic growth).

Up to 400,000 new jobs a year could be created following the labour law's congressional approval and curb the flow of workers migrating to Mexico's grey economy, which is estimated to cost the economy as much as $15bln in lost tax revenue.

With a new President sworn in December, the first speech focussed on the need for structural reform. Education and competition policy featured highly on his agenda. Whilst this will take time, the signs are encouraging that the political system is becoming increasingly cohesive and capable of delivering meaningful reform and stability to key areas of the economy.

Where Brazil was very much Latin America's golden child, Mexico appears to be just capable of taking over the responsibility as Brazil addresses structural challenges of its own.

Weekly Investment Bulletin

11th February 2013

MITHRIL
ASSET MANAGEMENT

Currencies:

EURUSD

EURUSD pulled back from 1.3711. Deeper decline is likely this week. A clear break below the trend line support will indicate that consolidation of the longer term uptrend from 1.2042 is underway, and then further decline to 1.3100 area could be seen.

EURGBP

EURGBP surged to as high as 0.8716 last week and broke through to 0.8621. Initial bias remains on the upside this week and current rally would now target 0.8777. On the downside, break of 0.8479 support is needed to signal short term topping. Otherwise, outlook will stay bullish even in case of retreat.

GBPUSD

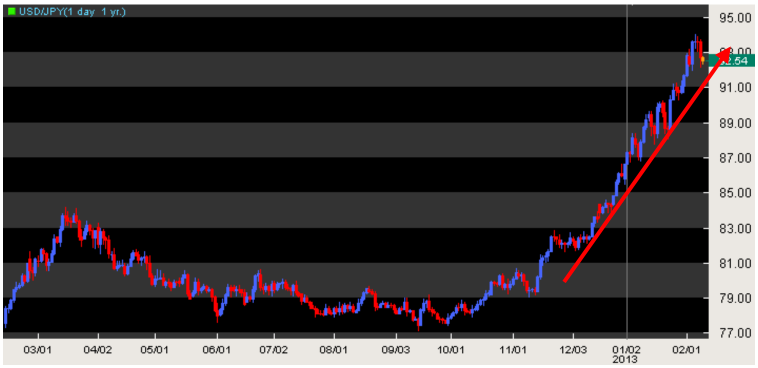
GBPUSD's downward movement from 1.6339 extends to as low as 1.5630. Key resistance is at 1.5900, as long as this level holds, the downtrend could be expected to continue, and further decline to 1.5500 is still possible after consolidation. However, a break above 1.5900 will indicate that a cycle bottom has been formed at 1.5630 on daily chart, and the fall from 1.6339 has completed, then another rise towards 1.6500 could be seen.

MITHRIL ASSET MANAGEMENT

USDCHF

USDCHF formed a cycle bottom at 0.9021. Further rally is expected this week, and the target would be at the downward trend line. As long as the trend line resistance holds another fall towards 0.8800 is still possible, only a clear break above the trend line resistance could signal completion of the downtrend.

USDJPY



USDJPY's upward movement from 77.14 extends to as high as 94.05. Support is located at the trend line, as long as the trend line support holds, the uptrend could be expected to continue, and next target would be at 95.00 area.

USD Weighted Index

Bullish sentiment surrounding the dollar may continue to produce a correction in the index as we see a growing number of Fed officials strike an improved outlook for the world's largest economy. The fundamental developments coming out of the US may continue to prop up the world's reserve currency as the central bank anticipates a more broad-based recovery this year and could signal a gradual retraction of monetary policy.

Registered Office: 3rd Floor, Ebene House 33, Cybercity, Ebene, Mauritius. Licence Number: C108007141. Company Number: 086547 C1/GBL

MITHRIL ASSET MANAGEMENT

Gold:

Gold futures ended Friday's session mildly lower, as a broadly stronger US dollar and gains in US equities hampered its appeal. Gold futures for April delivery edged down 0.2% on Friday to settle the week at USD1,667.65. On the week, gold futures prices were more or less flat, dipping 0.1%. Indications that the global economy was gaining momentum further weighed on the precious metal, following the release of positive trade data out of the US and China.

Crude:

New York-traded crude oil futures ended Friday's session close to a two-week low, as renewed concerns on an oversupply of oil in the Midwest put downward pressure on prices. On the week, New York-traded oil futures lost 1.85%, the first weekly decline in nine weeks. However positive signs on the global economy offered some support to prices in light of strengthening demand.

MITHRIL
ASSET MANAGEMENT

Summary:

As upbeat data from key economic catalysts hit the market this week, attention this week will focus on another key component which is the US consumer. Despite Washington avoiding a fiscal 'cliff' some sections of the economy were indeed pulled in by new legislation. Data to be released this week will see how this has affected consumer spending which usually accounts for some 70% of the US economy. A strong US consumer is good for the global recovery – make no doubt. Thursday will see weekly jobless claims released with the expectation of a fall to 360,000 from 366,000 previously. Any slight deviation from that may see markets encounter corrective territory. Asia will remain quieter due to public holidays so expect far eastern markets to be far more reactive in either direction when they re-open later this week or next.

Registered Office: 3rd Floor, Ebene House 33, Cybercity, Ebene, Mauritius. Licence Number: C108007141. Company Number: 086547 C1/GBL