Weekly Investment Bulletin

2nd July 2012

MITHRIL ASSET MANAGEMENT

Market Roundup:

We wish to point out that Mithril Asset Management, Mauritius has no affiliation whatsoever with Mithril Capital Management

As Q2 comes to a close, we bid good riddance to another see saw period. Overall for 2012, matters are little changed from a stock market point of view. The US has been the most notable, delivering gains for the year, which has not been the case for their European and Asian counterparts.

Indeed European influenced matters helped to give markets a final kick to bring the quarter to a close. At last week's European summit in Brussels, leaders agreed to offer more relaxed conditions on emergency loans to Spanish and possibly Italian banks. The most positive deliverance was the agreement to recapitalising lenders directly with bailout monies (using the ESM and EFSF) as the EU looks to setup a local banking supervisor.

What this does show is another wound for Angela Merkel, so instrumental in affairs in her ultra frugal stance on combating decades of fiscal indiscipline. The 'Merkozy' relationship has ended, with the former French President replaced by an individual favouring growth first over discipline. Merkel will face a backlash in her home states.

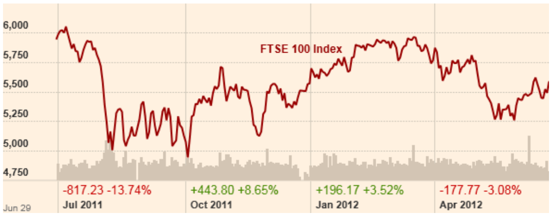
Much was placed upon Spain and Italy. Together, the two threatened a summit collapse and pledged to block a €120 billion growth plan seen as a centrepiece of the summit if they did not gain major concessions.

Financials will come under increased pressure this week following the UK banking scandal for selling interest rate swaps and the Barclays LIBOR fixing scandal, which has claimed the scalp of its Chairman, Marcus Aguis.

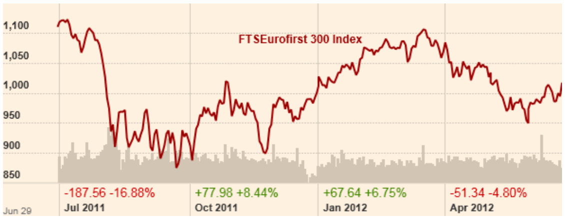
Market Data (12 month):

S&P 500:

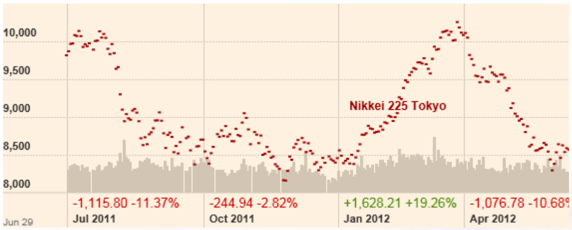
FTSE100:



FTSE Eurofirst 300:



Nikkei 225:



Shanghai Composite:

Source: www.ft.com

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Commodities Outlook:

The demand growth of industrial countries is important for commodities, but a key is the rate of growth in China. In recent years, it has been the driving force for metals. Rising incomes are followed by the rapid industrialisation. China´s GDP-growth will underpin the commodity demand for the remainder of 2012 and 2013.

The agricultural raw materials will also benefit from the increasing demand coming from the emerging markets and from China in particular. With an increasing living standard in China, people´s demand for cars is increasing, which is for example translated into a higher need for various materials from industrial metals to rubber.

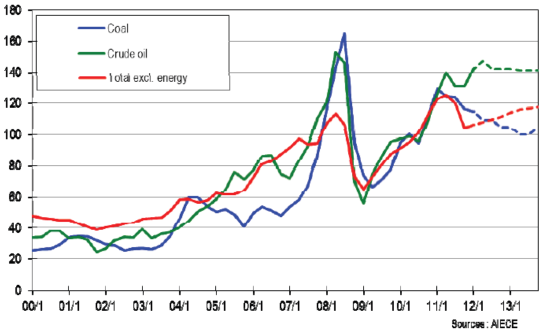
Food prices have been very volatile last year and decreased in the first quarter 2012 due to a better crop outlook. For 2012 it is expected that the index for food total will decline by 6 per cent. On balance, global rice production surpassed consumption for the sixth consecutive year. Furthermore a good wheat harvest and high inventories should put downward pressure on wheat prices over the forecast horizon 2012-13. However, the expected strength of coarse grain prices and higher production costs are likely to limit the downside of wheat prices. The extremely low level of inventories should provide support for corn prices. Hence, food prices mirrored back by the index food total are expected to increase by 6 per cent in 2013. The recent soybean harvest is under risk due to bad weather conditions in South America, which leads to strong soy price increases.

From a world trade point of view, Euro area imports would be flat this year before registering a small recovery in 2013. Except for Spain and Greece, all Euro area members' import growth rates return to positive territory next year.

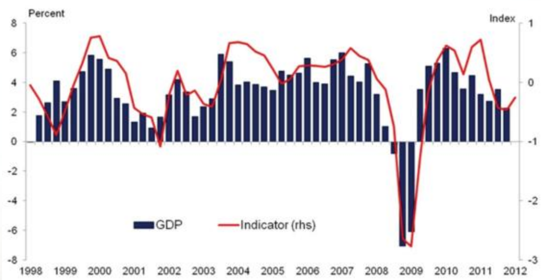
Cont:

In the US, the economic revival is mainly based on the internal demand. Private consumption is supported by the improvement on the labour market and the sound financial situation of companies favours business investment. U.S imports would thus grow by around 4 per cent this year. It will not significantly speed up next year as the fiscal stance will be probably more restrictive after November's presidential election.

Energy Demand:



World Economic Activity:



Source: AIECE

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BDI Uptick:

It is reported that on June 27th 2012, Baltic Dry Index reached 988 points, up by 7 points from June 26th 2012. Much has been said about the Baltic Dry Index over the course of the last four years, especially in light of the credit crisis and the effects it has had on the frequency of global shipping. Importing and exporting has never been quite the same since 2008, and this change is made most obvious through one of the few statistical measures left in the world that is not subject to direct manipulation by international corporate interests.

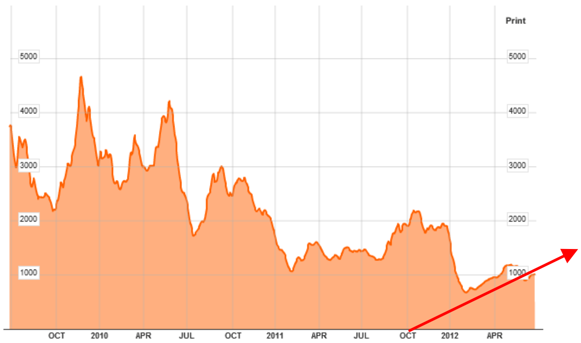
Introduced in 1985, the Baltic Dry Index first and foremost is a measure of the global shipping rates of dry bulk goods, mostly consisting of vital raw materials used in the creation of other products. However, it is also a measure of demand for said materials in comparison to previous months and years. This is where we get into the predictive nature of the BDI…

From 2001 to 2002, a similar sharp collapse in the BDI preceded a progressive drop in the Dow of around 4000 points, ending in a highly suspect (Fed engineered) illegitimate recovery. In 2008, the index fell to near record lows once again just before the derivatives and credit crisis hit stocks full force.

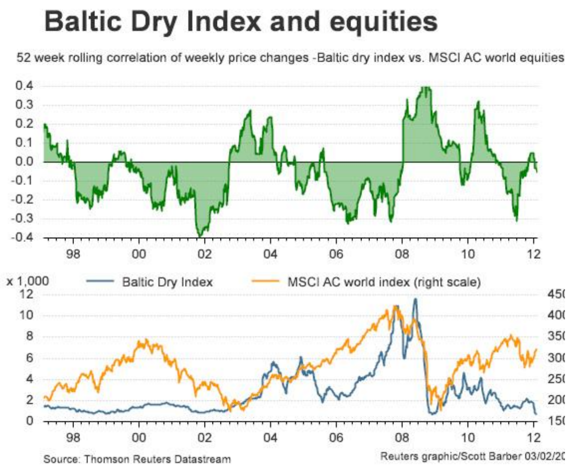
The Baltic Dry Index is a leading indicator of economic activity, since prices are made only by the member companies. Agreements are being made between parties which need cargo to be transported and companies which own vessels to move the cargo.

In short, the BDI offers a real time glimpse of demand for global raw materials and infrastructure.

Baltic Dry Index:



Source: Bloomberg



Source: Thomson Reuters

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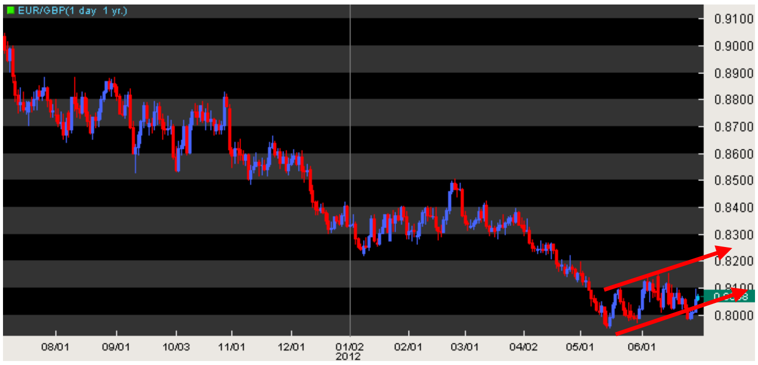
Currencies:

EURUSD

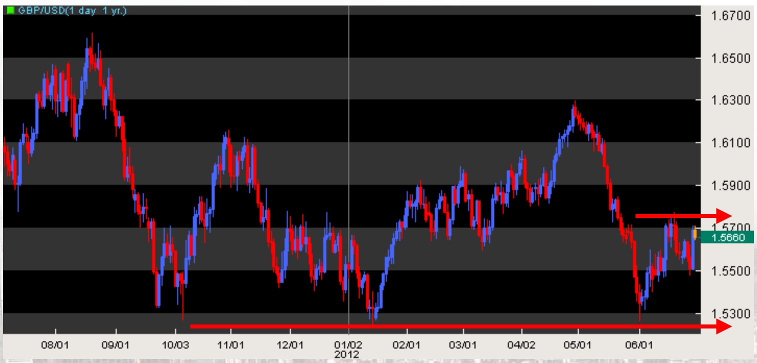
EURUSD is facing 1.2747 resistance, a break above this level could bring us to the 1.3200 area. However, as long as 1.2747 resistance holds, the price action from 1.2288 (lower tip of lower red line) is treated as consolidation of the downtrend, and another fall towards 1.2000 is still possible.

EURGBP



EURGBP continues to trade in range. Resistance lies at 0.8161 and should this level hold the next target support will be at 0.7782.

GBPUSD



GBPUSD is facing 1.5776 resistance and a break above this level takes us to the 1.6100-1.6200 area. If resistance holds, another fall towards 1.5000 is still possible.

USDCHF

USDCHF stays in a narrowing trading range. Support likely lies at 0.9421, as long as this level holds another rise towards 1.0000 is still possible after consolidation. On the downside, a breakdown below 0.9421 support will indicate a pullback to the 0.9100 area could be seen.

USDJPY

USDJPY is now in uptrend from 77.66. Further rise would likely be seen this and next target would be at 82.00 area. On the flip side support is at 79.00, then the following downward movement could bring price to 76.00 zone.

USD Weighted Index

The Dollar Index marked the largest single day decline this year after developments out of Europe prompted a substantial global rally in risk assets. EU leaders agreed to drop the preferred creditor status on emergency loans to Spanish banks with yields on government debt coming off sharply on the news. Expectations for positive developments from the EU summit were firmly anchored at zero with the news fuelling a massive rally in equity markets.

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Gold:

Gold rebounded strongly on Friday trading, tracking gains in the euro and high-yielding assets, after EU leaders agreed to relax repayment for emergency loans, thereby providing hopes the debt crisis will ease and tensions in bond markets would recede.

It resumed its track to the movements in the euro and opposite to the dollar which dampens the safe haven label so often bestowed upon it and thus making it behave much like other commodities.

Crude:

Crude prices were boosted late last week with news from Europe. The market has and is testing resistance at 85.11. A break and daily close above this level can test the resistance at the level found at 89.97. Above that level sees the psychologically important 90.00 level.

It is also estimated that Iran's exports will decrease by 1million barrels for the remainder of 2012 as their sanctions from the US and Europe come into effect on July 1st. The disputes over the nation's uranium production show no immediate signs of ceasing.

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Summary:

With markets still welcoming the news of its latest EU intervention to solving its debt crisis, its sustainability will focus on whether the details of the deal live up to expectation. However large German participation is necessary for this to work and Merkel is under pressure. In Brussels, she was effectively set up. Her Italian and Spanish counterparts (with support of the French), stated a joint lack of cooperation in the European 'Growth Pact' without compromise on aid for the financial sector and allow the ESM and EFSF to purchase debt. Backed into a corner, Germany was forced to back down and thus has returned to Berlin amidst great scrutiny, with its people increasingly irritated at bailing out the indiscipline of others, which could bring about those helpful headlines of a Euro breakup.

However with German business resilient during such times, we must not discount how they themselves have benefitted from the single currency. With much of its foreign trade concentrated in Europe, Berlin has been able to exploit cross border trade using a far weaker currency than its predecessor. Such irony then that those causing the bother do have their uses as well, so long as they remain in some kind of solvency.