Weekly Investment Bulletin

22nd April 2013

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Market Roundup:

Yet another mixed week for markets.

Asian markets were flat to positive, on the back of news that foreign direct investment into China 5.65% in March from a year earlier to total $12.4 billion. The gain was well above the 1.44% average increase in FDI over the January-March period.

Indeed Asian markets were able to end the week on a higher note from bargain hunting following a difficult start to the week. Again the focus was China, whose economic recovery fell below expectation for the first 3 months of 2013. At 7.7%, this disappointed markets wanting closer to 8%. A remarkable drop in the gold price also caused surprise for investors. More on this later.

For Europe, the trend was also mixed. Major indices followed a downward path on China GDP and gold but Spain was able to be a rare gainer later in the week after a strong public debt sale. The Treasury successfully sold €4.71 billion euros in government bonds at lower borrowing costs compared with previous offerings.

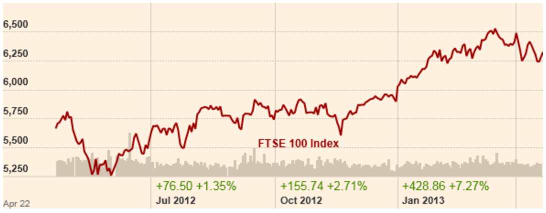
US markets suffered their worst weekly loss since November with the S&P500, DOW and Nasdaq all giving up over 2%. The week began with difficult manufacturing data. The Federal Reserve's Philly manufacturing index came in at 1.3 for April compared to 2.0 in March, falling short of expectations for a 3.0 reading.

The numbers came days after a similar Fed index for New York State also failed to live up to market expectations and fuelled talk the U.S. central bank won't rush to dismantle stimulus programs that weaken the dollar to encourage investing, job creation and recovery.

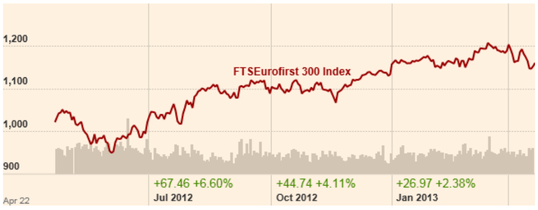
Market Data (12 month):

S&P 500:

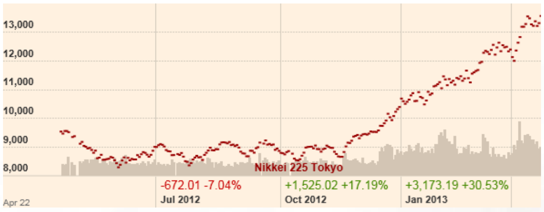
FTSE100:



FTSE Eurofirst 300:



Nikkei 225:



Shanghai Composite:

Source: www.ft.com

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Gold Pain, Indian Gain:

The enormous run up in gold prices over the last decade has been one of the major stories in global financial markets.

Gold has been favoured by an increasing number of investors as a way of hedging against the "debasement" of fiat (paper) currencies as central banks across the globe continue to undertake huge amounts of quantitative easing policies.

From lows of under USD$260 per (troy) ounce in the first half of 2001, gold climbed fairly consistently up to highs of more than USD$1870 per ounce in 2011. After that, the metal has pulled back fairly steadily and remained in a $250 dollar band between $1550 and $1800.

That was the status of gold, that is, until last week.. On April 12 and April 15, Gold saw its biggest two-day drop in decades, as prices plummeted by up to $200USD per ounce.

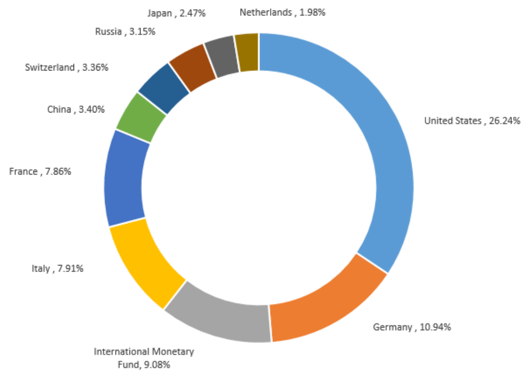
Industry commentators have given a wide range of reasons:

Gold is apparently selling off due to poor retail and consumer confidence numbers last week. That is plain nonsense. If anything the safe haven-ists would dive in and push the gold price up.

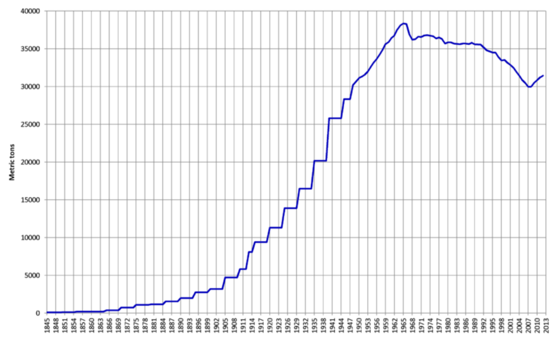
It's also apparently selling off thanks to Cyprus who need to shed reserves to raise cash. Cyprus holds a mere 13.9 tonnes of gold (the largest holder is the US with 8133.5 tonnes) and thus has a share of just 0.04% of the world's reserves. It is doubtful that Cyprus could cause such a large shift in the price on its own.

After a quite tempestuous week of trading, Gold seems to have stabilised for now around $1400 per ounce.

Top 10 Largest Gold Holdings:



World Gold Reserves 1845 – Present:



Source: World Gold Council Dec. 2012

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Cont:

One country for whom the gold price is particularly important is India. Indian economic policy is complicated greatly by the large current account deficit facing it. As gold's dollar value has soared over recent years, it has become a major cause of India's chronic trade deficit – with the country importing USD$56billion worth of gold in 2012.

In essence: old makes up roughly 2/3 of India's deficit.

The central bank's desire to ease policy is partially constrained by the current account deficit, so the fall in the market value of gold, should prices stay lower, will eventually provide more room for easing to boost growth.

However, India is also struggling with inflation (as well as enormous structural challenges) and a decline in foreign investment.

The reduction in the trade deficit, which will occur if gold (and general commodities) prices stay at current levels, should eventually lead to a relative strengthening of the Rupee too.

A stronger currency can help in the fight against inflation, giving further room for easing should the government and central bank deem it necessary. Inflation has already showed signs of easing, as wholesale prices rose at their slowest rate in over three years at 5.96%.

India's economic road ahead is still fraught with difficulties, but lower gold prices certainly provide some welcome relief after months of dilemma.

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Currencies:

EURUSD

EURUSD is in uptrend from 1.2747. Another rise could be expected after consolidation, and next target would be at 1.3400 area. Support levels are at 1.2900 and 1.2747.

EURGBP

EURGBP rebounded further to as high as 0.8636 last week but retreated after. Overall, as long as 0.8489 minor support holds, we'd favour another further upside. Above 0.8636 will turn bias to the upside to retest 0.8806 resistance.

GBPUSD

GBPUSD remains in uptrend from 1.4831.Support is at the lower line of the upward price channel on the chart, and as long as the channel support holds, the uptrend could be expected to resume, and another rise to 1.5600 area being the next target.

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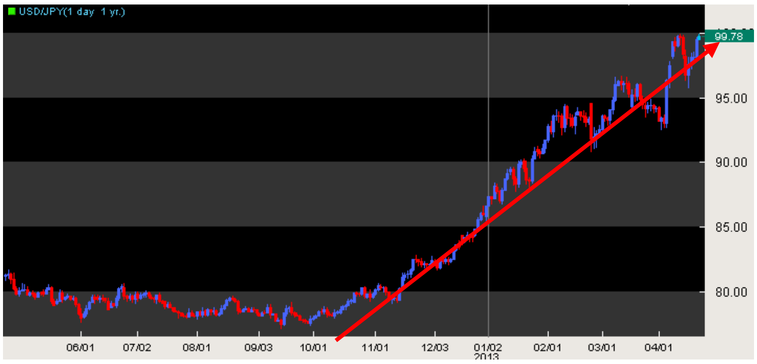
USDCHF

USDCHF is in downtrend from 0.9950, the rise from 0.9206 is likely consolidation of the downtrend. Resistance is at 0.9450, as long as this level holds, another fall could be expected after consolidation, and next target would be at 0.9100 area.

USDJPY



USDJPY remains in uptrend from 77.14 (Sep 13, 2012 low. Another rise could be expected, and next target would be at 1.0200 area. Support is at 95.50, as long as this level holds, the uptrend will continue.

USD Weighted Index

Two of the four components weakened against the greenback, led by a 1.14% decline in the Japanese Yen. Indeed, there's speculation that the BoJ will raise its inflation outlook as it expands its bond-buying program to JPY 7 trillion a month.

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Gold:

Gold futures ended Friday's session higher, as investors returned to the market to seek cheap valuations amid speculation prices fell too far too fast. Gold futures fell to the lowest level since January 2011 earlier in the week as a bout of technical selling kicked in after prices broke below key support levels. In the coming week, investors will be awaiting Friday's U.S. data on first quarter growth. Investors will be closely watching this data as they attempt to gauge the strength of the U.S. recovery.

Crude:

New York-traded crude oil futures ended Friday's session modestly higher, following sharp losses earlier in the week, as investors returned to the market to seek bargains after energy prices fell to the lowest level since December on Thursday. Oil prices have been under heavy selling pressure in recent sessions, amid concerns over the global economic outlook and its impact on future oil demand. Worries over the global economy intensified earlier in the week after the International Monetary Fund cut its 2013 forecast for global growth to 3.3%, down from its January projection of 3.5%. The growth projection for China was trimmed to 8% from 8.2%, while the growth outlook for the U.S. was lowered to 1.9% from 2%.

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Summary:

Stock indices suffered on the back of poor economic results of key global economies. This will remain the theme for some months/years to come. With the IMF cutting growth projections for several key players, it looks like investors will now need to do likewise.

G20 leaders hold the 2nd day of a 2 day gathering to discuss economic growth in the emerging economies. Their support for Tokyo's easing measures has helped Asian markets to begin the week positively, which is being reflected also in Europe at time of writing as Italy re-elects Giorgio Napolitano as President. Yields on 10 year bonds fell on the news to 4.1% having flirted with 5% following election stalemate earlier this year.