Weekly Investment Bulletin

28th January 2013

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Market Roundup:

The market rally persists, and most indices further complimented their valuations for the week.

Starting in Asia we had a mostly positive week. Ironically only Hong Kong and China ended the week in the red, despite the latter posting strong economic data once again. A preliminary survey from HSBC out Thursday showed that business conditions for Chinese manufacturers improved to a 2 year high this month.

The Nikkei ended up 0.13% up for the week, as the weakening Yen added further demand from overseas investors.

In Europe, stock indices were on track of another positive week as decent German economic data and comments from ECB Chief Mario Draghi lifted investor sentiment. Speaking at the World Economic Forum in Davos, he commented on stabilising activity and foresaw recovery as soon as the 2nd half of 2013.

Investors also focused on the latest data set from Germany. The Munich-based Ifo Institute's January business-climate index took an unexpectedly strong jump to 104.2 from 102.4 in December, indicating that the anticipated contraction in the fourth-quarter may have ended.

In the US, the S&P 500 went on its longest winning streak in 6 years and climbed above 1500 for the first time during Thursday's session since 2007. Stock indexes checked their gains after the Commerce Department reported that sales of new homes fell 7.3% in December. Data on Thursday showed that U.S. jobless claims fell to a five-year low of 330,000 people.

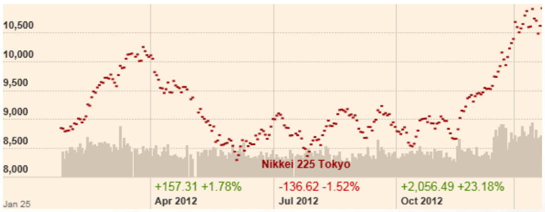
Market Data (12 month):

S&P 500:

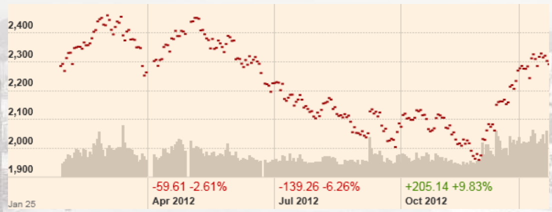
FTSE100:

FTSE Eurofirst 300:

Nikkei 225:



Shanghai Composite:



Source: www.ft.com

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America – The Next Energy Superpower?

This year, it is projected that the US will overtake Russia and Saudi Arabia as the largest liquids fuel producer in the world.

Ironic therefore is the challenge from newly inaugurated US President Barack Obama of the 'tyranny of oil' as he looks set to lead a potential oil and gas mega power.

Indeed industry research believes that the US will become virtually energy self sufficient by 2030, a topic commented upon in past bulletins. This will be thanks in large to its shale gas activity and is expected to be a net exporter of liquefied natural gas as early as 2016 and total natural gas by 2020.

For the Asia-Pacific region, potential U.S. gas exports could undercut higher priced gas from Australia and elsewhere, resulting in lower fuel bills for major importers such as Japan and South Korea.

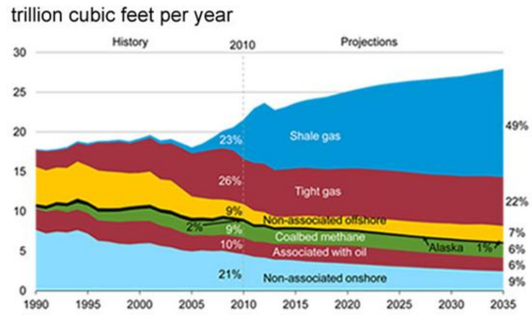
However, fast-growing China and India are expected to become even more reliant on imports to satisfy domestic demand, a report from BP has stated.

With the world's population seen reaching 8.3 billion by 2030 and income doubling in real terms from 2011 levels, BP expects an additional 1.3 billion people will require energy. This will result in global energy demand being 36 percent higher in 2030 compared to 2011, with almost all growth (93 percent) coming from non-OECD economies.

The Asia-Pacific region will produce the most rapid growth in energy production, largely from coal, generating 35 percent of global energy production by 2030.

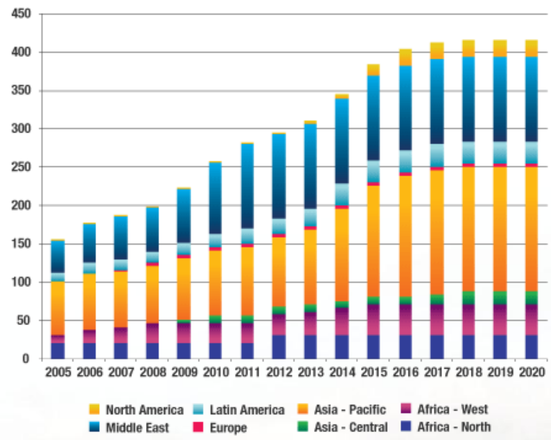
The report states that unconventional sources such as shale gas, tight oil, heavy oil and biofuels will transform the energy balance of the United States.

US Natural Gas Production 1990 to 2035:



Source: U.S Energy Information Administration

Liquified Natural Gas Projects by Region:



Source: www.thomsonreuters.com

Cont:

"By 2030, increasing production and moderating demand will result in the U.S. being 99% self-sufficient in net energy; in 2005 it was only 70% self-sufficient," it said.

Production from unconventional sources will provide all the net growth in global oil supply to 2020, and more than 70% of the growth to 2030.

Aided by gains in technology, the U.S. shale gas boom has already cut household energy bills by an estimated U.S. $1,000 a year and spurred a wave of industrial investment, reversing a 30-year trend of declining manufacturing jobs.

Indeed President Obama's call in his second inaugural address for action on climate change has also received assistance from the gas boom.

Natural gas is expected to be the fastest growing among fossil fuels at 2% a year, with shale gas seen supplying 53% of U.S. gas production by 2030. Coal growth will slow to 1.2% a year, with India overtaking the United States as the second-largest coal consumer by 2024 behind China.

Oil demand will increase at just 0.8% a year, with its share of energy consumption falling to 28% by 2030. All net oil demand growth will come from outside the OECD, with half coming from China, India, and the Middle East alone.

Despite the Fukushima disaster, nuclear energy output is expected to grow by 2.6% a year, compared to an average growth rate of 1.6% over the last two decades. 88% of growth in nuclear energy will come from China, India and Russia.

By 2026, China is seen overtaking the United States as the largest producer of nuclear power. Four years later Beijing will account for 30% of nuclear energy production, according to BP.

The subject of U.S. gas exports to Japan has already been raised in top-level talks between the two allies, with Japan eyeing lower costs to manufacturers and households along with a reduced trade deficit.

The United States may reap the gains, but Asia's policymakers face a careful balancing act in ensuring the region benefits rather than paying the price of the energy revolution.

Currencies:

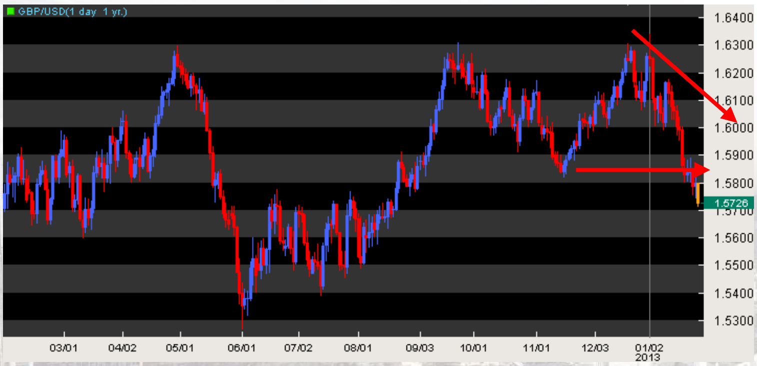
EURUSD

EURUSD's upward movement from 1.2661 extends to as high as 1.3479. Support is now at 1.3340, followed by the upward trend line. As long as the trend line support holds, the uptrend could be expected to continue, and next target would be at 1.3600-1.3700 area.

EURGBP

EURGBP jumped to as high as 0.8541 last week. Initial bias remains on the upside this week for further rally around 0.8621. On the downside, break of 0.8390 support is needed to indicate short term topping. Otherwise, outlook will stay bullish even in case of pullback.

GBPUSD



GBPUSD broke below 1.5827. The downward movement could be expected to continue this week, and next target would be at 1.5600 area. Current resistance is at 1.5900.

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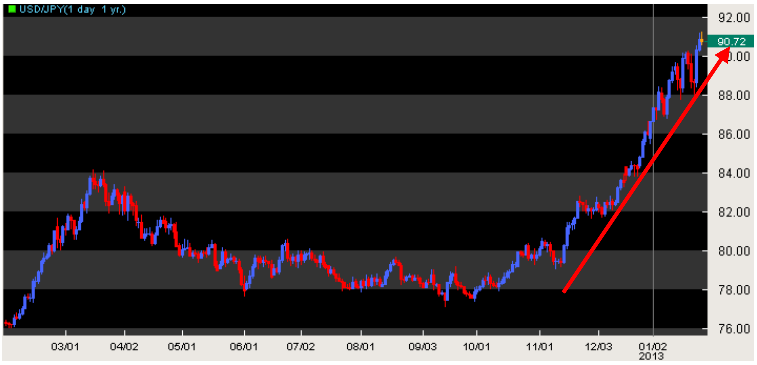
USDCHF

Being contained by the resistance of the upper red line, USDCHF pulls back from 0.9388, suggesting that that a cycle top is being formed. Further decline to test 0.9083 previous low support would likely be seen this week

USDJPY



USDJPY continues its upward movement from 77.14, and the rise extends to as high as 91.19. As long as the trend line support holds, the uptrend could be expected to continue and next target would be at 92.50 area

USD Weighted Index

As the new week commenced, attention focused on the Bank of Japan's meeting and the focus was on whether the Bank would adopt a 2% inflation target and what easing measures would be taken. USDJPY looks set to become volatile, we may see it settle on at a near-term top around the 90.00 figure (see above). We may finally see a correction pan out in the days ahead should the BoJ interest rate decision fall short of market expectations.

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Gold:

Following a pullback last week, gold futures are looking to rebound. Gold prices are likely to find near-term support at USD1,647.05 a troy ounce, the low from January 8 and resistance at USD1,685.35, the high from January 24 as per the range indicated on the chart.

Crude:

Crude oil futures were little changed on Friday, as investors were hesitant to extend a strong rally that took prices to a four-month high earlier in the week on the back of growing optimism over the health of the global economy. Oil prices rallied to USD96.90 a barrel on Wednesday, the strongest level since September 18.

Oil prices continued to draw support from upbeat global economic data as Chinese PMI and US jobless claims all contributed.

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Summary:

In an almost identical summary to last week, markets maintain high levels as the world's economic growth catalyst, China posted good economic data and the US side continues to move in the right direction. This week further US earnings will be in focus, with Halliburton focus. Asia started the week strongly, buoyed by largely positive earnings from the US.

Investors will get more important economic data this week, with US consumer confidence reports coming in tomorrow and 4th quarter US GDP on Wednesday. The week will end with Non Farm Payrolls and unemployment on Friday. This will be a crucial week in determining whether markets still deserve their high valuations, or better.

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