Weekly Investment Bulletin

3rd December 2012

MITHRIL ASSET MANAGEMENT

Market Roundup:

It was another largely positive week for global stock markets.

Across the global world markets advanced with Europe leading the way after Germany approved Greece's latest rescue deal, although worries over the US fiscal cliff weighed on investors' minds.

Germany reportedly approved the latest measures to help reduce Greece's debt pile. The euro-zone finance ministers agreed earlier this week to cut interest rates on Greece's bailout loans, defer interest payments and allow the country to buy back around €30 billion in debt.

News from Asia also lifted stock markets, as industrial production in Japan unexpectedly rose 1.8% in October.

Separately, the Japanese government approved the second stimulus package in a little more than a month, as the sluggish economic performance put pressure on the current party to boost economic growth ahead of elections later this month.

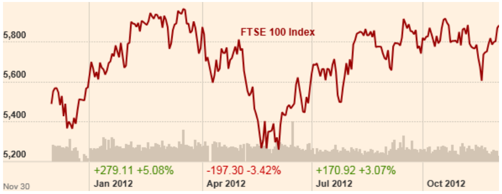
Stateside, we still have gridlock on the US approach to the fiscal cliff, despite all the right noises from the politicians. At this stage we have no real progress on the matter and Wall Street will continue to mould itself around the fiscal cliff until the end of the year.

Chicago PMI faintly accelerated in November, rising to 50.4 from 49.9 in October. Production and employment accelerated, but new orders slumped 5.3 points to 45.3. Consumer data showed an unexpected weakening of 0.2% since October which caused the dollar to fall slightly.

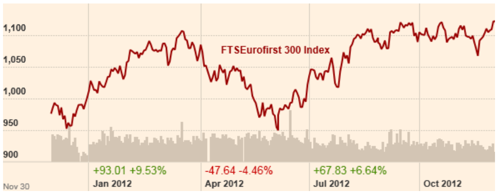
Market Data (12 month):

S&P 500:

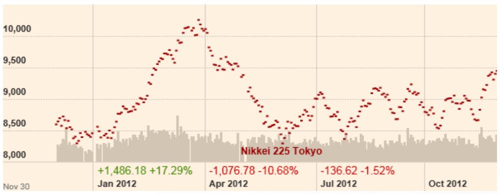
FTSE100:



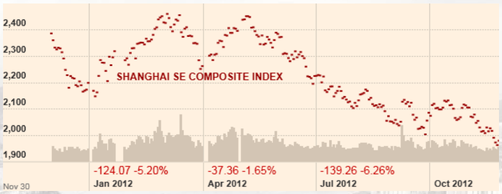
FTSE Eurofirst 300:



Nikkei 225:



Shanghai Composite:



Source: www.ft.com

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APAC to Remain Catalyst for Global Growth - OECD:

There was little to cheer about as the OECD delivered a report slashing the growth forecasts for its members at a meeting this week.

With the IMF downgrading its outlook on the global recovery, investor's eyes should turn eastwards for economic growth where the West continues to apply plasters over still large wounds.

With fears of the US fiscal cliff heavily in the minds of global markets, this could tip the world's largest economy back into recession. Whilst on the road to recovery, the States is by no means out of the woods and Europe, despite some structural progress, still flirts with danger.

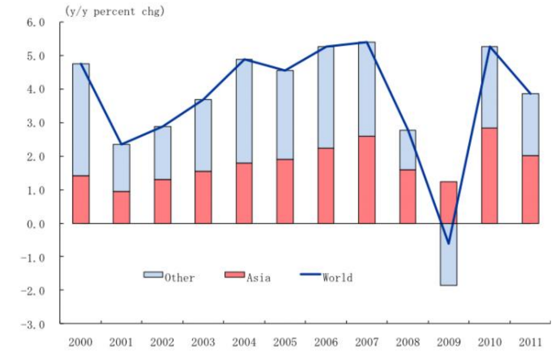
The OECD's 34 developed member economies are expected to grow by a sluggish 1.4% in 2013, down from its 2.2% rate forecast in May. The global economy is predicted to grow by 3.4% in 2013 and 4.2% the following year.

Growth forecasts for this year and the next for the United States and Japan (the focus of our attentions last week) were again lowered by the OECD, with the euro zone's recession thought to be even deeper than previously expected.

Warning that the euro zone's debt crisis "remains the greatest threat to the world economy," the OECD said the 17-nation bloc would remain in recession until early 2013, with GDP declining by 0.1% next year before rebounding in 2014.

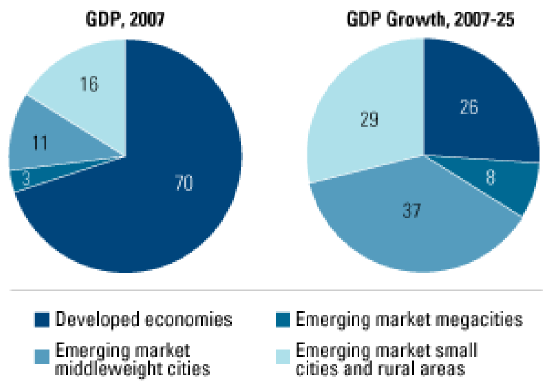
Provided that American lawmakers reach a compromise to avert automatic tax hikes and spending cuts, the OECD expects the world's largest economy to grow by 2% in 2013, and 2.8% the following year. This is up compared with May's estimates of 2.4 and 2.6% growth, respectively.

Asian Contribution to Global GDP:



Note1 : Japan, China, India, NIEs and ASEAN5.
Source: IMF

Shifting GDP Growth in Emerging Markets vs Developed Economies:



Source: McKinsey Global Institute Cityscope 1.0 and U.S. Global Investors

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Cont:

As Japan heads to the polls, its beleaguered government can take little solace from the OECD's report, which forecasted that the world's third-largest economy would grow just 0.7% in 2013, around half of what it expected in May.

However, neighbour South Korea is expected to see its growth rate climb to 3.1% in 2013 and 4.4% the following year, bolster by stronger export numbers.

According to the OECD, South Korea has scope for fiscal and monetary stimulus due to its "sound public finances and low inflation," although it urged more structural reforms to boost labour force participation and productivity.

Growth rates in the BRIC nations are expected to remain solid thanks to more supportive monetary and fiscal policies.

Despite the fact that Beijing is expected to post its lowest growth rate in a decade this year, the OECD sees the world's No. 2 economy increasing GDP by 8.5% in 2013 and 8.9% a year later.

On Tuesday, however, the benchmark Shanghai Composite index ended at 1991, the first time it had closed below 2000 since January 2009, with analysts growing pessimistic on the likelihood the new leadership will introduce a large stimulus package.

"As growth picks up, the pace of [China's] public spending should be reined in but its re-orientation towards social services should continue. If economic prospects were to unexpectedly worsen, however, there would be room for monetary and fiscal stimulus," the OECD report stated.

Cont:

India is also predicted to recover from this year's decidedly downbeat 4.4% growth, posting rises of 6.5% in 2013 and 7.1% a year later.

"Growth is expected to remain weak for some time," the OECD said, saying more fiscal restraint was needed to avoid a further deterioration of confidence in Asia's third-biggest economy.

Currencies:

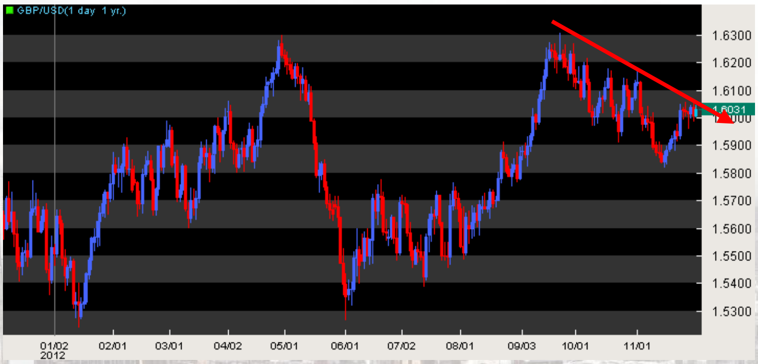
EURUSD

EURUSD's upward movement from 1.2661 extended to as high as 1.3027. Further rise to test 1.3171 previous high is likely, and a break above this level will confirm that the uptrend from 1.2042 has resumed, then the target would be at 1.4000 area.

EURGBP

EURGBP's chopping rebound from 0.7959 continued last week and reached as high as 0.8132 so far. Further rally is initially expected this week. But still, at this point, we'd expect resistance from 0.8164 to limit upside and bring another decline to retest 0.7959.

GBPUSD



GBPUSD is now facing the downward trend line, and only a clear break above the trend line resistance will indicate that the downtrend from 1.6309 had completed at 1.5827 already, then further rise to test 1.6309 resistance could be seen. On the downside, as long as the trend line resistance holds, the downtrend could be expected to resume, and one more fall towards 1.5500 is still possible.

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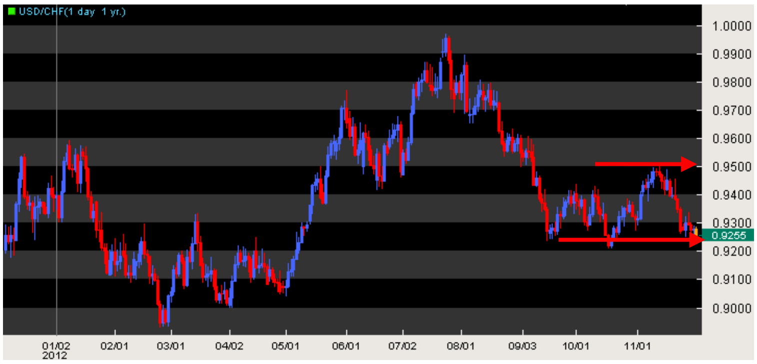
USDCHF



USDCHF is facing 0.9214 support, a breakdown below this level could signal resumption of the downtrend from 0.9971, then the target would be at the 0.8500 area.

USDJPY

USDJPY remains in uptrend from 77.14. Initial support is at 81.65, as long as this level holds, the uptrend could be expected to continue, and further rise to the 83.50 area is possible next week.

USD Weighted Index

Despite the headwinds facing the U.S. economy, the Fed appears to be steadying its easing cycle to an end as they anticipate a stronger recovery in 2013, and the central bank may adopt a more neutral tone in the coming months as the region gets on a more sustainable path. Beyond the Fiscal Cliff, the budding recovery in the housing market along with the resilience in private sector consumption should pave the way for faster growth.

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Gold:

Gold demand is rising to very significant levels. World Gold Council said on Friday that global Gold Demand in 2013 should be led by further strength in Chinese demand and a recovery in India, helping Gold continue its upward run into its 13th year. Notably, they feel that Chinese Gold Demand is likely to grow around 10 percent in 2013 from about 800 tonnes this year, as the world's second-largest economy is expected to pick up pace.

Crude:

Crude oil advanced on Friday towards the $88.00 level as tensions in the Middle East persist, growth in the U.S. exceeds expectations and China show more signs of recovery, yet profit taking and worries over the U.S. budget are keep gains limited.

Gains are supported by the persistent tensions in the Middle East and North Africa, which provide a considerable amount of the world's oil supply. Prices also found support from the U.S. gross domestic product which grew at a 2.7% annual rate last quarter, up from a 2% prior estimate, while in China the business sentiment advanced in Nov. to 53.78 adding to signs of speeding recovery.

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Summary:

Markets opened mildly to the upside at time of writing, as 'Mega Monday' approaches, ie the first Monday of December. With the holiday season approaches, online retailers in particular are anticipating strong sales figures with consumer electronics expecting high volume of orders. With smart phone and tablet releases having come thick and fast in H2 2013, consumers are spoilt for choice.

The political posturing in Washington will continue to this week as Fiscal Cliff negotiations continue. Expect markets to become more sensitive as this persists. A compromise is expected, however until a deal is signed, uncertainty will filter into trading.

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