Weekly Investment Bulletin

3rd June 2013

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Market Roundup:

Japanese stocks rebounded on Friday to recover some of the steep losses suffered in the previous session, aided by a deluge of monthly economic data and strong cues from Wall Street.

At Friday's close, the Nikkei is still up 32.1% in 2013 to date. But it remained in a so-called correction territory, having lost more than 2,168 points, or 13.6%, from its high of 15,942.60 on May 23.

The Nikkei fell 5.73% for the week and where the Hang Seng and Singapore Strait gave up 1.11% and 2.42% respectively.

The Shanghai benchmark, however, advanced 5.6% in May to emerge as Asia's best performing index during the month.

Europe was little changed for the week, although that change was largely to the negative. European stock markets slumped on Wednesday, after OECD cut the growth forecast for the euro zone for 2013 and 2014.

It now sees the euro-zone economy remaining in recession at -0.6% this year down from an earlier estimate of a 0.1% contraction. In 2014, it is expected to rebound 1.1%, down from 1.3% previously forecasted.

In the states, the consumer kept their markets buoyant as consumer sentiment numbers turned positive. The Thomson Reuters/University of Michigan's final index of consumer sentiment climbed to 84.5 for May, exceeding expectation, reaching the highest level since 2007.

Separately, the Chicago PMI jumped to 58.7 in May, its strongest reading in over 12 months.

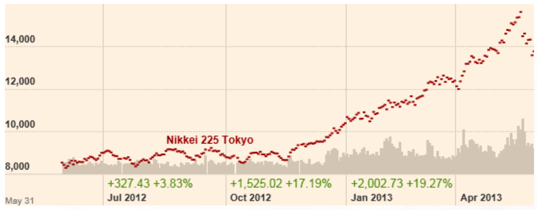
Market Data (12 month):

S&P 500:

FTSE100:

FTSE Eurofirst 300:

Nikkei 225:



Shanghai Composite:

Source: www.ft.com

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The Perilous Position of Russia's Gas Exports:

Russian gas exports face serious challenges from weak gas demand in Europe, the rise of more flexible European gas pricing systems, the unconventional gas boom in North America, and China's aggressive hunt for alternative gas supplies. These factors are all dramatically changing the global gas landscape in ways largely unfavourable to Russian exports.

Naturally, Moscow therefore faces hefty obstacles.

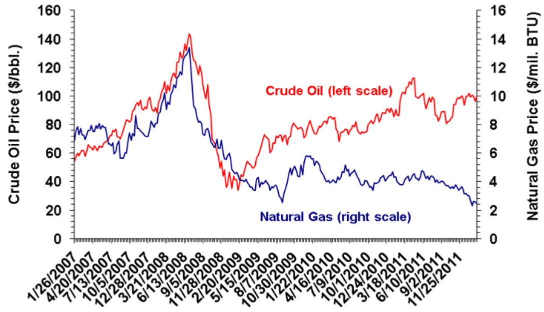
Natural gas consumption in Europe and the Former Soviet Union (including Russia itself), which are Russia's core gas markets, has stagnated for the past decade. Russian gas export volumes peaked in 2005 and have trended downward since. Yet Gazprom, Russia's monopoly gas exporter continues to insist on an outdated pricing system that links the price of Russian gas exports to crude oil prices, even though crude oil and natural gas prices are diverging.

Oil-linked pricing has kept the price of Russian gas high since global crude oil prices rallied in 2004, hugely increasing Gazprom's revenue and covering the reality that Russia was in fact selling less and less gas to Europe.

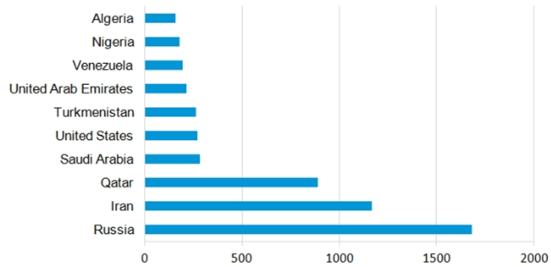
In 2012, Europe accounted for nearly two-thirds of Russian gas exports by volume and 12 percent of the country's total exports by value, according to the Russian Central Bank.

For the time being, Gazprom's stubborn adherence to oil-based pricing endures in Europe because many customers remain bound by contracts. But in Asia, which will drive global gas demand in coming decades, Gazprom's insistence on an oil-based pricing structure jeopardizes its ability to access the Chinese market, which will not accept prices as high as those paid by European consumers of Russian gas.

Nymex Crude Oil and Natural Gas Futures Price Evolution:



Largest Proven Natural Gas Reserves 2012 (Trillion Cubic Feet)



Source: Oil and Gas Journal 2012

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Cont:

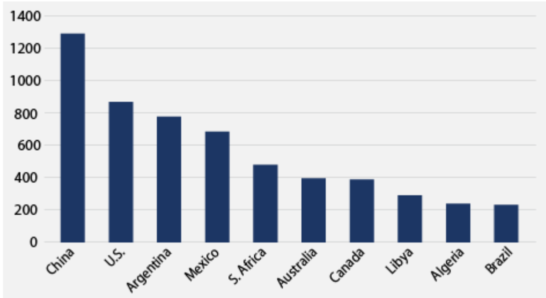
China does not "need" Russian gas to nearly the same extent as it does crude oil. Beijing is rapidly hooking up to alternate sources of supply. First, China has financed a series of parallel large-diameter pipelines to import Central Asian gas.

China has six liquefied natural gas (LNG) terminals currently under construction and when they are all online; they will be able to bring in an amount of gas nearly equivalent to Gazprom's planned pipeline into China itself.

Furthermore, China's shale gas reserves could be as much as 50 percent larger than those of the U.S., the current global shale gas leader. To date, operators have drilled fewer than 100 shale gas wells in China, but activity is likely to ramp up significantly in coming years as capital and expertise seek opportunities. Do note that Chinese shale deposits tend to lie deeper and are harder to fracture than those in the U.S.

The ball is in Gazprom's (read the Kremlin's) court. A major signal will come later this year when the Russian government decides whether to break Gazprom's gas export monopoly. Novatek, another large Russian gas producer may be granted a licence to export liquefied natural gas later this year.

Estimated Recoverable Shale Gas Reserves:



Source: US Energy Information Administration

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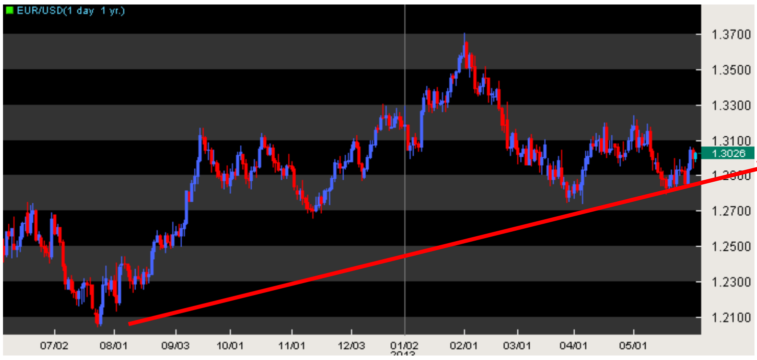
Currencies:

EURUSD



EURUSD failed to break below 1.2747 support, and rebounded from 1.2796, suggesting that lengthier sideways movement in a range between 1.2747 and 1.3242 is underway. Further rise to test 1.3242 resistance would likely be seen this week.

EURGBP

EURGBP stayed in sideway trading last week before dipping towards the end. Initial bias this week remains neutral. Above 0.8596 will target 0.8636 resistance. Break of 0.8636 will indicate that whole correction from 0.8806 has completed and will turn outlook bullish for retesting 0.8806.

GBPUSD

GBPUSD is facing 1.5250 resistance, a break above this level will indicate that the downtrend from 1.5605 had completed at 1.5008 already, then the following upward movement could bring price to 1.6000 zone.

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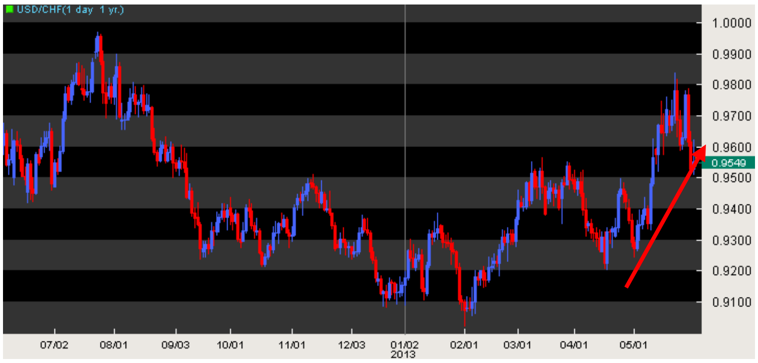
USDCHF



USDCHF breaks below the support of the lower line of the price channel on daily chart, suggesting that the upward movement from 0.9206 had completed at 0.9838 already. Further decline would likely be seen, and next target would be at 0.9300 area.

USDJPY

USDJPY's fall from 103.73 extends to as low as 100.22. Deeper decline is still possible next week, and the target would be at 98.00 - 99.00 area. Key support is located at 97.00, as long as this level holds, the fall could be treated as consolidation of the uptrend from 77.14 (Sep 13, 2012 low), one more rise towards 110.00 is still possible after consolidation.

USD Weighted Index

The Dow Jones-FXCM US Dollar Index is trading 0.36% higher on the day as the Chicago Purchasing Manager index advanced to 58.7 in May amid forecasts for a 50.0 number. With the Fed's Beige Book set for comment this week may, the appeal of USD may strengthen should we see an improved outlook for growth.

Gold:

Gold futures came under heavy selling pressure on Friday, after upbeat economic data added to speculation over an earlier-than-expected end to the Federal Reserve's asset purchase program.

Moves in the gold price this year have largely tracked shifting expectations as to whether the U.S. central bank would end its bond-buying program sooner-than-expected.

Crude:

New York-traded crude oil futures ended Friday's session sharply lower, hitting the lowest level in a month, as a broadly stronger U.S. dollar and steep losses in U.S. equities markets dampened the appeal of the commodity.

US shares and crude oil have traded in tandem in recent weeks, on the belief share prices act as a proxy for economic sentiment and are a gauge for oil demand.

Summary:

Looking forward to this week, US jobs data will likely bring further confirmation that the worlds largest economy still remains on track for recovery. Nonfarm payrolls are expecting to show an improved on the previous reading, from 165,000 to 168,000. Jobless claims are also expecting to show a decrease.

The news is not so rosy in China. Manufacturing data from HSBC showed a drop in activity, to 49.2 from 50.4 in April (a reading below 50.0 signals contraptions). However over the weekend, a government sponsored reading (!) showed the contrary, rising from 50.6 to 50.8 last month.