Weekly Insights

AMB

JAN - Weekly factsheet for the Week Ended January 16

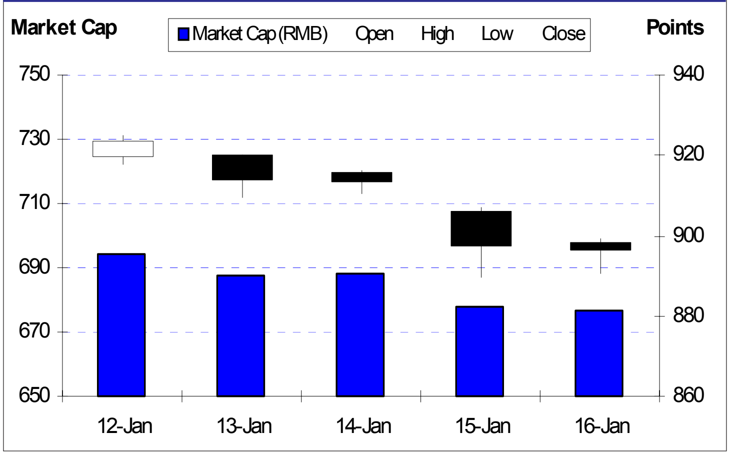
19 JANUARY 2009

2009/0003

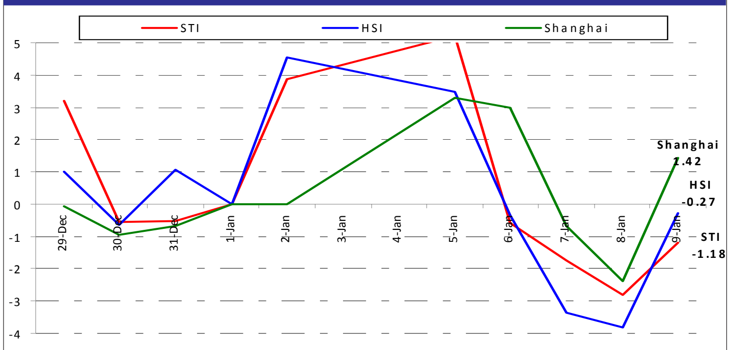
WEEKLY CLOSING IN MAJOR MARKET INDICES

	JAN 9	JAN 16	%CHG	%YTD
KL Composite	919.07	896.47	-2.5	2.2
Dow Jones	8,599.18	8,281.22	-3.7	-5.6
Nikkei225	8,836.80	8,230.15	-6.9	-7.1
DAX Index	4,783.89	4,366.28	-8.7	-9.2
UK FTSE100	4,448.54	4,147.06	-6.8	-6.5
AU AORD	3,680.40	3,494.90	-5.0	-4.5
STI	1,806.02	1,730.45	-4.2	-1.8
Hang Seng	14,377.44	13,255.51	-7.8	-7.9
SSE Index	1,904.86	1,954.44	2.6	7.3

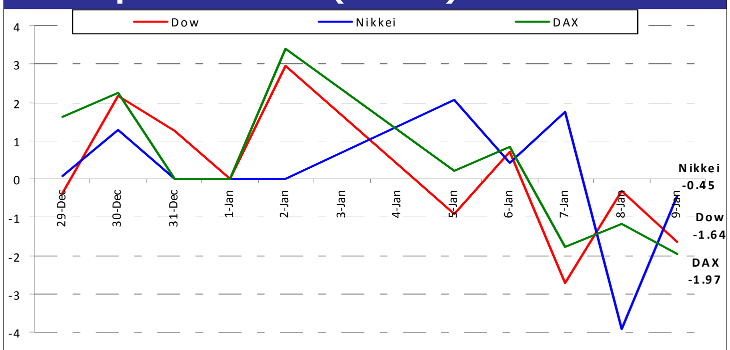
KLCI



Regional Countries (% dod)



Developed Countries (% dod)

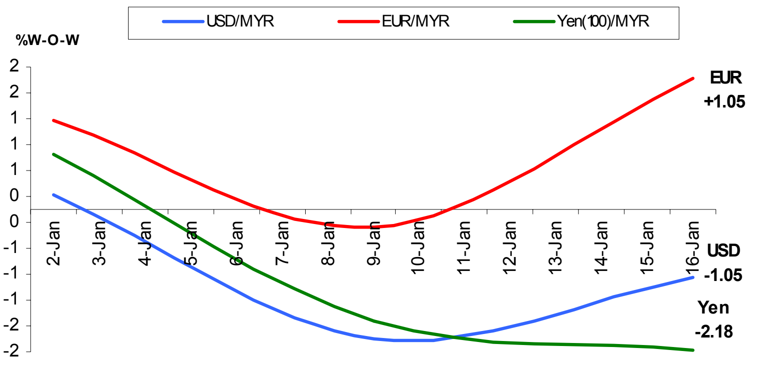


MARKET NEWS

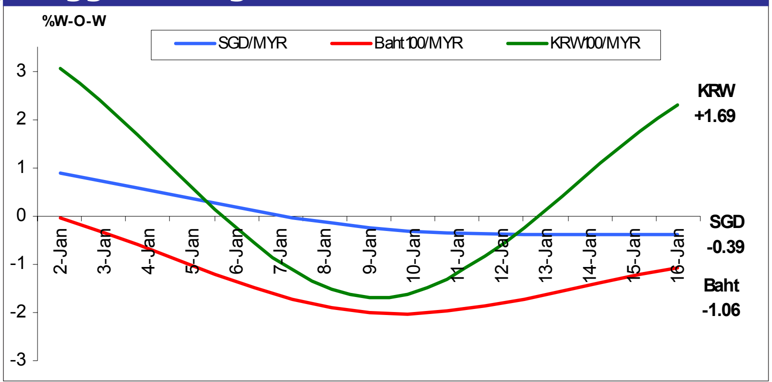
- **U.S. stocks fell for a second week, led by financial companies, after Citigroup Inc. said it will split in two and Bank of America Corp. required emergency federal funds for its acquisition of Merrill Lynch & Co.** All 10 industries in the benchmark index for U.S. equities slipped for the week as U.S. data on retail sales and unemployment indicated the recession may deepen. Financial companies in the S&P 500 fell 16% to their lowest since Nov. 21. Of the 81 companies, only eight advanced, led by SLM Corp. The biggest U.S. student lender added 8% on speculation President-elect Barack Obama will increase funding for student loans. Citigroup, once the biggest U.S. bank by market value, fell 48% to its lowest closing price since 1992. After posting an US$8.29 billion loss for the fourth quarter, twice as large as analysts estimated, the bank said it will split its global bank from its non-core assets, undoing a decade-old strategy of offering various financial products and services. Bank of America, the largest U.S. bank by assets, tumbled 45%. The bank cut its dividend to a penny after reporting its first loss since 1991. The federal government will invest US$20 billion in Bank of America and guarantee US$118 billion of assets in connection with the acquisition of Merrill. Retails shares dragged US stock benchmarks lower after a report showed that sales at U.S. retailers fell more than twice as much as forecast in December, as job losses and the lack of credit led Americans to cut back on everything from car purchases to eating out. Macy's Inc., Wal-Mart Stores Inc. and Gap Inc. all slid more than 5%. The companies also said that earnings will trail analysts' estimates following the worst holiday season in 40 years. Losses however were trimmed on Friday after the senate house tabled an US$800 billion stimulus package, aimed to boost the real sector of the economy. Among the big gainers were the two giant utility companies, 3m Co. and AT&T Inc., both gain more than 5% as both of the companies were speculated to get the most out of the new stimulus package. **Overall, the Dow Jones Industrial Index shed 435.51 points, or 4.8% to close at 8,281.22 points.**

- **European stocks retreated for the second straight week as disappointing earnings results dominated trading sentiment, stoking concerns that financial firms will need to raise more capital.** HSBC Holdings Plc, the region's largest bank by market value, Lloyds TSB Group Plc and Barclays Plc sank more than 10% after U.K.'s market regulator lifted a temporary ban on short selling for 34 financial companies. The Financial Service Authority's ban was introduced in September after politicians and investors blamed short-selling for market instability as regulators grappled with the worst financial crisis since the Great Depression. HSBC declined 14.8% after Morgan Stanley said Europe's largest bank by market value may need to raise as much as US$30 billion. Lloyds TSB, which will be 43% owned by the U.K. government, retreated 12% while Barclays, the U.K.'s fourth-biggest bank, declined 8.2%. The European Central Bank lowered its benchmark lending rate by 0.5% to 2% last week. President Jean-Claude Trichet, who said the decision was unanimous, indicated the central bank will wait for revised growth and inflation projections in March before taking its next decision. Energy also fell last week as crude oil declined back to December 2008's lows after OPEC said that demand for its crude will decline 4.2% this year as the recession in the U.S.,

Ringgit vs Major Currencies



Ringgit vs Regional Currencies



Europe and Japan curbs fuel use. Total SA, Europe's biggest oil refiner, lost 7.4% while Royal Dutch Shell Plc, Europe's largest oil company, slid 5.1 %. Consumer related stocks further contributed to the overall decline, as sales figures indicate further declines in companies' profit. European car sales fell 18% in December, as reported by European Automobile Manufacturers' Association. Renault SA, France's second-biggest automaker, said in its report that it posted a 27% drop in December registrations and a 6.9% decline for the year. Continental AG plunged 20%, mirroring the trend. Europe's second-largest car-parts maker also said it may raise 1 billion euros in a stock sale as it considers options for covering a possible impairment charge. **National benchmark indexes retreated in 13 of the 18 western European markets. The U.K.'s FTSE 100 dropped 6.8% to 4,147.06 points while Germany's DAX retreated 8.7% to 4,366.28 points.**

- **Japanese stocks declined to the lowest level in more than a month as bigger-than-estimated drops in machinery orders and U.S. retail sales fueled concern the global recession is deepening.** Japan's machinery orders, an indicator of capital spending in the next three to six months, fell by a record 16.2% in November from the previous month, the Cabinet Office said Advantest fell 12.8%, one of the worst performer among Nikkei constituents, while Yokogawa Electric Corp., Japan's biggest maker of measuring instruments, slid 8.3%. Hitachi Construction Machinery Co., Asia's second-largest maker of earthmovers, lost 9%. Exports heavyweights were dragged lower after the US Commerce Department said U.S. retail sales dropped for a sixth month with a 2.7% slump in December, the longest stretch of declines since the tallies began in 1992. Canon Inc., the world's biggest digital-camera maker, retreated 5.9%. Merrill Lynch last week cut its rating on the stock to "underperform" from "neutral," saying the company may reduce its annual dividend by 27%. Sony Corp., which gets a quarter of its sales from the U.S., sank 5.2%. Electronics makers weighed the most on the Topix. Business sentiment in Japan continued to decline and kept the selling pressure in the stock market, together with rising bankruptcies and the dimmer outlook for company earnings. Large manufacturers forecast their pretax profits will fall by a quarter this fiscal year, the central bank's Tankan quarterly survey showed last month. Toyota, which last month forecast its first operating loss in 71 years, lost 6.4%. Closest rival, Honda Motor Co., which gets more than half of its profit from North America, fell 6.8%. Yokohama Rubber Co., Japan's second-largest tiremaker, retreated 7.9% while Sumitomo Rubber Industries Ltd. slid 6.6%. Bridgestone Corp., the world's biggest, fell 4.2%. Goldman slashed its ratings on the tiremakers to sell, citing a clear decline in demand. **On a weekly basis, Japan's Nikkei 225 Stock Average closed 6.9% lower to 8,230.15 points.**

- **China's stocks rose on the first trading week of 2009, snapping a two-week losing streak, after the government said it will support the steel and automobile industries and as commodity prices jumped in Shanghai.** Wuhan Iron & Steel Co., China's third-biggest steelmaker by value, jumped 16.7% while smaller rival, Chongqing Iron & Steel Co., leaped 24.9%. China's Premier said on a radio broadcast last week that the government has drawn up policies to support the steel and automobile industries through the economic slowdown without adding the details. SAIC Motor Co., China's largest carmaker, rose 3.9% following the announcement. Copper and zinc futures both jumped in Shanghai, tracking moves in London, on speculation index funds will buy more industrial metals this month to reflect annual re-weightings in their benchmarks. London Metal Exchange Index has gained almost 16% since the past two weeks. Technology stocks were boosted after the government said it will issue licenses for high-speed wireless services. ZTE Corp., China's second-biggest phone-equipment maker and China United Telecommunications Corp., which controls the nation's second-largest cell phone operator, both gained more than 5%. Technology stocks also gained after the Ministry of Industry and Information Technology said that china will issue policies to support the nation's home-grown third-generation technology. Financial stocks provided an extra boost to stocks benchmarks after Shanghai Pudong Bank, the Chinese partner of Citigroup Inc., said net income climbed to US$1.8 billion while revenue increased 33%. Pudong Bank added 6.3% last week while Industrial & Commercial Bank of China Ltd., the nation's biggest listed lender, rose 2.1%. **Overall, China's Shanghai Composite Index jumped 2.6%, among the best performing benchmark so far this year, to close at 1,904.86 points.**

- **Malaysia's stock market post its first weekly lost for the year, mirroring global stock benchmarks as the gloomy outlook on the local economy compelled many brokerages to downgrade local stocks.** Financials led the decline after Citigroup Inc. cut its 2009 earnings estimates for Malaysian banks by an average 23%, citing investors should sell banks as the country will slide into a recession in the first quarter. Malayan Banking Bhd., Malaysia's biggest bank, slid 5.4% and said it plans to raise RM3 billion ringgit to increase its TIER-1 capital. RHB Capital Bhd., the fourth biggest bank, fell 7.1% while Alliance Financial Group Bhd. lost 1.1%. Hong Leong Financial Group Bhd. however bucked the overall trend after posting a weekly gain of 3.7% after Credit Suisse Group said a possible sale of a stake in Hong Leong Financial's insurance unit could be a positive re-rating catalyst. Plantation stocks were the second biggest loser last week following a report by an independent surveyor, Intertek, suggesting that Malaysia's palm oil exports fell 33% in the first 15 days of January. IOI Corp. Bhd., Malaysia second biggest palm oil producer fell 5.8% while Kuala Lumpur Kepong Bhd. tumbled 4.5%. Maybank Investments, in a report last week, cut its rating on the Malaysian plantation sector to underweight from neutral as share prices have run ahead of short-term fundamentals. Timber stocks also dragged the local benchmark lower after Lumber fell the most allowed by the Chicago Mercantile Exchange on Thursday, dropping to the lowest price in almost 18 years, on slack demand for building materials as the U.S. housing slump intensifies. Lingui Developments Bhd., the second-largest timber operator by sales, dropped 0.8% while Ta Ann Holdings Bhd. slid 11.6%. Tenaga Nasional Bhd. was among the biggest loser in the index last week as local media reported that government may cut power rates before June after agreeing to review the price that Tenaga pays for natural gas. Under an earlier plan, the government was due to review electricity prices in June, the energy ministry said in a statement. **At the end of the week, the Kuala Lumpur Composite Index declined 2.5%, closing at 896.47 points.**

ECONOMIC NEWS

- **The US trade deficit narrowed in November** by the most in 12 years as tumbling oil prices and slumping consumer spending cut imports. The gap shrank 29% to US$40.4 billion. November's deficit was the smallest in five years. A record 12% m-o-m drop in imports propelled the improvement. Exports fell for a fourth straight month. Imports fell to US$183.2 billion, as demand for foreign crude oil, automobiles, computers and televisions sagged, reflecting the deepening slump in consumer and business spending. Total US exports dropped 5.8% m-o-m to US$142.8 billion.

- **US import prices fell in December** for a fifth consecutive month as commodity costs eased, a sign the recession is restraining inflation. The import-price index decreased 4.2% after a revised 7.0% drop in November. Prices from a year earlier were down 9.3%, largest y-o-y decline since the index was first published in 1982. The figures indicate American companies may keep prices low amid a global slowdown in demand. Compared with a year earlier, prices of imported goods dropped a record 9.3% following a 5.4% y-o-y decrease in the prior month.

- **US retail sales fell in December** as job losses and the lack of credit led Americans to cut back on everything from car purchases to eating out. The 2.7% slump marked the sixth straight month of declines, the longest string since comparable records began in 1992. Purchases excluding automobiles slumped 3.1%, the most since records began. The decline in purchases and lack of credit caused a further weakening in the economy across almost all areas of the country in the past month. Retail sales fell 0.1% for all of 2008 compared with the prior year.

- **US businesses inventories fell for a third straight month in November** as companies tried to keep up with plunging demand. The value of unsold goods at factories, retailers and wholesalers fell 0.7% following a 0.6% decline in October. Sales dropped 5.1%, the most since records began in 1992. Businesses had enough goods on hand in November to last 1.41 months at the current sales pace, the most since 2001. A decline in sales at the end of the year indicates companies will need to continue to cut stockpiles in coming months.

- **US producer prices fell 1.9% in December,** capping the first annual decrease in seven years, as demand for raw materials collapsed with the deepening recession. The drop was in line with forecasts and followed a 2.2% decrease in November. Excluding fuel and food, the core rate rose 0.2% after a 0.1% increase. The global slowdown has caused sales at companies such as Alcoa Inc. to plummet, leading to cutbacks in output and hiring that are reverberating through the economy. Falling commodity costs and asset values are raising concern among Federal Reserve policy makers that the US may tip into a deflationary spiral of deep and extended price decreases that are difficult to stop.

- **US initial jobless claims rose more than forecast,** signaling companies stepped up the pace of firings at the start of the year. Initial jobless claims jumped by 54,000 to 524,000 in the week that ended Jan. 10, from a revised 470,000 the prior week. The total number of people collecting benefits decreased from a 26-year high. The worst holiday sales season in at least four decades and the lack of credit will probably prompt even more payroll reductions in coming weeks and months. The four-week moving average, a less volatile measure, fell to 518,500 compared with 526,500 the prior week. The number of people staying on benefit rolls dropped to 4.497 million in the week ended Jan. 3 from 4.612 million, the highest level since 1982.

- **US consumer prices fell in December** as the recession deepened, capping the smallest annual gain in a half century. The CPI fell 0.7% m-o-m in December after dropping 1.7% the prior month. Excluding food and energy, costs were unchanged. The report underscores the destruction of companies' pricing power, and the danger of a sustained decline in prices that would deepen the economic downturn by making debts harder to pay off. On a y-o-y basis, the CPI gained 0.1% in December. Consumer prices rose 0.1% for goods and services in 2008. The core rate increased 1.8% last year, the smallest gain since 2003.

- **US industrial production fell in December** as companies pulled back to try to weather the global economic slowdown. Auto output fell to the lowest in more than a quarter century. The industrial production index dropped 2.0% m-o-m after a revised decline of 1.3% in November. Plant use matched the lowest level since 1983. Factories are reducing output and spending as export demand drops and US retail sales endure the longest string of declines in at least 16 years. Capacity utilization, or the proportion of plants in use, fell to 73.6%, matching the lowest level since April 1983, from 75.2% in November.

- **US consumer confidence rose in January,** helped by a retreat in gasoline prices and growing expectations that President-elect Barack Obama may keep the economy from getting worse. The Reuters/University of Michigan preliminary index of consumer sentiment rose to 61.9, the second consecutive monthly gain, from 60.1 in December.

- **Eurozone industrial production fell the most in 18 years in November** as the global financial crisis prompted manufacturers of intermediate and durable consumer goods to cut back. Output in the euro area dropped 7.7% from a year earlier. It was the biggest annual drop since December 1990. From the previous month, production fell 1.6%. European manufacturers are reducing production and spending after the financial turmoil pushed the world's biggest economies into the first simultaneous recession since World War II.

- **The Eurozone inflation rate dropped to the lowest in more than two years in December** as energy prices fell and consumers cut spending, giving the European Central Bank scope to lower interest rates to tackle the deepening recession. The inflation rate in the euro area fell to 1.6% from 2.1% in November. The December rate was the lowest since October 2006.

- **The European Central Bank cut its benchmark interest rate by half a percentage point to 2%,** matching a record low, as the deepening recession pressed policy makers into action. The rate was last at this level between 2003 and 2005. President Jean-Claude Trichet said last month there's a limit to how far the ECB can cut rates and refused to give any signal for January, suggesting he favored a pause. At the same time, the economy is deteriorating more rapidly than the ECB anticipated as the global financial crisis hurts exports, damps spending and threatens credit ratings in the region. The ECB has reduced its benchmark by 225 basis points since early October. Last month it lowered the rate by 75 points, its biggest step ever.

- **Japan's current-account surplus narrowed for a ninth month in November** as exports slumped by a record in the wake of the global recession. The surplus shrank 65.9% to 581.2 billion yen (US$65 billion) from a year earlier. Japan's recession is deepening as the worldwide financial crisis chokes off demand for the nation's cars and electronics, prompting companies to cut production and investment. Exports fell 26.5% m-o-m in November from a year earlier, the most since comparable data were first made available in 1985. Imports slid 13.7% m-o-m. Exports plunged a record 26.7% in November from a year earlier on a customs-cleared basis. The income surplus, the difference between money earned abroad and payments made to foreign investors in Japan, narrowed 15.5% to 844.7 billion yen from a year earlier. The current account tracks the flow of goods, services and investment income between Japan and its trading partners.

- **Japan's bank lending accelerated at the fastest pace in 16 years in December** as the global credit crisis forced companies out of the corporate debt market. Loans, excluding those by credit associations, rose 4.1% last month from a year earlier after jumping 3.6% in November. The growth rate was the fastest since February 1992 and the third straight monthly gain.

- **Japan's corporate bankruptcies rose the most in eight years in 2008** as a deepening recession weakened sales and made it harder for businesses to get funds. Bankruptcies climbed 11% from a year earlier to 15,646 cases last year, the fastest pace since 2000. A total of 33 publicly traded companies went out of business in 2008, the most in the postwar period.

- **Japan's merchant sentiment fell to a record low in December**. The Economy Watchers index, a survey of barbers, taxi drivers and others who deal with consumers, dropped to 15.9 in December, the lowest since the government started the survey in August 2001.

- **Japan's machinery orders fell by a record 16.2% in November,** twice as much as economists estimated, as businesses cut spending amid a deepening global recession. The drop in orders, an indicator of capital spending in the next three to six months, was the biggest decline since the current survey began in 1987.

UPCOMING RELEASES THIS WEEK (19-23 JAN 09)

US

- Weekly Mortgage Applications by Mortgage Bankers Association on January 21, 2009
- January NAHB Housing Market Index by National Association of Home Builders Market Index on January 21, 2009
- December Housing Starts by Department of Commerce on January 22, 2009
- Weekly Initial Jobless Claims by Department of Labor on January 22, 2009
- November Home Price Index by S&P/Case Shiller on January 22, 2009

Eurozone

- November Construction Output by Eurostat on January 19, 2009.
- November Industrial New Orders by Eurostat on January 22, 2009.

Japan

- November Industrial Production Index (IPI) by Ministry of Economy, Trade and Industry on January 18, 2009.
- November Tertiary Industry Activity Index by Ministry of Economy, Trade and Industry on January 19, 2009.
- December Consumer Confidence by Economic and Social Research Institution (ESRI) on January 20, 2009.
- December Coincident Index by Economic & Social Research Institute on January 21, 2009.
- November Leading Economic Index by Economic and Social Research Institution (ESRI) on January 21, 2009.
- December Merchandise Trade Balance Ministry of Economy, Trade and Industry on January 21, 2009.
- Announcement of Japan Interest Rates by Bank of Japan (BOJ) on January 21, 2009.
- November All Industrial Activity Index by Ministry of Economy, Trade & Industry (Japan) on January 22, 2009.

Malaysia

- November Manufacturing Sales of Products by Department of Statistics Malaysia (DOSM) on January 18, 2009.
- December Consumer Price Index (CPI) by Department of Statistics Malaysia (DOSM) on January 21, 2009.
- Announcement of Malaysia Official Policy Rate (OPR) by Bank Negara Malaysia (BNM) as at January 21, 2009.