Weekly Economic Update

6th February, 2010

Data (1st Jan - 5th Jan)	Country	Actual	Prior
ISM Manufacturing (Jan)	US	58.4	55.9
Pending Home sales (Dec)	US	1.00%	-16.00%
ECB Announces Interest Rates	EU	1.00%	1.00%
Factory Orders	US	1.00%	1.10%
Change In Nonfarm Payrolls	US	-20K	-85K

Events during the prior week

US

- With the presentation of the $3.8 trillion fiscal budget by President Barrack Obama, the confidence of the masses improved as there was more emphasis on job creation and stimulus spending
- Stocks plunged on concerns due to rising debt and job losses

Impact:

The stocks plunged around the globe and commodities tumbled on concern that an unexpected increase in US jobless claims and growing sovereign debt will derail the economic recovery. US companies from MsterCard Inc. to Monster Worldwide Inc. reported earnings that trailed analyst estimates. Oil lost 5%, the biggest drop in six months and gold tumbled the most since 2008 as stronger dollar curbed the demand for commodities.

EU

- ECB kept its interest-rate unchanged at 1% convincing to the people that it will be able to manage Greece's deteriorating situation
- The Markit iTraxx Europe index (credit default swap index) in London rose to the highest in more than nine weeks and swap index tied to Western Europe debt traded at the highest since it was introduced in September

Impact:

European stocks extended the biggest weekly slump in 11 months on concerns efforts by Greece, Portugal and Spain to reduce their deficits will hurt the region’s economic recovery. The euro sank to the lowest level in more than eight months against the dollar.

China

- In a bid to curb the property-bubble China's government ordered banks to raise interest-rates on third mortgages and demand for bigger down-payments

Impact:

Towards the end of the week stocks fell on concern of faltering economic global growth. Since, the economy here is overheated and the inflation is soaring high the market did not get the required boost

India:

- Food inflation inched up to 17.56% for the week ended 23 Jan. from a previous week of 17.4%

Impact:

The market for the whole week was down on account of weak global cues, dollar buying by importers, selling pressure in the equity and foreign-fund outflows.

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Data (8th Jan – 12th Jan)	Country	Survey	Prior
Trade Balance	China	$19.65B	$18.43B
Advance Retail Sales (Jan)	US	0.30%	-0.30%
GDP Q4 (yoy)	Germany	-2.20%	-4.80%
GDP (yoy)	EU	-1.9%	-4.0
U. of Michigan Confidence	US	74.8	74.4
IIP	India	-	11.70%

Expected events during the upcoming week

US

- A no. of service and industry related indices are slated for a release this week which might have a major impact on the market thus, putting a brake to the dollar's rally

Expected Impact:

The greenback's current bout of strength was the positive and more than expected positive increase in the data pouring in the real driver for this move was the risk-appetite. Yet, the current correction in the market and underlying risk-appetite will not last long as the preceding build but, taking in account all the fundamental factors the dollar sits on relatively strong recovery

EU

- A good GDP and IIP figure may give the required boost to the investors here who are wary of investing in the region as its member countries are faltering in the handling of their finances

Expected Impact:

EU economy is being given a hard time by the rising concerns of its member countries budget deficit while it is still struggling to convince the investors that the 16 nation euro-area is solid. Now, it is the GDP and IIP figures in the coming week which to some extent can help to bring back the buried confidence in the market out there

China:

- An important indicator CPI to be released this week will decide whether the gov to make decision regarding the hike in the interest-rate

Expected Impact:

The two biggest concerns for the economy are trade wars with US which would affect its export and the continued global recession. Since, the government internally is looking for tightening of monetary policies and also that externally the demand is not looking so impressive, the market here is poised for some correction

India:

- The Q4 GDP estimates to be announced earlier this week may help the market to recover

Expected Impact:

The market is expected to remain subdued since a no. of FPO's are going to come which would suck out the liquidity from the market and also may create buying pressure. But, a good GDP forecast for the fourth quarter may bring some required corrections in the market. A strong IIP can prove to be a boon for the economy.

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