

August 3, 2012

Stock Markets Rap

	Close	Chg	(%)
MSCI World	1,234.97	-13.1	-1.1%
Dow	12,878.88	-0.0	-0.7%
Nasdaq	2,909.77	-10.4	-0.4%
S&P 500	1,365.00	-10.1	-3.9%
Euro Stoxx	2,756.36	-113.2	-3.9%
FTSE 100	8,779.96	-135.5	-1.5%
DAX	8,035.65	-272.3	-3.3%
CAC	3,931.96	-153.6	-3.8%
ASX 200	4,418.68	-27.5	-0.6%
Nikkei	110.58	0.1	0.1%
Shanghai	331.50	-1.8	-0.6%
Hang Seng	2,539.29	-16.6	-0.7%
H Shares	1,246.96	-11.9	-0.9%
	Close	Chg	(%)
FTSE ASEAN	571.32	-3.1	-0.5%
Singapore	2,428.95	-24.7	-1.0%
Thailand	1,188.62	1.0	0.1%
Malaysia	1,633.45	1.0	0.1%
Indonesia	4,093.11	-37.4	-0.9%
Philippines	5,293.40	-5.3	-0.1%
Vietnam	416.10	3.6	0.9%
Lao PDR	1,025.56	0.0	0.0%
Cambodia	688.17	0.0	0.0%

Currencies Rap

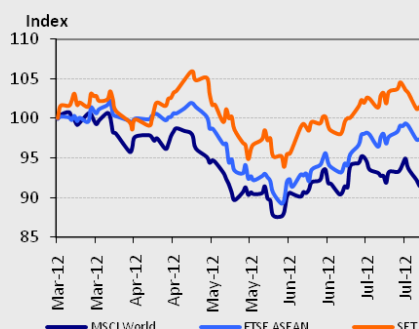
	Last	Chg	(%)
DX	83.36	0.3	0.4%
USD/EUR	1.23	-0.0	-0.3%
JPY/USD	78.22	0.1	0.1%
THB/USD	31.51	0.0	0.1%
VND/USD	20,865.00	5.0	0.0%
LAK/USD	8,014.00	3.0	0.0%
KHR/USD	4,076.90	4.6	0.1%
MMK/USD	874.86	1.0	0.1%
VND/THB	661.85	-1.0	-0.1%
LAK/THB	254.25	-0.3	-0.1%
KHR/THB	661.85	-1.0	-0.1%
MMK/THB	27.76	-0.0	-0.0%

Commodities Rap

	Close	Chg	(%)
Gold	1,602.54	-12.47	-0.8%
Silver	27.48	-0.43	-1.5%
Copper	3.29	-0.08	-2.5%
WTI	87.13	-1.78	-2.0%
Brent	105.90	-0.06	-0.1%
BDI	861.00	-17.00	-1.9%

World, ASEAN, SET

Relative Performance



MACRO NEWS

- EU: Eurozone crisis: ECB's Draghi disappoints markets
- US: Fiscal Cliff Crisis Rooted in Senate Ploy to Pass Bush Tax Cuts
- UK: BoE Leaves Policy on Hold as Economy Worsens

CORPORATE NEWS

- General Motor [GM: US] – GM profits fall on weakening euro

MACRO NEWS**Eurozone crisis: ECB's Draghi disappoints markets**

European markets have fallen after the European Central Bank president Mario Draghi said the bank would come up with ways to assist struggling eurozone countries "over the coming weeks". Analysts had been hoping for more details and immediate action. Help from the ECB would also only be given if the governments themselves made certain commitments, he said. The Spanish and Italian stock markets fell about 5% and both countries' borrowing costs rose sharply. At a news conference at the ECB's headquarters in Frankfurt, Mr Draghi said the crisis was worsening and the bank was ready to help countries facing high borrowing costs by buying their debts at lower rates than on the open markets. Hopes had been high of a more detailed announcement after Mr Draghi said last week. However, there was no information on when the bond buying might start, how much it could spend, or for how long. "Traders and investors who expected immediate action are, and should be, disappointed. More scolding of governments, but no ECB action, is the bottom line." Previously countries have had to ask for bailouts when the yields on their 10-year bonds have been consistently above 7%, meaning that they could no longer afford to raise money on the international markets. Mr Draghi said that the high yields on some eurozone government bonds were unacceptable, adding that, "the euro is irreversible". But after falling in recent days due to the anticipation of ECB support, Spain's 10-year bonds rose above 7% after Mr Draghi spoke, having been at 6.6% before he started. The yield on Italian 10-year bonds rose from 5.7% before Mr Draghi spoke to 6.2% afterwards. [Bloomberg]

Fiscal Cliff Crisis Rooted in Senate Ploy to Pass Bush Tax Cuts

In early 2001, Paul O'Neill, the new Treasury secretary, began work on a plan for radical tax reform. He wanted simpler forms and fewer deductions, which would make it easy for people to prepare their taxes and cost the government less to process them. President George W. Bush didn't want to deliver a tax overhaul. He wanted to deliver the tax cuts he'd promised as a candidate, Bloomberg Business week reports in its Aug. 6 issue. He did, in 2001 and then again in 2003. Yet the kinds of cuts he'd promised -- large ones -- would create unsustainable deficits after 10 years, the Congressional Budget Office projected. So they were designed to expire in a decade, at least on paper. It was "baloney," says O'Neill, who publicly supported them at the time. Republicans never intended to let the cuts lapse. "It was put in there so they could make a fiscal claim that it wouldn't damage us. It had nothing to do with reality." It's now more than 10 years later, and Bush's tax cuts are still with us -- adding to the debt as predicted. The temporary tax cuts have become a subsidy, and as with all subsidies, to take them away is to create a period of painful readjustment. Politicians worry about the "fiscal cliff" -- the economic turmoil waiting at year's end when deep federal spending cuts go into effect and the tax cuts lapse -- as though no one could have seen it coming. There is nothing we know now that we didn't already know a decade ago. [Bloomberg]

BoE Leaves Policy on Hold as Economy Worsens

The Bank of England left its monetary policy unchanged on Thursday, judging that its July decision to expand its buying of government bonds is enough stimulus for now despite signs of growing economic weakness. Since the BoE's Monetary Policy Committee met last month, official data has shown that Britain's economy shrank much more than expected in the second quarter of 2012, and a survey showed that factory activity fell by the most in three years in July. But after a two-day meeting that ended earlier on Thursday, the MPC made no change to its current program to buy 50 billion pounds [GBP 0.145 --- UNCH] of British government bonds, which will take its total purchases to 375 billion pounds by early November. The central bank also left its interest rate unchanged at 0.5 percent, in line with a Reuters poll of economists. Most economists do expect the BoE to approve further government bond purchases, but only later this year, and they also think the BoE could possibly even cut interest rates further -- something it has steadfastly resisted since its last rate cut in March 2009. At July's meeting, MPC members said they may reconsider a rate cut in a few months time once they have assessed the impact of a new BoE and finance ministry scheme to offer cheap credit to banks that lend to businesses and home-buyers. This Funding for Lending Scheme was also a major reason why two MPC members, Ben Broadbent and Spencer Dale, opposed further gilt purchases in July, as they wanted to assess its impact before loosening policy further. The BoE made no statement alongside its August policy decision, as usual when there is no change. A much clearer insight into its outlook will come on Aug. 8, when BoE Governor Mervyn King presents the central bank's quarterly forecast update. [CNBC]

CORPORATE NEWS**GM profits fall on weakening euro**

US car giant General Motors (GM) has reported a fall in quarterly profits due to weak sales in Europe, where the debt crisis has weighed on the euro. GM said that net income for the three months to June was \$1.5bn (£968m), down from \$2.5bn last year. Net revenue fell to \$37.6bn, from \$39.4bn in the same period last year. "The decrease was due almost entirely to the strengthening of the US dollar versus other major currencies," it said. North America was its strongest market. In Europe, GM - which owns Vauxhall and Opel - made a loss before interest and tax of \$400m, compared to a profit of \$100m in the same quarter last year. GM in North America had a profit before interest and tax of \$2bn, down from \$2.2bn. "Our results in North America, our international operations and at GM Financial were solid but we clearly have more work to do to offset the headwinds we face, especially in regions like Europe and South America," said GM chairman and chief executive Dan Akerson. The euro has been slumping this summer, with Spain and Italy are all in recession amid fears they will need a bailout as well. The UK, not in the euro but home of Vauxhall, is also in recession. Earlier this summer, GM announced plans to reduce its pension obligations by \$26bn by offering tens of thousands of retiring workers lump-sum payments. In 2009, the carmaker filed for Chapter 11 bankruptcy protection and received a \$50bn bailout from President Barack Obama's administration. [BBC]