

Thursday October 13, 2011

NEWS UPDATE

Stock Markets Rap (as of Oct 12)

	Close	Chg	(%)
Dow	11,519	+103	+0.9
Nasdaq	2,605	+22	+0.8
S&P 500	1,207	+12	+1.0
Global Dow	1,838	+28	+1.6
VIX	31.26	-1.60	-4.9

	Close	Chg	(%)
FTSE 100	5,442	+46	+0.9
DAX	5,994	+129	+2.2
CAC	3,230	+76	+2.4

	Close	Chg	(%)
ASX 200	4,204	-23	-0.6
Nikkei	8,739	-35	-0.4
Shanghai	2,420	+71	+3.0
HSI	18,329	+188	+1.0
H Shares	9,456	+199	+2.1
FTSE STI	2,738	+45	+1.7
SET	953	+8	+0.8
LSX	914	0	0.0
Vietnam	411	-7	-1.6

Currencies Rap (as of Oct 12)

	Last	Chg	(%)
DXY	77.04	-0.55	-0.71
THB/USD	30.81	-0.13	-0.42
THB/LAK	260.26	+1.12	+0.43
LAK/USD	8,025.50	+9.00	+0.11
USD/EUR	1.3811	+0.02	+1.25
JPY/USD	77.38	+0.66	+0.86

Commodities Rap (as of Oct 12)

	Close	Chg	(%)
Gold	1,682.60	+21.60	+1.30
Silver	32.79	+0.79	+2.47
WTI	85.57	-0.24	-0.28
Brent	111.36	+0.63	+0.57
BDI	2,127	+21	+1.00

Source: Bloomberg

* LSX Composite Index as of Oct 11

EU Said to Seek 9% Bank Capital in Response to Fiscal Crisis

Banks face capital requirements as high as 9% as part of European Commission President Jose Barroso's plans to help lenders survive the region's debt woes. The region must "urgently strengthen" its lenders, Barroso told the European Parliament yesterday. "The sovereign contagion and the banks are now, whether we like it or not, linked." Requiring banks to keep a capital benchmark of 9% while testing for a loss on Greek debt would give lenders a shortfall of as much as 200 billion euros, according to an Oct. 7 report by Morgan Stanley. [\[Bloomberg\]](#)

EU Banks Could Shrink to Hit Capital Rules

Leading European banks say they would rather sell assets than raise expensive new capital to meet compulsory demands from the European Union for higher capital ratios, threatening a further contraction of credit to the enfeebled eurozone economy. This radical approach, led by French banks BNP Paribas and Société Générale, would be copied by lenders across Italy, Spain and Germany, bankers said. "Why should we raise capital at these [depressed share price] levels?" said one eurozone bank boss. The average European bank's equity is trading at only about 60% of its book value. [\[CNBC\]](#)

China Promises More Loans for Small Companies

Premier Wen Jiabao, pledged to help entrepreneurs and stamp out "illegal fundraising" during a visit last week to Wenzhou, a southern city known for its entrepreneurial vitality. The credit crunch has forced one-fifth of Wenzhou's 360,000 small and medium-size businesses to stop operating, according to local officials. Some factory owners have fled, leaving behind millions of dollars in debts. [\[AP\]](#)

Fed Divided on Monetary Policy Action, Minutes Show

Minutes of the Fed's Sept. 20-21 meeting show that there are senior Fed officials in disagreement with the central bank's policy in shifting \$400 billion of its holdings of shorter-term Treasury bonds into longer-term bonds in an effort to push down long-term interest rates. Some think the Fed has done too much to try to encourage growth and that the steps are potentially counterproductive, and others think the Fed should move more aggressively to address an ailing economy. Three regional members — Richard Fisher of Dallas, Narayana Kocherlakota of Minneapolis and Charles Plosser of Philadelphia — dissented from that decision, viewing the benefits to the economy as minimal and the risks of inflation as significant. [\[Washington Post\]](#)

Junk Enters Distress as Yields Highest Since '09: Credit Markets

Yields on bonds from the neediest companies to the most creditworthy are soaring to levels last seen almost two years ago as a slowing global economy makes it harder for borrowers to meet debt payments. Borrowing costs for companies from the U.S. to Europe to Asia expanded to 5.077%, the highest since Nov09, on Oct. 10, according to Bank of America Merrill Lynch index data. Global junk yields rose above 10% this month, the level considered distressed, for the first time since Dec09. [\[Bloomberg\]](#)

Russia's Putin Slams US, Makes Deals in China

Russia and China talked up their burgeoning but still fraught ties Wednesday, with Prime Minister Vladimir Putin taking a swipe at U.S. monetary policy as parasitic. On a two-day visit to Beijing, Putin and Chinese leaders pledged to resolve disputes over pricing that are stalling plans for Russian deliveries of natural gas by two pipelines. Chinese state-backed firms also promised to invest \$1.5 billion in a Siberian aluminum smelter and to put \$1 billion into a joint investment fund, among agreements officials said were worth \$7 billion. "The U.S. is not a parasite for the world economy, but the U.S. dollar's monopoly is a parasite," Putin said. [\[AP\]](#)

Chinese Reveal Size of Copper Inventory

China has for the first time revealed the estimated size of its copper inventories, shedding light on one of the commodity market's biggest mysteries. Chinese copper inventories stood at 1.9 million tons at the end of 2010, more than the US consumes in a year, according to estimates by the state-backed China Non-Ferrous Metals Industry Association. The estimate is significantly higher than the 1.0-1.5 million tons range that foreign executives have assumed in the past. Movements in Chinese inventories are one of the most important price drivers for the global copper market. [\[CNBC\]](#)

Thanawat Patchimkul

Global Strategist

Email: thanawatp@ktzmico.com

Tel: + 66 2 673 5300

Assisted by

Denruthai Krishnamra