

- **Summary:**
- **US Data Good**
- **US, EU, JP QE2.0**
- **CN Economy Stabilizes**
- **ID Foreign Flow Flow**

US Data Good

US Economic Data

Key Data	Survey	Actual	Prior	Revised
Personal Income	0.3%	0.5%	0.2%	--
Personal Spending	0.3%	0.4%	0.4%	--
ISM Manufacturing	54.5	54.4	56.3	
Domestic Vehicle Sales	8.70M	8.82M	8.66M	--
Pending Home Sales MoM	2.5%	4.3%	5.2%	4.5%

Source: Bloomberg

Sep data rolling in better than expected numbers. The bet is still for US to grow albeit at a disappointing rate of 1% to 1.5%. Implication to such outcome is abnormal unemployment rate recovery from the crisis and the failure for the consumer sector to re-leverage. Watch fat tails discussed last week for risks of double dip

US, EU, JP QE2.0

Recent move by BOJ to lower interest rates and set up funds to purchase bonds and other assets are confirmation that the developed nations will engage in Stimulus 2.0, perhaps a better name QE2.0.

I view this as market positive in the ST, as economy get a boost from the cash infusion. However 2008-2010 experience tells us that this does not create a positive feedback loop for the economic to start re-leveraging in the longer run. I would expect QE3.0 and QE4.0 to reappear when economy falters again eventually. This is LT negative for developed markets bonds and positive for gold.

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CN Economy Stabilizes

China Economic Data

Key Data	Survey	Actual	Prior	Revised
China Manufacturing	52.5	53.8	51.7	- -
China Non-manufacturing PMI	- -	61.7	60.1	- -

Source: Bloomberg

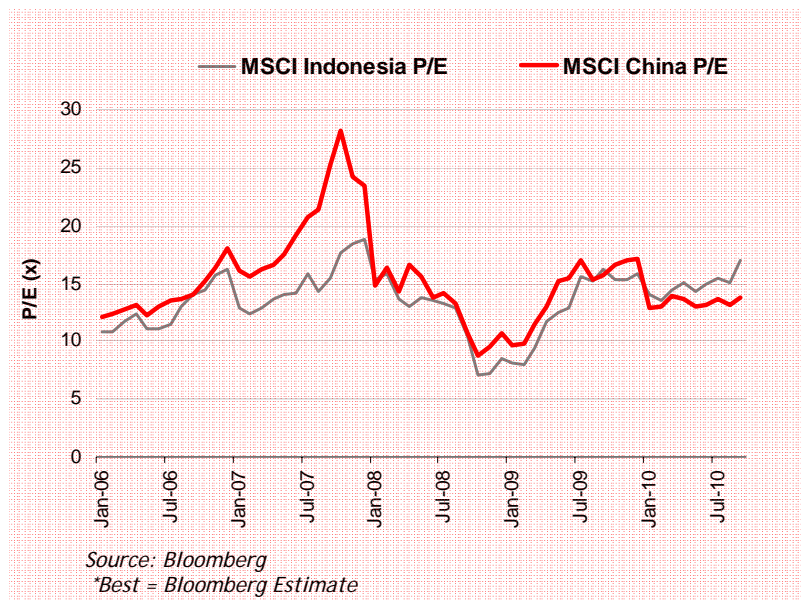
Recent data seems to suggest that the Chinese economy is stabilizing. As such, 3Q10 should suggest the bottom for this deliberate tightening cycle. Risks persist as government continues to roll out tightening measures to push house prices lower.

ID Foreign Flow Flow

Rp115tr of Foreign Funds Flow this year, of which Rp21tr of net buys in the stock market YTD.

Hence foreign funds flow direction will largely determine our Index direction.

There is one risk that investors should be aware of. Within Asia, MSCI China trades at 14x Best P/E while MSCI Indonesia trades at 17.5x Best P/E; when China expected to grow at minimum of 8.5% next year and Indonesia 6.5% maximum. On the other hand, apart from portfolio rebalancing risks within Asia, Asia will still be seeing net foreign funds inflow. S&P500 trades at 13.8x Best P/E, when US expected to grow at 3.0% max.



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