

THE ECONOMICS NEWSLETTER



By the A-Level commerce students of DPS International School Singapore.

Contributors

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NEWS HEADLINES

Greece Debt

\$37 Billion Debt!



Quote Unquote
 “As sure as the spring will follow the winter, prosperity and economic growth will follow recession.”
 - Bo Bennett.

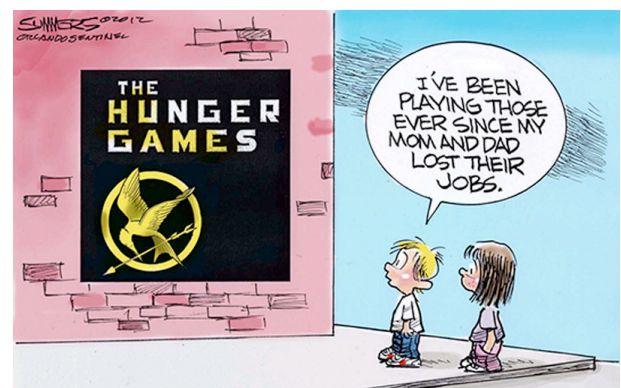
- **Greek Banks Post \$37 Billion Losses on Debt Restructuring** - Greece’s four biggest banks reported a combined loss of 29.7 billion Euros (\$36.9 billion) for last year after participating in the country’s debt exchange, the last sovereign restructuring in history.
- **U.S Stocks rise on Earning Reports, Europe Optimism** - U.S stocks rose, snapping a two-day decline for the Standard & Poor’s 500 Index, as profits from companies including Microsoft Corp. and GE beat estimates and German business confidence improved...

- **Asian Stocks Fall on G-20 Warning, Slowing U.S Recovery** - Asian stocks fell this week, as the Group of 20 nations warned Europe’s debt crisis still threatens global growth and as U.S economic data showed the recovery in the world’s largest economy is slowing...

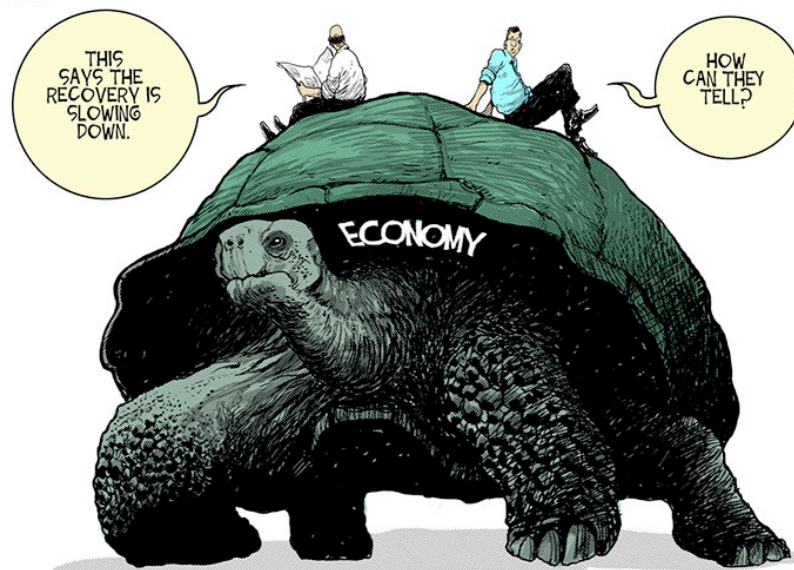


- **Japan Pledges \$7.4 Billion aid to Mekong Nations** - Japan pledged 600 billion Yen in development aid to support infrastructure projects in five Southeast Asian nations that share the Mekong River...

- Greek Banks Post \$37 Billion Losses on Debt Restructuring** - Greece's four biggest banks reported a combined loss of 29.7 billion Euros (\$36.9 billion) for last year after participating in the country's debt exchange, the last sovereign restructuring in history.
- Europe Urged to Quell Crisis as IMF Wins \$430 Billion Boost** - European governments were warned against relaxing their efforts to end two years of debt turmoil as the IMF won more than \$430 billion to safeguard the world economy...
- World's Richest Lose \$17 Billion as Slim's Fortune Drops** - The world's richest people lost a combined \$17.1 billion this week as concern over JPMorgan Chase & Co. (JPM)'s \$2 Billion trading loss and the weakening euro pushed the Standard & Poor's (SPY) 500 Index to a two-month low...
- China Lowers Banks' Reserve Requirements to Support Growth** - China cut the amount of cash that banks must set aside as reserves for the third time in six months, pumping money into the financial system to support lending after data showed a slowdown in growth is deepening...



SHENEMAN TRUBINE MEDIA SERVICES



WORLD MARKETS

America

Wall Street stocks dip on mixed earnings

Wall Street edged lower as trading began on Thursday, despite more encouraging labour market data that showed jobless claims declined at a faster rate than expected.

Americans filing for unemployment insurance fell by 27,000 to 365,000 for the week ending April 28, the labour department said. Whole Foods, the natural-goods grocery chain, was among the biggest risers on

the main US market, gaining 5.8 per cent to \$89.16. The company topped analysts' forecasts by 5 cents, reporting earnings of 64 cents a share on net income of \$117.7m in the second quarter of its financial year. Shares in Prudential Financial, the second biggest life insurer in the US, declined 8.2 per cent to \$55.95 after reporting a first-quarter loss.

Quote Unquote

"A Study of economics usually reveals that the best time to buy anything is last-year."

-Marty Allen



Euro steady as ECB holds interest rates



The euro was steady against the dollar on Thursday after the European Central Bank held rates at 1 per cent, in line with market expectations. The pound rose against the yen, which was weaker against other major currencies on Thursday after comments by Jun Azumi, Japanese finance minister, voicing concern over the recent strength of the currency. The dollar rose 0.3 per cent to Y80.35 while the euro rose 0.2 per cent to Y105.54. The pound rose 0.2 per cent to Y130.01.

The Australian and New Zealand dollars continued to come under pressure following signs of economic slowdown in both countries. The Australian dollar fell 0.4 per cent against the US dollar to \$1.0285, a nine-day low, while the New Zealand dollar lost 0.8 per cent, hitting a session low of \$0.8007, its weakest level since January.

FOREIGN EXCHANGE RATES

Major Currencies-

	USD	EUR	JPY	GBP	CHF	CAD	AUD	HKD
USD	-	1.2976	0.0126	1.6116	1.0810	0.9972	1.0072	0.1288
EUR	0.7706	-	0.0097	1.2420	0.8326	0.7685	0.7763	0.0993
JPY	79.6800	103.4300	-	128.4090	86.1300	79.4490	80.2640	10.2640
GBP	0.6205	0.8054	0.0078	-	0.6705	0.6188	0.6249	0.0799
CHF	0.9252	1.2010	0.0116	1.4911	-	0.9226	0.9320	0.1192
CAD	1.0027	1.3013	0.0126	1.6161	1.0839	-	1.0100	0.1292
AUD	0.9930	1.2885	0.0125	1.6001	1.0729	0.9901	-	0.1279
HKD	7.7627	10.0732	0.0974	12.5105	8.3914	7.7409	7.8181	-

ASIA-

	USD	CNY	JPY	HKD	INR	KRW	SGD	EUR
USD	-	0.1585	0.0126	0.1288	0.0186	0.0009	0.7987	1.2977
CNY	6.3109	-	0.0792	0.8130	0.1173	0.0055	5.0410	8.1897
JPY	79.6700	12.6240	-	10.2640	1.4810	0.0696	63.6300	103.3700
HKD	7.7627	1.2301	0.0974	-	0.1440	0.0068	6.2007	10.0739
INR	53.7850	8.5220	0.6751	6.9270	-	0.0470	42.9609	69.7901
KRW	1,144.2000	181.3068	14.3623	147.3867	21.2739	-	913.8979	1,483.3601
SGD	1.2520	0.1984	0.0157	0.1613	0.0233	0.0011	-	1.6246
EUR	0.7706	0.1221	0.0097	0.0993	0.0143	0.0007	0.6155	-



STOCK EXCHANGE RATES

America-

Instrument	Sell	Buy	Change	High/Low
Apple	587.96	588.96	0.29 %	591.66 / 585.41
Microsoft	31.81	31.88	0.14 %	31.93 / 31.66
RIM	12.20	12.26	-4.61 %	12.91 / 12.04
HP	24.88	25.00	-1.03 %	25.38 / 24.88
Google	612.98	613.81	0.98 %	614.73 / 608.64
Simon Property	156.89	157.21	-0.02 %	157.67 / 156.36
IBM	207.66	208.01	-0.11 %	208.59 / 206.95
Intel	28.98	29.04	-0.58 %	29.28 / 28.90

United Kingdom-

Instrument	Sell	Buy	Change	High/Low
RBS	24.62	24.71	-0.42 %	25.20 / 24.43
Barclays	212.55	212.93	-0.07 %	217.15 / 209.60
Standard Chart.	1,452.34	1,455.91	0.31 %	1,475.41 / 1,449.84
Kazakhmys	822.08	823.93	-3.58 %	860.67 / 820.58
HSBC	562.25	563.25	0.20 %	572.45 / 559.75
Tullow Oil	1,551.08	1,553.92	0.36 %	1,571.42 / 1,544.08
Rolls-Royce	860.02	861.47	2.50 %	861.47 / 846.78
ARM	513.41	514.84	0.00 %	520.59 / 511.66

DON'T BLAME CHINA'S CURRENCY!

Blame's Not With The Yuan!

The Yuan often has to take the blame for US trade deficits. But the real picture seems to be very different.....

With USA's trade deficit hitting \$295 Billion last year, complaints have been filed with the World Trade Organization about a countervailing tariff bill, and many have called for a major re-evaluation of the Yuan to offset China's alleged currency manipulation which keeps its exports cheap. US Presidential Election presumptive nominee Mitt Romney has even promised that if he becomes president he will declare China guilty of currency manipulation, something that the Obama administration has repeatedly declined to do.

However, allegations that the Yuan is undervalued seem baseless from China's perspective. China's current account surplus has reduced from 10% of its GDP five years ago to less than 3% last year, and is projected to decline even further. Moreover, the Yuan has appreciated by around 40% since 2005, and the currency is criticized as undervalued, leaving Beijing officials baffled.

Also, it can be verified that China's surpluses are not igniting USA's deficits by looking at their different timings. USA's trade deficits began increasing in around 1998 while China's trade surpluses began rising in 2005.

Assembling exports is responsible for half of China's trade. Majority of the components for these, however, come from elsewhere. This relationship is uncovered by looking at the increasing trade surpluses of South Korea, Taiwan and Japan with China. Together, they rose from \$30 Billion in 2000 to \$200 Billion plus in 2011. Clearly, components for all of China's finished products are provided by this trio. This way, they are able to avoid US criticism, even as their products find their way into the US import market, and contribute to its deficit.

The difference between the economy's savings and investments determine the trade balance. Therefore, the increasing Chinese household savings rates have played a role in increasing its surplus. In recent years, swift urbanization has resulted in 250 million migrant workers moving into industrial areas. However, denying these workers formal residency rights has had the effect of stifling consumption, even as incomes rise. Due to this, in many places, the savings rates of migrants are twice as high as those of established residents. China's trade surplus is amplified in turn.

These surpluses started diminishing, however, after the 2008 financial crisis, when investment rates rose. But, such high investment rates- at 45%, the highest in the world-cannot continue for a prolonged period of time; instead consumption needs to rise accordingly.

This is already taking place, as rural incomes have risen faster than urban incomes, but their savings aren't as high as those of urban households. Moreover, as more migrants will move inland due to lower living costs and better job opportunities, consumption will rise further. Granting residency rights to migrants would boost consumption even more, eradicating China's trade surpluses even as investment reduces.

The reality that is often missed by analysts when evaluating trade prospects with China by looking only at exchange rates is that structural shifts always temperate discrepancies in the economy in equally profitable ways. This can be seen, as China's current-account surplus has reduced from more than 10% in 2007 to around 2.8% last year, while U.S.A's current account deficit has shrunk from 5.1% of GDP to 3.1%

Quote Unquote

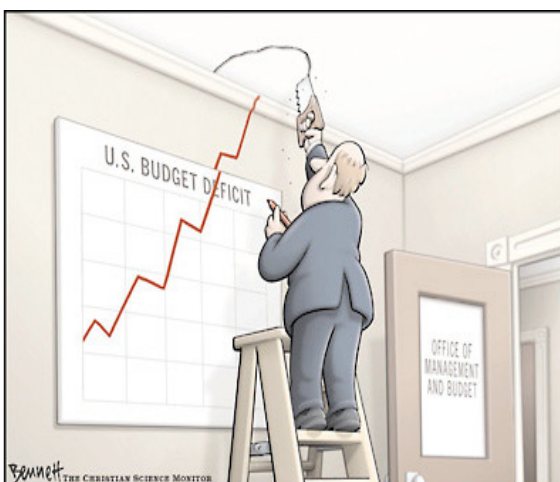
“Companies, both local and multinational, have voted, because of market realities, economic realities, to move operations to China, and they require the normalized travel and trade.”

-Former Chinese President, *Chen Shui-Ben*

Quote Unquote

“China's trade surplus will remain a sticking point between China and the U.S. It's hard to close the trade gap because there's very little China can buy from abroad that it doesn't already make.”

-Chen Xingdong



HIGHLIGHTS

News in a nutshell...

Latest news in one line...



- Lithuanian Inflation Rate Falls to 14-Month Low on Clothing
- Thailand Freezes Energy, Transport Prices to Fight Inflation

"An election has never been this open. The opinion polls are lying... And it's even more open after the debate" - **Nicolas Sarkozy**, 5th May 2012

- Outgoing Sarkozy holds last French cabinet meeting
- Greek Political Turmoil Haunts Markets

"Of course, I would have taken out Osama bin Laden, but what's the right course for the economy?"

"These are important issues people care about. The president's not talking about them. My campaign is." - **Mitt Romney**

- Obama tears into Romney over Swiss bank account
- WikiLeaks suspect loses bid to get key charge dropped

QUOTE UNQUOTE
 Around '75 when the recession hit, club owners started going to disco because it was cheaper for them to just buy a sound system than it was to hire a band.

- Tommy Shaw

ECONOMIC JOKES



ECONOMIC MOOD SWING

