

Hillary Ho
 Tel: (65) 6 5311 792
hillaryho@phillip.com.sg
 From Phillip Securities Research

30th Oct 2008

Macro Performance

Equities review

Equities - It has been another turbulent month for all asset classes. MSCI World Index, an aggregate indicator of how shares around the world have performed, declined by 19 percent month to date (MTD) and by approximately 40 percent year to date (YTD). While all equities are in the red, the worst performing index MTD is OMX Iceland 15 Index. It has fallen by almost 82 percent. (For more details on how major stock indexes have performed till date, please refer to appendix 1.) Investors are largely still jittery about market conditions and this is evident from the volatility index shown in figure 2. Volatility level is at an all time high. It is even higher than the level seen during the previous crisis in 1997 and even 2001. Most of the time, such anxiety inevitably cause an oversold situation. Equity volatility is likely to continue but it should decrease from the peak.

Commodities review

Commodities - Commodities declined as well. The Reuters-CRB Index declined 22 percent MTD. (For more details on how major commodities have performed till date, please refer to appendix 2). Concerns on how global economic conditions will affect demand largely resulted in the fall. With major economies potentially going into a recession or perhaps already in one, demand would be further affected. With an ample amount of supply, we expect commodities to continue to fall and trade in a volatile fashion.

Fixed Income review

Fixed Income – Government paper has gained a lot as investors take flight to quality on problems in the credit markets. Corporate debt spreads have widened considerably relative to Treasuries as markets anticipate further distress in the corporate yields.

Report Snapshot

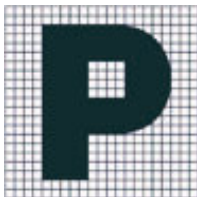
Equities: The on going financial crisis aggravated and caused equities around the world to plunge as much as 19 percent in the first three weeks of October.

Commodities: Commodities declined as well. The Reuters-CRB Index declined 22 percent MTD. Concerns on how global economic conditions will affect demand largely resulted in the fall.

ETF Recommendation

ETF on SGX	Trading Name
SPDR Gold Shares ETF	Gld 10 US\$

For more details, kindly refer to the report.



PHILLIP SECURITIES PTE LTD

Exchange Traded Funds

There have been noticeable movements in the sovereign bond market of late. This has happened on a flight to quality theme as credit markets developed problems. Despite a global coordinated rate cut, 3 month LIBOR has continue to rise. (Figure 4) This reflects the unwillingness of banks to lend to one another but LIBOR has since simmered. While LIBOR tightened, market participants bought lots of Treasury paper, as 1 week T-Bill rates almost went to zero (Figure 5). Moving forward, Fed fund futures are still expecting a rate cut for the near term, which suggest that US sovereign bond prices might not decline that much, yet.

Sovereign Bonds are likely to lose its shine as a safe haven as risk aversion decreases in the market. Corporate bonds, on the other hand might provide better value as spreads continue to widen.

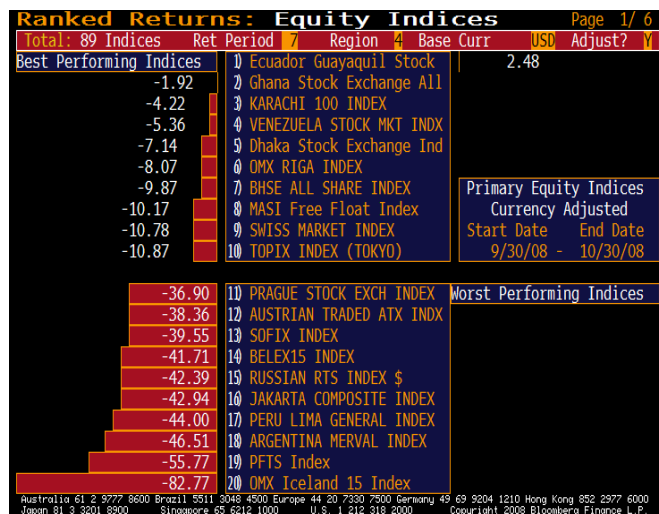
Macro Outlook

Our Macro view largely stems from the United States as we believe that the US economy models the world economy. As such, let's review what has happened in the States recently.

Rejection and Acceptance of the bailout plan – In the month of September, we saw that the US\$700 billion bailout plan was initially rejected and subsequently passed through by the congress. Although the plan was approved, many remained skeptical about the effectiveness of the plan. Many were concerned that the bailout plan will only increase the tax burden and cause the dollar to plummet. There is no doubt that financing of the US\$700 billion will renew pressure on the USD. However, in the long run, we feel that such stress may be overstated. Firstly, the US\$700 billion may not fully trickle into the economy to cause the dollar to depreciate. Secondly, the bailout plan can be financed indirectly via savings. Many Americans have lost their savings and are probably looking into rebuilding their finances. Thirdly, other economies remain weak and have not reacted as swiftly as the US government has in face of such an economic turmoil. Hence, it is in our view that the USD may not plummet as much and should stabilize in the long run in face of other weakening economies.

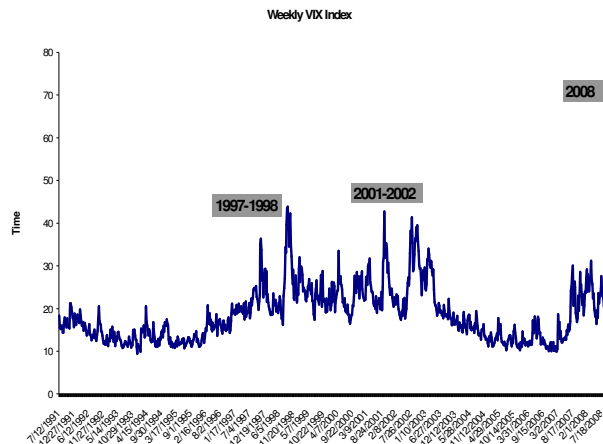
Coordinated effort from major central banks to reduce interest rate - On the 8th Oct, major central banks took a coordinated move to reduce interest rates by half a point. Fed joined in the coordinated action and reduced its benchmark interest rate by 50 points to 1.5 percent. With that, the fed rate has been reduced from 5.25 percent in September last year to just 2.0 percent before the recent cut. Such moves are certainly welcome and they provide

Figure 1: Best and Worst Performing Equity Indexes



Source: Bloomberg

Figure 2: Volatility Index



Source: Bloomberg, Phillip Securities Research

temporary boost to confidence. It also send a clear signal that policy makers are willing and ready to act together whenever necessary. With inflation coming down and also the weakening of the global economy, further rate cuts by major central banks are expected.

Credit is the real issue – The G7 meeting has concluded on the note that we now have a global agreement on the need to inject public funds into financial institutions. Although such actions have helped to avert a complete financial meltdown and restore certain level of confidence into investors, the extent to which such measures will helped to improve credit lending remains a question. Banks are reluctant to lend to each other. This is evident from the fact that the Ted spread is still at an all time high level. This is shown in figure 6. Also, the amount of loans granted by the banks has declined drastically. It fell from 205,879 USD Mln in the first quarter to 155,885 USD (Mln) in the third quarter.

Focus will turn to the health of the economy – With the possibility of a complete financial meltdown averted, investors will most likely shift their attention to focus on the economic conditions of the economy. Generally, **economic data in the States are still pointing towards a weak economy.**

Unemployment rate remains high - Unemployment rate in the States remains high. Unemployment rate for September remained at 6.1 percent; unchanged from August. With the fallout of major financial institutions and a weaker economy, we expect unemployment rate to inevitably trend higher.

Retail sales continue to fall – Retail sales have fallen for the third consecutive month. For the month of September, retail sales fell by 1.16 percent from August. This shows that consumers are still unwilling to spend. As advance retail sale is an indicator of the level of consumption in the states, dwindling consumption suggests that a recession in the states might be inevitable.

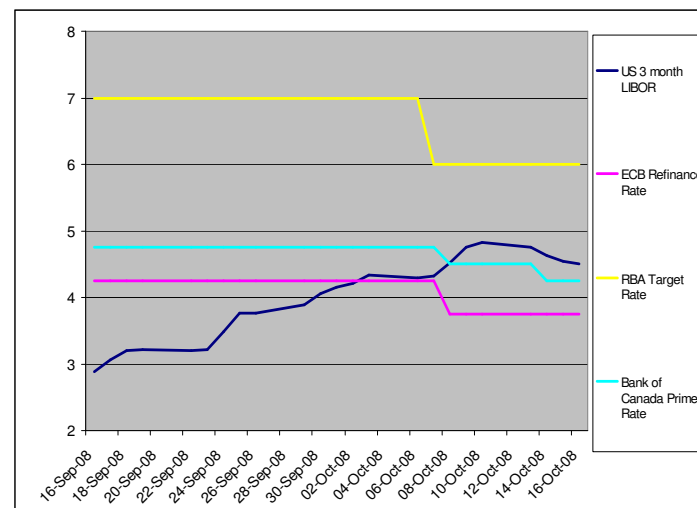
In sum, although actions have been taken to restore confidence, economic conditions in the States remain weak. And as we assume the States models the rest of the economy, hence it is in our view that other countries will remain weak.

Figure 3: Best and Worst Performing Commodity Contracts



Source: Bloomberg

Figure 4: Central Rate Cut and 3 month LIBOR



Source: Bloomberg, Phillip Securities Research



PHILLIP SECURITIES PTE LTD

Exchange Traded Funds

Recommended ETF

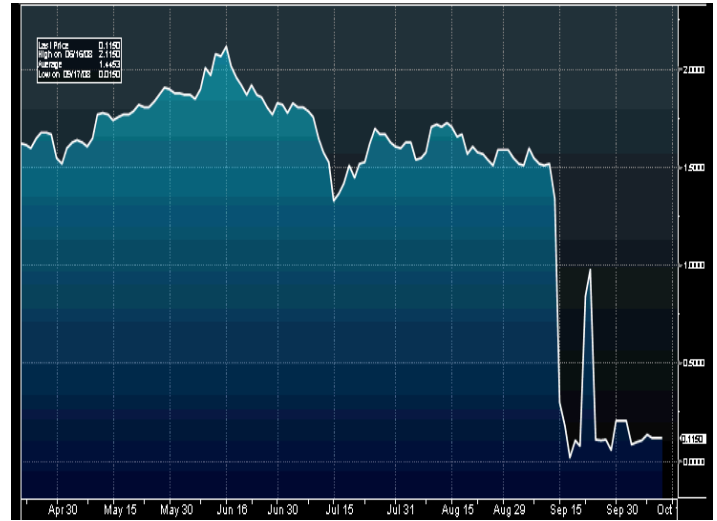
As there is probably still more downside for equities, hence we prefer defensive sectors or assets that are negatively correlated to equities. Based on the list of exchange traded funds available on SGX, the SPDR Gold Shares (Gld 10 US\$) fits this criteria.

Gold serves as a hedge against falling equities. Equities and gold moves in opposite direction. Historically, this asset class has shown to have low correlation with equities and other conventional assets. As such, when it is used in the construction of a diversified portfolio, gold can help to reduce overall risk and may help to protect investors' wealth.

Gold maintains purchasing power over time as well. Although the real value of gold may vary in the short run, it has consistently returned to its historic purchasing power parity with reference to other commodities in the long run.¹

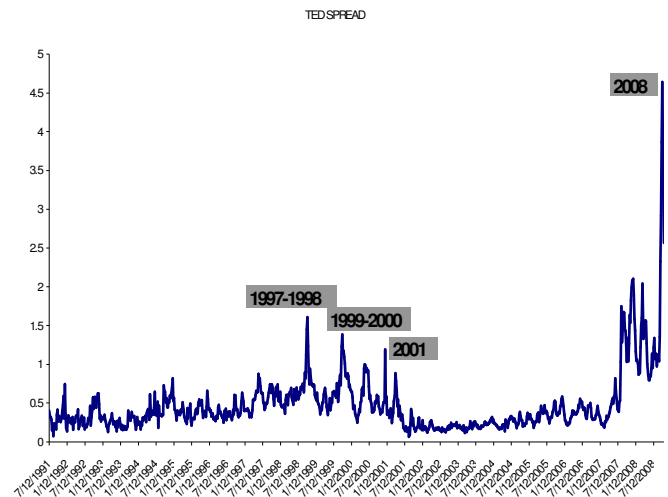
Hence in view of an unsettled equity market, we prefer SPDR Gold Shares (Gld 10 US\$)

Figure 5: 1 week US T-Bill Rate



Source: Bloomberg.

Figure 6: Ted Spread



Source: Bloomberg, Phillip Securities Research



PHILLIP SECURITIES PTE LTD

Exchange Traded Funds

Table 1: Retail Sales

Month	Retail Sales	m-o-m
Jan	380.019	(0.56)
Feb	378.106	(0.50)
Mar	380.02	0.51
Apr	380.788	0.20
May	383.769	0.78
June	384.069	0.08
July	381.578	(0.65)
Aug	379.876	(0.45)
Sep	375.473	(1.16)

Source: Bloomberg, Phillip Securities Research

Fast facts on SPDR Gold shares

NAV	74.35			
INAV	72.75			
Expense Ratio	40 basis point p.a.			
Management Fee	0.4% p.a			
52 Week Hi	US\$101.04			
52 Week Lo	US\$ 68.48			
Market Cap (mil)	US\$17674.80			
Total Return %	1 Mth	3 Mth	YTD	1 Yr
	-13.26	-15.37	-7.54	-1.65

Information correct as of 30th Oct 2008

Source: Bloomberg



PHILLIP SECURITIES PTE LTD

Exchange Traded Funds

Appendix

Appendix 1: Performance of major equity indexes

Index	Month-to-Date % Chg	Year-to-Date % Chg	% Chg from Peak	Close
MSCI World	(19.48)	(40.07)	(43.40)	952.15
Dow Jones	(15.39)	(30.79)	(35.19)	9180.69
S&P500	(18.20)	(35.02)	(39.04)	954.09
FTSE First 100	(12.46)	(33.53)	--	4291.65
FTSE Euro First 300	(16.79)	(42.54)	--	2528.04
Nikkei 225	(22.24)	(41.01)	--	9029.76
Hang Seng	(20.46)	(48.48)	(54.71)	14329.85
Shanghai Composite	(23.11)	(66.48)	(71.05)	1763.607
Taiwan Taipex	(18.11)	(44.93)	--	4683.64
KOSPI	(25.09)	(42.82)	(47.47)	1084.72
Sensex	(29.67)	(55.42)	(56.67)	9008.08
FSSTI	(23.61)	(48.00)	(52.97)	1801.91

Figures in bracket are negative. As of 30th Oct 2008.

Source: Bloomberg, Phillip Securities Research

Appendix 2: Performance of major commodities

Index	Month-to-Date % Chg	Year-to-Date % Chg	% Chg from Peak	Close
Reuters-CRB Index	(22.85)	(25.69)	(43.71)	266.54
Gold	(15.25)	(11.47)	(26.40)	738.13
Crude	(34.46)	(31.28)	(54.60)	65.96
Corn	(16.00)	(31.73)	(48.03)	409.5
Soy Bean	(10.62)	(16.64)	(42.73)	934
Wheat	(20.88)	(31.73)	(57.22)	538

Figures in bracket are negative. As of 30th Oct 2008.

Source: Bloomberg, Phillip Securities Research



PHILLIP SECURITIES PTE LTD

Exchange Traded Funds

Appendix 3: ETF performance for Oct

ETF on SGX	Trading Name	30 th Sep (US\$)	30th Oct (US\$)	% Change
ABF Singapore Bond Index Fund	ABF SG BOND ETF	1.05	1	(4.76)
CIMB FTSE ASEAN 40 ETF	CIMBASEAN 40 100US\$	6.95	5.30	(20.30)
Daiwa FTSE Shariah Japan 100 ETF	DaiwaFTSharia J100US\$	8.15	6.84	(16.07)
SPDR® Gold Shares*	GLS 10US\$	88.1	76.42	(13.26)
iShares MSCI India ETF	IS MSCI India 100US\$	4.95	3.41	(31.11)
Lyxor ETF MSCI AC Asia-Pacific Ex Japan	Lyxor Asia 10US\$	3.33	2.47	(25.83)
Lyxor ETF China Enterprise (HSCEI)	Lyxor China H 10US\$	11.84	8.75	(26.10)
Lyxor ETF Commodities CRB	Lyxor Cmdty 10US\$	3.30	2.73	(17.27)
Lyxor ETF Hong Kong (HSI)	Lyxor Hang Seng 10US\$	2.25	1.86	(17.33)
Lyxor ETF India (S&P CNX Nifty)	Lyxor India Nifty	11.88	8.51	(28.37)
Lyxor ETF Japan (Topix®)	Lyxor Japan 10US\$	1.06	0.86	(18.87)
Lyxor ETF MSCI Korea	Lyxor Korea 10US\$	3.31	2.43	(25.59)
Lyxor ETF MSCI Taiwan	Lyxor Taiwan 10US\$	0.72	0.57	(20.83)
StreetTracks® Straits Times Index Fund	STI ETF	2.45	1.83	(25.31)

Figures in bracket are negative
Month to Date 30th October 2008.

Base on the first and last traded price within the period

Source: Bloomberg, Phillip Securities Research



PHILLIP SECURITIES PTE LTD

Exchange Traded Funds

General Disclaimer

PhillipCapital is a group of companies who together offer a full range of quality and innovative financial services to retail, corporate and institutional customers. Member companies in Singapore include Phillip Securities Pte Ltd (Co. Reg 197501035Z), Phillip Securities Research Pte Ltd, Phillip Financial Pte Ltd, Phillip Futures Pte Ltd, Phillip Trading Pte Ltd, Phillip Capital Management (S) Ltd, Cyberquote Pte Ltd, International Factors (Singapore) Ltd and ECICS Ltd.

This publication is prepared by Phillip Securities Research Pte Ltd ("Phillip Securities Research") and distributed by Phillip Securities Pte Ltd ("PSPL"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities Research and PSPL shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Non-applicability of Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), corporate banking or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may have participated in or invested in financing transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may have provided significant advice or investment services to such companies and investments or related investments as may be mentioned in this publication.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may at any time engage in any of the above activities as set out above or otherwise hold a material interest in respect of companies and investments or related investments which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

Availability



PHILLIP SECURITIES PTE LTD

Exchange Traded Funds

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

© 2008 Phillip Securities Research Private Limited