

**Launch of the Publication**  
**"World Economic Situation and Prospects 2012"**  
**by**

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*Presentation*  
**World Economic Situation and Prospects 2012:**  
**Comments and Discussion**

**by**  
**Mr. Isara Ordeedolchest**  
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**January 2012**



# ***United Nations' World Economic Situation and Prospects 2012***

*Comments by*

*Isara Ordeedolchest*

*January 19, 2012*



*Values Beyond Money*

## **Comments structure**



- (i) General views on the latest UN world economic report
- (ii) How financial market practitioners make use of the research
- (iii) The market's prime concerns and the UN's views
  - World outlook
  - Fragile economic recovery in the US
  - Potential contagious effects from debt crisis in the Eurozone
  - Policy responses from both the monetary & fiscal sides
- (iv) What does all this mean for Thailand?



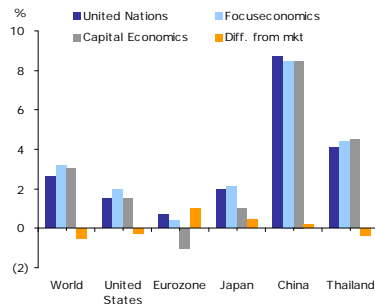
## General views on the UN's economic outlook

- The UN's World Economic Situation report is among the most up-to-date and comprehensive research papers available. It includes thoughtful views on a number of hot economic issues. We think that it deserves to be the "Atlas of Economic Research".
- Given the broad-based nature of the content, this report could be valuable to various users, ranging from academics, governments, and businesses, to financial market investors.
- Despite the extremely wide breadth of the report, users can still benefit from the well-considered views of the authors.
- The report does not contain complicated econometric models to depress readers ☺

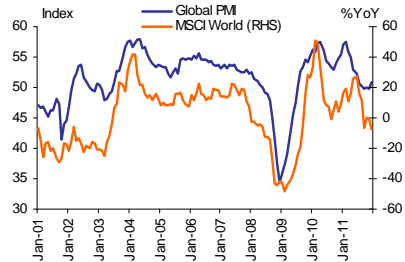
## How practitioners make use of the report

Core views by well-respected organizations vs. more volatile views by market economists = room for profitable investment (& vice versa)

### Forecasts in comparison



### Global PMI vs. MSCI world index



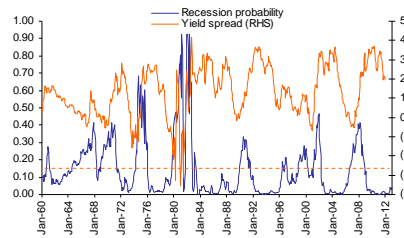
## Keeping up with the highly dynamic economic world – (US)

To make things less complicated, investors have been paying attention mainly to three areas (i) US economy (ii) debt crisis in Eurozone and (iii) growth momentum in Asia (specifically the landing of the Chinese economy).

### Key factors for the US in 2012

- Job market weakness
- Housing market remains in doldrums
- Households continue deleveraging
- Outlook of fiscal austerity
- Political gridlock in Washington
- Rumble effects from EU debt crisis
- Will the Fed take further steps into unknown territory?

### Probability of US falling into recession



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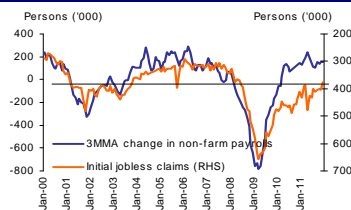
Sources: Federal Reserve, KTZ Research

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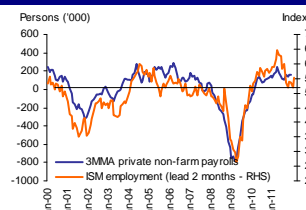
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## Keeping up with the highly dynamic economic world – (US)

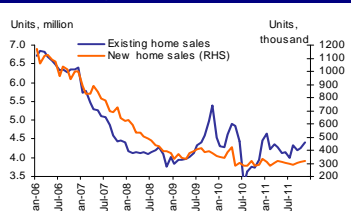
### Non-farm payrolls & jobless claims



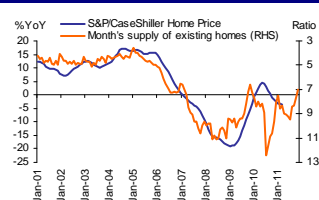
### Payrolls & US ISM employment index



### New & existing home sales



### Home prices & housing inventory (months)



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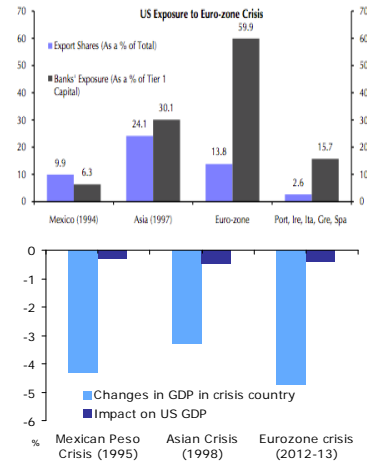
Sources: Bloomberg, KTZ Research

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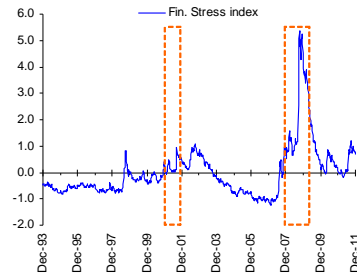
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## Keeping up with the highly dynamic economic world – (US)

### US exposure to EU crisis



### Fed. Bank of St. Louis financial stress index



Note: Dashed areas represent US recessions

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Sources: Federal Reserve Bank of St. Louis, Capital Economics, KTZ Research

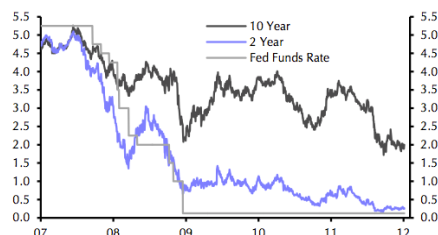
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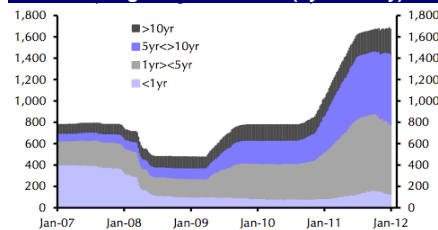
## Will the Fed step further into the unknown?

- Another round of non-traditional policy easing remains uncertain. Our view is that the Fed will adopt QE3 sometime in 1H12.
- It is expected that the Fed will target buying Mortgage Backed Securities (MBS). This aims to narrow the mortgage rate spread (against government bonds) to the Fed's desired level. This should support the US housing market recovery.
- Before doing that, the Fed is likely to adopt some sort of new communication with the market (according to the Fed's previous minutes). For instance, the Fed will publish its medium-term forecast of interest rates.

### US Fed funds rate & treasury yields



### Fed's holding of US treasuries (by maturity)



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Sources: Capital Economics, KTZ Research

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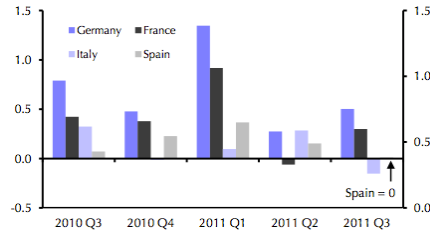
## No bazooka solution to the Eurozone debt crisis

- Consistent with the UN's view, the situation in the Eurozone is expected to continue to be risky and volatile despite the attempts by the EU, ECB and IMF to seek an ultimate solution. The region will stay in recession this year, with flows of rating downgrades continuing.
- There is unlikely to be a bazooka solution to the problems though we think many smaller scale measures could also be effective (we take this as a systematic solution).
- There are not many choices for the Eurozone (i) they need a fiscal pact to happen along with fiscal policy reform (ii) make the most out of the EFSF and the upcoming ESM (iii) the ECB might have to become more involved, i.e., more rate cuts and/or expanding its balance sheet further.
- Ultimately, they have to address how to boost growth; the problems are in the form of "DEBT/GDP" after all. Unfortunately, for some economies, this task would be difficult while they are still in the monetary union.

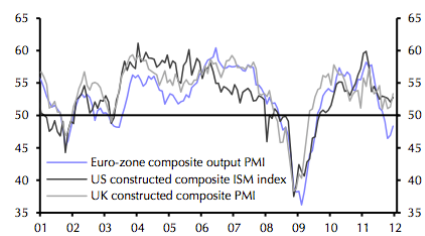
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Sources: Capital Economics, KTZ Research

### GDP growth in selected core Eurozone nations



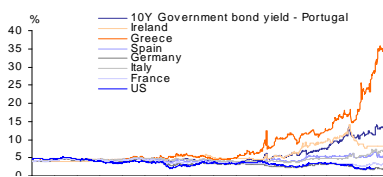
### EU PMI vs. other PMI in developed economies



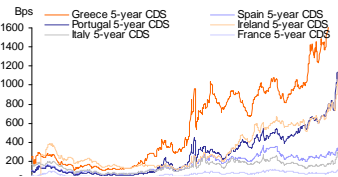
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## Keeping the financial market functioning properly is vital - 1

### G. Bond yield



### 5Y Credit Default Swap (Banking) (bp)



预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_7792](https://www.yunbaogao.cn/report/index/report?reportId=5_7792)

