

Emerging Markets Weekly



Overview

- **Emerging equity markets rose last week, as better-than-expected US employment and manufacturing data for August eased fears of a double-dip recession.**
- **Brazil maintained its robust pace of expansion, while Poland's better-than-expected growth in the second quarter was boosted by buoyant domestic demand and sustained solid exports to Germany. India also expanded briskly because of improved farm output, but manufacturing growth eased in August.**
- **An unexpected fall in Brazil's consumer prices in August allowed the central bank to keep interest rates steady. Malaysia also left its policy rate unchanged, whereas Indonesia raised bank reserve requirements from 5% to 8% to curb rising inflation.**
- **China's manufacturing growth quickened for the first time in four months in August. Car sales also rebounded, thanks to new government subsidies for small fuel-efficient vehicles.**
- **Chilean president Sebastian Pinera unveiled a new bill to increase a key mining tax to help finance reconstruction efforts after last February's earthquake.**
- **Russia extended the ban on wheat exports until next year.**
- **South Korean president Lee Myung Bak's government was dealt a fresh blow, as allegations of corruption forced several cabinet appointees to follow the PM-designate in stepping down.**

Corporate News

Brazil: **Banco Bradesco** will sell its stake in local IT services company CPM Braxis to French IT consultancy Capgemini, which had separately acquired a 55% stake in Braxis. **Petrobras** agreed to pay the Brazilian government US\$42.5 billion in new shares for the right to develop five billion barrels of offshore oil reserves. **Vale** lost its bid to acquire copper refiner Paranapanema after failing to get sufficient shareholder support. Separately, the iron ore producer signed a three-year contract with Gerdau to transport coal and steel for the steelmaker in Brazil.

Hungary: After inconclusive results, **Gedeon Richter** is considering additional clinical trials for its Caripazine drug to treat bipolar depression. The outcome of these trials may have a material impact on the drugmaker's future results, given the significant investment already made.

India: A consortium led by **Tata Power** will develop a geothermal power plant in Indonesia.

Indonesia: **Bank Permata's** first-half profits rose strongly, with solid growth in net interest income offsetting foreign exchange trading losses.

Malaysia: **Oriental Holdings'** results disappointed, hurt by the strengthening currency and lower crop production, but the company is still fundamentally solid with M\$2 billion in net cash. The central bank issued four new Takaful (Islamic insurance) licences to joint ventures set up separately by **Public Bank** and Alliance Financial Group.

Mexico: An increase in international passengers underpinned **ASUR's** total passenger traffic in August.

Russia: **Lukoil** attributed its lacklustre second-quarter results to rising costs and higher export duty. The oil producer has no plans to exercise an option to buy back its stock from ConocoPhillips.

Sri Lanka: **Aitken Spence** and China Merchants Holdings won a US\$400 million contract to build a terminal at Colombo Port, which will add significantly to its logistics division.

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Thailand: Legislators ruled that nearly all the projects at Map Ta Phut industrial park can resume operations, which bodes well for **Siam Cement**. **PTT Exploration & Production** rejected Indonesia's compensation claims for an oil spill in the Timor Sea.

We hold all the above companies highlighted.

Indices Performance Table

REGION/COUNTRY	INDEX/FUND	US DOLLARS		LOCAL CURRENCY	
		WOW	YTD	WOW	YTD
REGIONAL/FUNDS/DEVELOPED MARKETS					
Emerging Markets	MSCI Emerging Markets	3.47%	1.44%	2.54%	0.82%
	MSCI Emerging Markets Small Cap	3.43%	7.41%	2.56%	6.77%
US	Dow Jones	2.93%	0.19%	2.93%	0.19%
US	NASDAQ Composite	3.72%	-1.56%	3.72%	-1.56%
UK	FTSE Allshare	3.76%	-3.05%	4.31%	1.43%
Europe	FT Europe ex UK	5.18%	-10.34%	3.91%	-2.79%
World	MSCI AC World Free	3.83%	-2.58%	3.28%	-1.98%
World	Citigroup World Government Bond**	0.10%	3.90%	0.10%	3.90%
EMERGING MARKETS ASIA					
EM Asia	MSCI Emerging Markets Asia	2.94%	1.20%	2.28%	0.70%
	MSCI Emerging Markets Asia Small Cap	3.50%	5.57%	2.87%	4.99%
China	MSCI China	3.03%	-3.69%	2.95%	-3.47%
Hong Kong	MSCI Hong Kong	1.83%	2.92%	1.74%	3.16%
India	MSCI India	2.08%	3.39%	1.39%	3.52%
Indonesia	MSCI Indonesia	2.26%	20.40%	2.14%	15.39%
Korea	MSCI Korea	4.14%	3.09%	2.29%	4.02%
Malaysia	MSCI Malaysia	2.92%	22.62%	2.14%	11.78%
Pakistan	MSCI Pakistan	1.39%	-1.52%	1.45%	0.06%
Philippines	MSCI Philippines	6.09%	20.40%	4.92%	16.42%
Sri Lanka	MSCI Sri Lanka	2.14%	42.84%	2.18%	40.72%
Taiwan	MSCI Taiwan	1.60%	-6.43%	1.34%	-6.60%
Thailand	MSCI Thailand	5.32%	29.00%	4.82%	20.66%
EMERGING MARKETS EUROPE MIDDLE EAST AFRICA					
EMEA	MSCI EMEA	4.72%	2.93%	3.44%	2.94%
	MSCI EMEA Small Cap	3.64%	10.60%	1.99%	10.05%
Czech Republic	MSCI Czech Republic	2.64%	-6.70%	1.33%	-2.61%
Egypt	MSCI Egypt	0.70%	3.36%	0.72%	7.21%
Hungary	MSCI Hungary	5.89%	-12.05%	4.96%	3.31%
Morocco	MSCI Morocco	-0.43%	-0.15%	-1.33%	9.14%
Poland	MSCI Poland	3.98%	-3.22%	1.96%	3.65%
Russia	MSCI Russia	3.65%	-1.51%	3.44%	-0.50%
South Africa	MSCI South Africa	6.41%	6.71%	4.22%	4.07%
Turkey	MSCI Turkey	4.14%	14.83%	2.88%	15.11%
MIDDLE EAST					
Bahrain	Bahrain All Share Index	-1.15%	-2.98%	-1.15%	-2.98%
Kuwait	Kuwait Stock Exchange Index	0.89%	-4.47%	0.69%	-4.19%
	MSCI Kuwait	2.22%	18.10%	2.31%	18.41%
Oman	Muscat Securities Market Index	0.10%	-1.46%	0.10%	-1.44%
	MSCI Oman	0.12%	2.48%	0.13%	2.50%
Qatar	Doha Securities Market Index	3.82%	7.38%	3.82%	7.35%
	MSCI Qatar	3.68%	8.90%	3.77%	8.87%
Saudi	Tadawul All Share Index	3.02%	2.43%	3.02%	2.41%
UAE - Abu Dhabi	Abu Dhabi Securities Market	-0.05%	-8.61%	-0.05%	-8.61%
UAE - Dubai	Dubai Financial Market General Index	2.80%	-14.71%	2.80%	-14.72%
	MSCI UAE	2.48%	-10.53%	2.47%	-10.54%
Israel	MSCI Israel	2.88%	-8.58%	1.59%	-8.91%

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Jordan	MSCI Jordan	-1.24%	-17.37%	-1.24%	-17.32%
MSCI GCC	MSCI GCC	2.50%	4.93%	2.52%	5.00%
MSCI GCC ex SA	MSCI GCC ex Saudi Arabia	2.42%	8.58%	2.49%	8.73%
LATIN AMERICA					
Latin America	MSCI Latin America	3.81%	0.52%	2.51%	-0.81%
	MSCI Latin America Small Cap	2.67%	12.76%	1.39%	11.23%
Argentina	MSCI Argentina	3.32%	19.82%	3.32%	19.82%
Brazil	MSCI Brazil	3.71%	-4.55%	2.08%	-5.54%
Chile	MSCI Chile	4.92%	27.23%	3.86%	24.19%
Colombia	MSCI Colombia	4.26%	43.39%	3.84%	27.02%
Mexico	MSCI Mexico	3.53%	2.35%	2.96%	1.60%
Peru	MSCI Peru	4.35%	19.18%	4.35%	19.18%
FRONTIER MARKETS					
	MSCI Frontier Markets	1.60%	4.20%	1.54%	5.73%
Botswana	MSCI Botswana	1.75%	-2.25%	0.00%	-0.76%
Bulgaria	MSCI Bulgaria	1.60%	-13.36%	0.48%	-3.34%
Croatia	MSCI Croatia	1.78%	-13.63%	0.75%	-3.76%
Estonia	MSCI Estonia	2.79%	29.75%	1.64%	44.73%
Ghana	MSCI Ghana	-1.09%	30.26%	-1.07%	30.49%
Jamaica	MSCI Jamaica	2.62%	20.89%	2.63%	15.80%
Kazakhstan	MSCI Kazakhstan	-2.06%	-26.79%	-2.06%	-26.79%
Kenya	MSCI Kenya	-0.77%	16.91%	-0.92%	24.39%
Lebanon	MSCI Lebanon	3.05%	-10.73%	3.05%	-10.73%
Lithuania	MSCI Lithuania	3.07%	1.97%	1.92%	13.74%
Mauritius	MSCI Mauritius	-3.27%	-8.82%	-3.89%	-7.62%
Nigeria	MSCI Nigeria	-0.12%	12.90%	-0.55%	13.77%
Romania	MSCI Romania	-1.76%	-7.09%	-2.07%	4.65%
Serbia	MSCI Serbia	-0.17%	-11.29%	-0.71%	9.00%
Slovenia	MSCI Slovenia	0.21%	-16.99%	-0.91%	-7.41%
Tunisia	MSCI Tunisia	3.14%	13.08%	2.51%	26.46%
Ukraine	MSCI Ukraine	0.66%	21.28%	1.01%	19.87%

**Local Currency of Citigroup WGB Index in USD
Source: Bloomberg, 05 Sept 10

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