

Asian Weekly



Overview

- Asian stocks remained under pressure last week, as uncertainty over the global economic outlook intensified owing to disappointing US economic data and slowing export growth in Japan.
- Over the weekend, Bernanke pledged that the Federal Reserve was ready to boost the economy and may restart the purchases of long-term assets.
- Consumer prices eased in Japan and India in July. Conversely, Singapore's inflation climbed, owing to higher food, transport and housing costs. The Bank of Thailand raised its key interest rate by 0.25 percentage points to 1.75%, whereas its Philippine counterpart maintained rates.
- In July, Hong Kong's exports continued to climb, but Singapore's industrial production decelerated as drugmakers reduced output. The Philippine economy expanded at its fastest pace in three years during the second quarter, fuelled by exports and consumer spending.
- Singapore added measures to rein in property speculation, whereas South Korea will ease mortgage lending rules and extend tax breaks to home buyers.
- In politics, former secretary-general of the ruling Democratic Party of Japan Ichiro Ozawa will challenge prime minister Naoto Kan for the party leadership in September elections.

Corporate News

Australia: Full-year results were good: **Woolworths** was boosted by stronger sales and operational efficiencies, while **BHP Billiton** was driven by higher production volumes. The miner maintained its dividend of 45 US cents per share.

China/Hong Kong: Our holdings posted solid results: **Giordano's** profits quadrupled from a year earlier as focus on inventory management and cost controls boosted margins; **XinAo Gas's** parent ENN Energy was supported by higher connection fees and gas sales; **China Resources Enterprise** benefited from strong performance in its retail division, thanks to its hypermarket acquisition and improved operating efficiency; **Aeon Stores** gained from the turnaround in newly opened stores in China; notably, the company has a strong balance sheet with net cash and is on track to expand in South China; **PetroChina** was helped by the higher oil price, while **Li Ning** gained from lower advertising expenses.

India: **Jammu & Kashmir Bank's** chairman abruptly resigned after leading the state-owned bank for five years. The chairman had indicated his commitment to the bank in a meeting with our team three days earlier. While we remain encouraged by the positive changes within the bank during the chairman's tenure, we are monitoring the developments as the bank's board of directors seek a replacement. **Mphasis's** third-quarter results were aided by an acquisition, with margins within expectations as currency gains offset price cuts and wage hikes.

Japan: Fashion mall operator **Parco** will issue ¥15 billion-worth of convertible bonds to expand its retail business. We remain wary of the potentially dilutive effect on existing shareholders' stakes and intend to lobby management to ensure these efforts will support the company's operational performance. Carmaker **Toyota Motor** recalled 1.1 million units of its Corolla model in North America because of engine stalling problems.

Malaysia: Corporate results were generally encouraging. **Alliance Financial Group**, **Nestle**, **Allianz** and **Aeon Co** benefited from improving consumer sentiment and economic conditions. **Manulife Holdings**, **YNH Property** and **Shangri-La's** earnings met our expectations. Conversely, **Pos Malaysia's** core profits were flat; **Lafarge** was dragged down by weak demand and price war, while **United Plantations** was hurt by the poor weather, which affected crop production. Nevertheless, these companies remain fundamentally strong and maintain net cash positions. **CIMB Group**

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Holdings' healthy first-half profit growth was driven by the robust contribution from its Indonesian subsidiary, CIMB Niaga. **F&N Holdings** bought a 23% stake in Cocoland, the largest manufacturer of gummy sweets in Southeast Asia, for M\$55 million.

Singapore: Full-year earnings were robust: **Eu Yan Sang** was helped by its core retail business, particularly in Malaysia, while **FJ Benjamin** gained from improved fashion retail sales and foreign exchange gains. **CDL Hospitality Trusts** issued S\$150 million-worth of fixed rate bonds to strengthen its balance sheet.

Thailand: **Central Pattana** is expected to sign a joint-venture agreement to expand in China this year. **Home Product Center** will pay a stock dividend in the ratio of six existing shares per one dividend share. Indonesia is seeking at least US\$1.1 billion in compensation for environmental destruction from the Montara oil spill caused by **PTT Exploration and Production**, which agreed to verify the damage. **MFC Asset Management** reported strong second-quarter earnings, underpinned by controlled expenses and a low base effect.

We hold all the above companies highlighted.

Asian Fixed Income

Asian credit tightened last week, although late selling on Friday reversed earlier gains.

Yields fell as investors focused on deteriorating US data and prospects for further quantitative easing. Thailand outperformed, whereas trading levels in Singapore and Indonesia appeared less attractive and India was depressed by macroeconomic factors.

Asian currencies sold off against the US dollar on weaker sentiment, with the won, Indian rupee and rupiah underperforming.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	27/08/2010
Australia All Ords	-1.30%	-9.80%	-0.56%	-9.91%	4,404.10
Hang Seng	-1.83%	-5.83%	-1.87%	-6.14%	20,597.35
MSCI China (US\$)	-2.59%	-6.53%	-2.59%	-6.53%	60.58
MSCI Zhong Hua (US\$)	-2.06%	-4.39%	-2.06%	-4.39%	317.29
India NSE50	-2.20%	3.99%	-2.66%	3.19%	5,408.70
Indonesia JCI	-0.42%	22.51%	-1.08%	27.73%	3,104.73
Japan Topix	-1.20%	-9.69%	-0.73%	-2.17%	819.62
Korea KOSPI	-2.59%	2.78%	-3.20%	0.47%	1,729.56
FTSE Bursa Malaysia KLSE	1.15%	10.86%	0.81%	20.98%	1,411.05
New Zealand 50	0.23%	-6.89%	1.09%	-8.76%	3,007.44
Pakistan KSE100	-2.65%	2.26%	-2.61%	0.76%	9,598.71
Philippines PCOMP	-0.97%	16.58%	-0.99%	19.21%	3,558.67
Straits Times Index	0.08%	1.42%	0.36%	5.30%	2,938.74
Taiwan TWSE	-2.58%	-5.68%	-2.85%	-5.76%	7,722.91
Thailand SET	0.72%	22.58%	1.33%	30.55%	900.37
Sri Lanka	1.28%	66.42%	0.86%	68.86%	5,634.15
US DJ	-0.62%	-2.66%	-0.62%	-2.66%	10,150.65
UK FTSE 100	0.12%	-3.90%	0.02%	-7.66%	5,201.56
Nasdaq Composite	-1.20%	-5.09%	-1.20%	-5.09%	2,153.63
MSCI AC AP Free X Japan (US\$)	-1.74%	-3.85%	-1.74%	-3.85%	400.51
MSCI AC Asia Pac X Japan Small Cap (US\$)	-2.07%	-0.57%	-2.07%	-0.57%	878.57
Merrill Lynch Asian US Dollar Bond	0.00%	11.26%	0.00%	11.26%	299.24
JPM Singapore Govt Bonds	-0.63%	5.19%	-0.35%	9.22%	158.12

Source: Aberdeen Asset Management Asia Limited, Bloomberg, Reuters, IRESS.

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