

Emerging Markets Weekly



Overview

- Emerging market 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.
- Consumer prices eased in India and South Africa in July. The Bank of Thailand raised its key interest rate by 0.25 percentage points to 1.75%, whereas Poland and the Philippines maintained rates.
- The Philippine economy expanded at its fastest pace in three years during the second quarter, fuelled by exports and consumer spending. South Africa's growth slowed as mining exports lagged because of labour strikes and weak global growth.
- The unemployment rate in Brazil eased in July to 6.9%.
- Brazil will limit land sales to foreign-owned companies, while regulatory approval will be needed for farming or industrial activities. Russia opened its section of a crude oil pipeline from eastern Siberia to China, a major step in extending energy cooperation between the neighbours.

Corporate News

Brazil: Vale agreed with the Liberian government to build a railroad and port to transport iron ore. Meanwhile, it may cut fourth-quarter iron ore prices for the first time in a year, in line with the new pricing mechanism.

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; while **PetroChina** was helped by the higher oil price.

India: **Mphasis's** third-quarter results were aided by an acquisition, with margins within expectations as currency gains offset price cuts and wage hikes.

Malaysia: Corporate results were generally encouraging. **Aeon Co** benefited from improving consumer sentiment and economic conditions. 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 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.

South Africa: **Massmart's** full-year profits declined by 7%, but a strong pick-up in sales in the second half mitigated losses.

Thailand: 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.

We hold all the above companies highlighted.

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Indices Performance Table

REGION/COUNTRY	INDEX/FUND	US DOLLARS		LOCAL CURRENCY	
		WOW	YTD	WOW	YTD
REGIONAL/FUNDS/DEVELOPED MARKETS					
Emerging Markets	MSCI Emerging Markets	-1.83%	-1.96%	-1.64%	-1.68%
	MSCI Emerging Markets Small Cap	-1.89%	3.85%	-1.64%	4.11%
US	Dow Jones	-0.62%	-2.66%	-0.62%	-2.66%
US	NASDAQ Composite	-1.20%	-5.09%	-1.20%	-5.09%
UK	FTSE Allshare	0.02%	-6.57%	0.12%	-2.77%
Europe	FT Europe ex UK	-0.05%	-14.76%	-0.42%	-6.44%
World	MSCI AC World Free	-0.61%	-6.17%	-0.69%	-5.09%
World	Citigroup World Government Bond**	0.28%	3.80%	0.28%	3.80%
EMERGING MARKETS ASIA					
EM Asia	MSCI Emerging Markets Asia	-2.57%	-1.70%	-2.19%	-1.55%
	MSCI Emerging Markets Asia Small Cap	-2.83%	2.00%	-2.48%	2.06%
China	MSCI China	-2.59%	-6.53%	-2.56%	-6.24%
Hong Kong	MSCI Hong Kong	-0.77%	1.07%	-0.74%	1.39%
India	MSCI India	-3.16%	1.28%	-2.67%	2.10%
Indonesia	MSCI Indonesia	-1.12%	17.74%	-0.66%	12.98%
Korea	MSCI Korea	-3.48%	-1.01%	-2.44%	1.69%
Malaysia	MSCI Malaysia	0.74%	19.13%	0.85%	9.44%
Pakistan	MSCI Pakistan	-4.05%	-2.87%	-4.06%	-1.37%
Philippines	MSCI Philippines	-1.23%	13.49%	-0.84%	10.95%
Sri Lanka	MSCI Sri Lanka	0.13%	39.85%	0.44%	37.72%
Taiwan	MSCI Taiwan	-2.58%	-7.90%	-2.30%	-7.84%
Thailand	MSCI Thailand	-0.35%	22.48%	-0.91%	15.12%
EMERGING MARKETS EUROPE MIDDLE EAST AFRICA					
EMEA	MSCI EMEA	-0.55%	-1.72%	-0.48%	-0.49%
	MSCI EMEA Small Cap	0.69%	6.72%	0.74%	7.90%
Czech Republic	MSCI Czech Republic	-1.56%	-9.10%	-2.10%	-3.89%
Egypt	MSCI Egypt	1.56%	2.64%	1.74%	6.44%
Hungary	MSCI Hungary	-2.89%	-16.94%	-1.56%	-1.58%
Morocco	MSCI Morocco	3.97%	0.28%	3.57%	10.61%
Poland	MSCI Poland	-0.27%	-6.92%	-0.57%	1.65%
Russia	MSCI Russia	-0.93%	-4.98%	-0.82%	-3.80%
South Africa	MSCI South Africa	-0.64%	0.28%	-0.61%	-0.15%
Turkey	MSCI Turkey	0.78%	10.26%	1.08%	11.89%
MIDDLE EAST					
Bahrain	Bahrain All Share Index	1.57%	-1.85%	1.57%	-1.85%
Kuwait	Kuwait Stock Exchange Index	-0.32%	-5.31%	-0.29%	-4.85%
	MSCI Kuwait	1.87%	15.54%	1.56%	15.74%
Oman	Muscat Securities Market Index	-0.60%	-1.55%	-0.60%	-1.54%
	MSCI Oman	-0.83%	2.36%	-0.85%	2.36%
Qatar	Doha Securities Market Index	0.24%	3.43%	0.24%	3.40%
	MSCI Qatar	0.32%	5.03%	0.24%	4.92%
Saudi	Tadawul All Share Index	-0.08%	-0.57%	-0.09%	-0.59%
UAE - Abu Dhabi	Abu Dhabi Securities Market	0.12%	-8.57%	0.12%	-8.57%
UAE - Dubai	Dubai Financial Market General Index	0.31%	-17.04%	0.30%	-17.04%
	MSCI UAE	0.26%	-12.69%	0.26%	-12.70%
Israel	MSCI Israel	-1.71%	-11.14%	-1.18%	-10.34%
Jordan	MSCI Jordan	-0.21%	-16.33%	-0.15%	-16.28%
MSCI GCC	MSCI GCC	0.41%	2.38%	0.34%	2.41%
MSCI GCC ex SA	MSCI GCC ex Saudi Arabia	1.11%	6.02%	0.92%	6.09%
LATIN AMERICA					
Latin America	MSCI Latin America	-0.99%	-3.17%	-1.18%	-3.24%
	MSCI Latin America Small Cap	0.75%	9.83%	0.57%	9.71%
Argentina	MSCI Argentina	-6.06%	15.97%	-6.06%	15.97%
Brazil	MSCI Brazil	-1.00%	-7.96%	-1.64%	-7.46%
Chile	MSCI Chile	0.66%	21.27%	-1.03%	19.58%
Colombia	MSCI Colombia	4.73%	37.53%	4.33%	22.32%
Mexico	MSCI Mexico	-3.58%	-1.14%	-1.50%	-1.32%
Peru	MSCI Peru	4.64%	14.21%	4.64%	14.21%

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FRONTIER MARKETS					
	MSCI Frontier Markets	-0.74%	2.55%	-0.82%	4.13%
Botswana	MSCI Botswana	-0.74%	-3.93%	-0.47%	-0.76%
Bulgaria	MSCI Bulgaria	0.64%	-14.72%	0.38%	-3.80%
Croatia	MSCI Croatia	-0.23%	-15.13%	-0.52%	-4.48%
Estonia	MSCI Estonia	-0.77%	26.23%	-1.03%	42.39%
Ghana	MSCI Ghana	2.37%	31.69%	2.32%	31.90%
Jamaica	MSCI Jamaica	1.60%	17.80%	1.42%	12.84%
Kazakhstan	MSCI Kazakhstan	-4.24%	-25.24%	-4.24%	-25.24%
Kenya	MSCI Kenya	-3.19%	17.82%	-3.58%	25.54%
Lebanon	MSCI Lebanon	-2.24%	-13.37%	-2.24%	-13.37%
Lithuania	MSCI Lithuania	-0.69%	-1.07%	-0.95%	11.59%
Mauritius	MSCI Mauritius	-0.41%	-5.75%	0.57%	-3.88%
Nigeria	MSCI Nigeria	-4.07%	13.04%	-3.56%	14.40%
Romania	MSCI Romania	-0.97%	-5.43%	-0.83%	6.87%
Serbia	MSCI Serbia	-0.44%	-11.14%	-0.25%	9.78%
Slovenia	MSCI Slovenia	0.56%	-17.16%	0.30%	-6.56%
Tunisia	MSCI Tunisia	0.66%	9.63%	0.79%	23.37%
Ukraine	MSCI Ukraine	-2.44%	20.48%	-2.45%	18.67%

**Local Currency of Citigroup WGB Index in USD

Source: Bloomberg, 27 Aug 10

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