

Asian Weekly



Overview

- **Better-than-expected US employment and manufacturing data for August stemmed fears of a double-dip recession and lifted Asian stocks last week.**
- **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.**
- **Australia's second-quarter GDP grew at its fastest pace in three years, stoked by Chinese demand for resources, while India also expanded briskly because of improved farm output. However, manufacturing growth in both economies eased in August.**
- **Indonesia raised bank reserve requirements from 5% to 8% to curb rising inflation. Malaysia kept its policy rate unchanged.**
- **Japan's government pledged fresh stimulus worth ¥920 billion and the central bank bolstered a credit programme to lift demand and cool the yen's appreciation. South Korea will ease mortgage lending rules and extend tax breaks to boost flagging home sales.**
- **Political tussles continued in Japan, where prime minister (PM) Kan faces a party leadership challenge from Ichiro Ozawa; in Korea, where the PM-designate and two cabinet appointees resigned amid allegations of corruption; and in Australia, still without a government as Labour and Liberal parties, deadlocked at the recent election, court four independent ministers.**

Corporate News

Australia: Rio Tinto will invest US\$1.6 billion to develop an iron ore mine in Western Australia that will start production in 2013.

China/Hong Kong: Li Ning's founder will transfer his stake to Coolpoint Energy, which is also controlled by him. Coolpoint further agreed to provide marketing services to Li Ning.

India: Tata Consultancy Services' UK arm acquired Unisys Insurance Services to boost its presence in insurance and pension processing. A consortium led by **Tata Power** will develop a geothermal power plant in Indonesia. The US Food and Drug Administration warned **Sun Pharma** again about manufacturing violations at its Cranbury plant.

Indonesia: Bank Permata's first-half profits rose strongly, with solid growth in net interest income offsetting foreign exchange trading losses. **PGAS** also reported better results, helped by price hikes, although the strengthening rupiah pared gains. **Sepatu Bata** was boosted by a one-off gain from the sale of assets, while its operating margins improved.

Japan: Takeda Pharmaceutical agreed with Orexigen to distribute an experimental anti-obesity drug in the US. **ABC Mart** will sell its stake in clothing retailer United Arrows; we view the development positively because the latter does not fit with ABC's core business. **Toyota Motor** enjoyed better August sales in China, helped by improved branding.

Malaysia: Maxis' first-half profits fell in line with expectation, weighed down by higher one-off marketing costs related to the World Cup. Margins are expected to remain weak because of the roll out of broadband services in the second half. **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**.

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Singapore: **Keppel Corp** started the construction of its S\$518 million energy-from-waste plant in the UK. **SingTel** will offer new high-speed fibre services on the back of the Next Generation National Broadband Network. **FJ Benjamin** took a controlling stake in London-based design company Arcangel.

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.

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. Banpu sold an 8.72% stake in Indonesian subsidiary **ITM** to fund its acquisition of Australia's Centennial Coal.

We hold all the above companies highlighted.

Asian Fixed Income

Asian bond markets closed mixed last week. The Philippines outperformed the region because of its positive fiscal outlook, which allayed supply concerns. Thai bonds also did well, as the market expects an earlier-than-expected end to its rate hike cycle.

Asian currencies rallied against the US dollar, thanks to better risk appetite.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	03/09/2010
Australia All Ords	3.94%	-6.25%	6.15%	-4.36%	4,577.60
Hang Seng	1.82%	-4.12%	1.91%	-4.34%	20,971.50
MSCI China (US\$)	3.03%	-3.69%	3.03%	-3.69%	62.42
MSCI Zhong Hua (US\$)	2.68%	-1.83%	2.68%	-1.83%	325.80
India NSE50	1.31%	5.35%	1.84%	5.10%	5,479.40
Indonesia JCI	1.92%	24.86%	2.37%	30.76%	3,164.28
Japan Topix	0.50%	-9.24%	1.49%	-0.71%	823.70
Aberdeen Global Japanese Smaller Co ^	-0.88%	1.15%	0.33%	11.84%	502.10
Korea KOSPI	2.92%	5.78%	4.56%	5.05%	1,780.02
FTSE Bursa Malaysia KLSE	1.74%	12.80%	2.79%	24.35%	1,435.67
New Zealand 50	3.32%	-3.80%	4.62%	-4.55%	3,107.43
Pakistan KSE100	1.09%	3.37%	0.98%	1.75%	9,703.06
Philippines PCOMP	4.95%	22.34%	6.57%	27.04%	3,734.70
Straits Times Index	2.17%	3.62%	2.90%	8.36%	3,002.56
Taiwan TWSE	1.39%	-4.37%	1.61%	-4.24%	7,830.21
Thailand SET	3.28%	26.60%	3.84%	35.57%	929.90
Sri Lanka	4.37%	73.69%	4.43%	76.34%	5,880.49
US DJ	2.93%	0.19%	2.93%	0.19%	10,447.93
UK FTSE 100	4.36%	0.28%	3.80%	-4.15%	5,428.15
Nasdaq Composite	3.72%	-1.56%	3.72%	-1.56%	2,233.75
MSCI AC AP Free X Japan (US\$)	3.66%	-0.33%	3.66%	-0.33%	415.15
MSCI AC Asia Pac X Japan Small Cap (US\$)	4.44%	3.85%	4.44%	3.85%	917.61
Merrill Lynch Asian US Dollar Bond	0.13%	11.40%	0.13%	11.40%	299.62

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

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