

Asian Weekly



Overview

- **Asian stocks rose last week amid an improved outlook for exports, upbeat US corporate earnings and on expectations that Europe's banking sector stress tests would be positive. In China, equities were buoyed by hopes that authorities would relax lending rules to boost the housing market.**
- **Hong Kong has agreed with China to lift restrictions on using the yuan, including allowing Hong Kong banks to sell yuan-based financial products.**
- **Exports rose faster than expected in Japan and Thailand in June. Industrial production also grew in Taiwan, which saw unemployment fall to an 18-month low. Hong Kong's jobless rate stayed at a three-year high.**
- **South Korea's economy expanded by a quicker-than-expected 1.5% quarter-on-quarter in the second quarter.**
- **Inflation accelerated in Singapore, Hong Kong and Malaysia in June, as well as India in July.**

Corporate News

Australia: **QBE** expects first-half net profits to decline by 40% year on year, dragged down by lower net investment income on shareholders' funds and net equity losses of US\$228 million. We are looking to revise our numbers following a meeting with management. Nevertheless, QBE has maintained its interim dividend of A\$0.62 cents per share, equivalent to a 3.5% yield for the half year. **BHP Billiton's** Newcastle Third Port project was completed ahead of schedule and on budget in June. **Woodside Petroleum** posted lower production volumes in the second quarter, although sales revenues rose from a year ago, largely due to the rise in commodity prices.

China/Hong Kong: **Sun Hung Kai Properties** reported robust sales and higher-than-expected prices for its luxury project Larvotto, reflecting its ability to command a higher premium than its rivals. **China Mobile** added another 5.6 million subscribers in June, bringing its total subscribers to 554 million. **Kingmaker** saw solid full-year profit growth despite lower sales, thanks to the adjustment to its product mix, cost cuts and improved productivity.

India: Corporate results were mixed for the quarter ended June. **HDFC Bank** and **ING Vysya Bank** posted better loan growth and margins; **Godrej Consumer Products** continued to deliver positive results as it consolidates its acquisitions across emerging markets; **ITC's** earnings were driven by its cigarette division, while **Ambuja Cement** and **Gujarat Gas** benefited from greater sales volumes. Conversely, **Container Corporation's** revenues were hurt by changing traffic patterns and its inability to pass on higher costs in full, while **Aventis Pharmaceutical** was hindered by rising costs.

Indonesia: **Mandom Indonesia's** second-quarter pre-tax profits were flat as increased sales were negated by higher costs. **United Tractors' first-half sales** rose sharply, as recovering commodity prices boosted demand.

Japan: Electronic components maker **Omron** acceded to demands for better wages by Chinese workers. Medical equipment manufacturer **Mani's** nine-month profit growth met expectations, thanks to steady sales, good cost controls and increased overseas production capacity.

Malaysia: Our holdings' half-year results met expectations. **Public Bank** benefited from better performances across the board; while **Digi.com** was helped by its growing customer base. **CIMB Group Holdings' unit CIMB Thai** rebounded, thanks to lower provisions and better cost management. In contrast, **British American Tobacco's** net profits were hurt by falling sales and higher costs.

Singapore: Second-quarter profits were encouraging. **Keppel Corp** gained from better margins in its offshore and marine units and increased property sales. Separately, its subsidiary K-REIT Asia bought a commercial building in Sydney for A\$120 million. **Raffles Medical** was aided by rising revenue and effective cost control; it

Asian Weekly

has been allowed to add more space to its building. **ST Engineering** unit ST Aerospace and Guangdong Airport will set up a heavy maintenance facility for commercial aircraft in China.

Sri Lanka: John Keells' satisfactory full-year profits were supported by its financial services, transport and leisure businesses and it remains an excellent proxy to the recovering domestic economy.

Thailand: Siam Commercial Bank and **Kasikornbank** posted healthy second-quarter results, the latter was supported by better interest income and fees.

We hold all the above companies highlighted.

Asian Fixed Income

Asian fixed income markets had a mixed and volatile week. Europe's bank stress tests and fears over the US outlook continue to weigh on sentiment. Shorter-dated Asian bond yields rose, while the longer end of the curve flattened.

Asian currencies strengthened against the US dollar, led by the Singapore dollar, won and ringgit.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	23/07/2010
Australia All Ords	0.86%	-8.35%	3.62%	-8.72%	4,475.10
Hang Seng	2.79%	-4.83%	2.83%	-5.00%	20,815.33
MSCI China (US\$)	4.06%	-4.00%	4.06%	-4.00%	62.21
MSCI Zhong Hua (US\$)	3.60%	-3.10%	3.60%	-3.10%	321.59
India NSE50	1.02%	4.77%	0.59%	3.76%	5,449.10
Indonesia JCI	1.66%	20.03%	1.66%	25.08%	3,042.02
Japan Topix	0.08%	-7.31%	-0.65%	-1.88%	841.29
Korea KOSPI	1.13%	4.47%	2.55%	1.51%	1,758.06
FTSE Bursa Malaysia KLSE	0.68%	5.73%	1.04%	13.75%	1,345.68
New Zealand 50	0.31%	-7.28%	2.60%	-7.05%	2,994.90
Pakistan KSE100	1.40%	9.68%	1.63%	8.40%	10,296.04
Philippines PCOMP	-0.77%	11.90%	-0.89%	11.47%	3,416.10
Straits Times Index	0.53%	2.62%	0.92%	5.04%	2,973.47
Taiwan TWSE	1.26%	-5.21%	1.26%	-5.60%	7,761.22
Thailand SET	1.53%	14.39%	1.63%	18.51%	840.24
Sri Lanka	4.67%	44.60%	4.72%	46.66%	4,895.51
US DJ	3.24%	-0.03%	3.24%	-0.03%	10,424.62
UK FTSE 100	2.98%	-1.85%	3.68%	-6.38%	5,312.62
Nasdaq Composite	4.15%	0.01%	4.15%	0.01%	2,269.47
MSCI AC AP Free X Japan (US\$)	2.35%	-2.95%	2.35%	-2.95%	404.24
MSCI AC Asia Pac X Japan Small Cap (US\$)	1.98%	-1.57%	1.98%	-1.57%	869.74
Merrill Lynch Asian US Dollar Bond	0.69%	8.00%	0.69%	8.00%	290.47
JPM Singapore Govt Bonds	0.01%	4.27%	0.40%	6.73%	156.73

Source: Aberdeen Asset Management Asia Limited, Bloomberg, Reuters, IRESS, as of 23 July 10.

Asian Weekly

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