

# Emerging Markets Weekly



## Overview

- An improved outlook for exports, upbeat US corporate earnings and expectations that Europe's banking sector stress tests would be positive underpinned emerging markets last week. In China, equities were buoyed by hopes that authorities would relax lending rules to boost the housing market.
- Rising inflation prompted Chile's central bank to raise its benchmark interest rate for the first time since Sept 2008. Poland and South Africa, however, continued to hold rates steady. Elsewhere, inflation accelerated in Hong Kong and Malaysia in June, as well as India in July.
- Hungary approved a controversial bank tax three times higher than levies proposed elsewhere in Europe to meet its deficit reduction target.
- 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 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.
- Brazil may give tax breaks to stimulate long-term lending for infrastructure investment and reduce the burden on the state.

## Corporate News

**Brazil:** Posco is buying a 20% stake in **Vale's** joint venture with Dongkuk Steel Mill. In addition, the Brazilian miner plans to invest US\$7.8 billion to expand the Carajás railway and build a new pier in Port of Ponta da Madeira. Meanwhile, talks with the labour union to resolve the strike at Vale's Voisey's Bay operations ended in stalemate. **Multiplan** paid US\$51.8 million to raise its stake in a shopping mall in Belo Horizonte, from 80.9% to 96.5%.

**China/Hong Kong:** **China Mobile** added another 5.6 million subscribers in June, bringing its total subscribers to 554 million.

**India:** Corporate results were mixed for the quarter ended June. **Godrej Consumer Products** continued to deliver positive results as it consolidates its acquisitions across emerging markets, while **Container Corporation's** revenues were hurt by changing traffic patterns and its inability to pass on higher costs in full.

**Israel:** Growth from **Checkpoint's** new and existing products drove first-half profits higher from a year ago.

**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.

**Mexico:** Moody's cut **Femsa's** local bond rating after the Mexican brewer completed the sale of its beer business to Heineken. The Coca-Cola-bottling subsidiary, however, announced solid second-quarter results.

**South Africa:** **Truworths'** trading statement showed a rise in full-year earnings, although **City Lodge's** indicated a fall in earnings over the same period.

**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.

We hold all the above companies highlighted.

## Indices Performance Table

REGION/COUNTRY	INDEX/FUND	US DOLLARS		LOCAL CURRENCY	
		WOW	YTD	WOW	YTD
<b>REGIONAL/FUNDS/DEVELOPED MARKETS</b>					
Emerging Markets	MSCI Emerging Markets	3.43%	-0.81%	3.02%	-0.17%
	MSCI Emerging Markets Small Cap	1.87%	1.95%	1.55%	2.69%
US	Dow Jones	3.24%	-0.03%	3.24%	-0.03%
US	NASDAQ Composite	4.15%	0.01%	4.15%	0.01%

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UK	FTSE Allshare	3.67%	-5.21%	2.97%	-0.62%
Europe	FT Europe ex UK	1.48%	-12.08%	2.39%	-3.65%
World	MSCI AC World Free	2.65%	-3.91%	2.66%	-2.59%
World	Citigroup World Government Bond**	-0.66%	1.27%	-0.66%	1.27%
<b>EMERGING MARKETS ASIA</b>					
EM Asia	MSCI Emerging Markets Asia	2.12%	-0.75%	2.04%	-0.32%
	MSCI Emerging Markets Asia Small Cap	1.42%	0.55%	1.38%	0.95%
China	MSCI China	4.06%	-4.00%	3.98%	-3.83%
Hong Kong	MSCI Hong Kong	2.45%	-0.84%	2.37%	-0.66%
India	MSCI India	0.44%	2.64%	0.77%	3.52%
Indonesia	MSCI Indonesia	0.99%	18.14%	0.97%	13.74%
Korea	MSCI Korea	1.77%	0.57%	1.40%	3.55%
Malaysia	MSCI Malaysia	0.92%	11.87%	0.67%	4.47%
Pakistan	MSCI Pakistan	1.98%	5.98%	1.90%	7.49%
Philippines	MSCI Philippines	-1.06%	6.96%	-0.97%	7.16%
Sri Lanka	MSCI Sri Lanka	4.98%	28.33%	4.97%	26.46%
Taiwan	MSCI Taiwan	1.28%	-7.27%	1.26%	-6.93%
Thailand	MSCI Thailand	1.96%	13.31%	1.97%	9.58%
<b>EMERGING MARKETS EUROPE MIDDLE EAST AFRICA</b>					
EMEA	MSCI EMEA	3.92%	0.40%	3.17%	2.22%
	MSCI EMEA Small Cap	2.71%	4.87%	1.63%	7.09%
Czech Republic	MSCI Czech Republic	0.98%	-8.20%	0.73%	-2.22%
Egypt	MSCI Egypt	-0.30%	-4.59%	-0.21%	-1.09%
Hungary	MSCI Hungary	-5.60%	-16.17%	-2.59%	-0.03%
Morocco	MSCI Morocco	-1.14%	4.51%	-0.24%	14.82%
Poland	MSCI Poland	3.12%	-7.38%	3.34%	2.85%
Russia	MSCI Russia	4.57%	-2.38%	4.55%	-1.90%
South Africa	MSCI South Africa	4.63%	3.72%	2.77%	4.94%
Turkey	MSCI Turkey	4.09%	10.34%	3.10%	12.17%
<b>MIDDLE EAST</b>					
Bahrain	Bahrain All Share Index	-0.55%	-4.60%	-0.55%	-4.60%
Kuwait	Kuwait Stock Exchange Index	1.70%	-6.13%	1.89%	-5.56%
	MSCI Kuwait	4.56%	7.32%	3.12%	7.32%
Oman	Muscat Securities Market Index	-0.84%	-3.17%	-0.84%	-3.17%
	MSCI Oman	-1.37%	0.40%	-1.35%	0.42%
Qatar	Doha Securities Market Index	0.87%	0.25%	0.85%	0.19%
	MSCI Qatar	0.84%	2.32%	0.75%	2.18%
Saudi	Tadawul All Share Index	0.95%	0.88%	0.95%	0.87%
UAE - Abu Dhabi	Abu Dhabi Securities Market	1.28%	-6.74%	1.27%	-6.74%
UAE - Dubai	Dubai Financial Market General Index	-0.04%	-16.45%	-0.04%	-16.45%
	MSCI UAE	1.62%	-13.35%	1.62%	-13.35%
Israel	MSCI Israel	-0.21%	-6.88%	-0.21%	-5.33%
Jordan	MSCI Jordan	-1.76%	-14.25%	-1.62%	-14.13%
MSCI GCC	MSCI GCC	1.46%	1.37%	1.15%	1.36%
MSCI GCC ex SA	MSCI GCC ex Saudi Arabia	2.76%	0.93%	1.99%	0.89%
<b>LATIN AMERICA</b>					
Latin America	MSCI Latin America	6.37%	-2.27%	5.38%	-1.99%
	MSCI Latin America Small Cap	3.66%	4.88%	2.60%	5.24%
Argentina	MSCI Argentina	7.43%	9.85%	7.43%	9.85%
Brazil	MSCI Brazil	7.41%	-6.73%	6.41%	-5.73%
Chile	MSCI Chile	4.35%	13.37%	2.32%	16.16%
Colombia	MSCI Colombia	4.35%	26.76%	3.80%	15.97%
Mexico	MSCI Mexico	3.98%	3.46%	3.18%	1.22%
Peru	MSCI Peru	4.90%	13.04%	4.90%	13.04%
<b>FRONTIER MARKETS</b>					
	MSCI Frontier Markets	1.66%	0.75%	1.28%	2.06%
Botswana	MSCI Botswana	3.18%	0.23%	2.29%	3.90%
Bulgaria	MSCI Bulgaria	-1.22%	-22.71%	-0.20%	-13.48%
Croatia	MSCI Croatia	-1.48%	-14.07%	-0.48%	-4.75%
Estonia	MSCI Estonia	-2.41%	19.17%	-1.39%	33.39%
Ghana	MSCI Ghana	0.02%	25.95%	-0.07%	27.99%
Jamaica	MSCI Jamaica	2.55%	15.09%	2.64%	10.85%

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<b>Kazakhstan</b>	MSCI Kazakhstan	2.41%	-20.98%	2.41%	-20.98%
<b>Kenya</b>	MSCI Kenya	-1.47%	17.66%	-1.59%	26.03%
<b>Lebanon</b>	MSCI Lebanon	-2.62%	-9.43%	-2.62%	-9.43%
<b>Lithuania</b>	MSCI Lithuania	-1.52%	-2.70%	-0.49%	8.91%
<b>Mauritius</b>	MSCI Mauritius	0.26%	-8.04%	-0.39%	-6.52%
<b>Nigeria</b>	MSCI Nigeria	1.73%	18.26%	1.43%	18.66%
<b>Romania</b>	MSCI Romania	-1.45%	-10.38%	-0.55%	1.00%
<b>Serbia</b>	MSCI Serbia	-2.11%	-11.11%	-0.62%	9.16%
<b>Slovenia</b>	MSCI Slovenia	-2.73%	-18.07%	-1.71%	-8.30%
<b>Tunisia</b>	MSCI Tunisia	0.79%	3.65%	1.61%	15.63%
<b>Ukraine</b>	MSCI Ukraine	1.48%	31.94%	1.43%	30.07%

\*Local Currency of Citigroup WGB Index in USD

Source: Bloomberg, 23 Jul 10

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