

Asian Weekly



Overview

- Asian equities continued to fall on fresh concerns that slowing economic growth and high inflation will erode corporate profits.
- China's second-quarter GDP decelerated to 10.1%, and inflation moderated to 7.1% month-on-month in June. Meanwhile, authorities tightened foreign direct investment regulations. Taiwan will increase the amount that securities investment trust funds can invest in China.
- Central banks in Japan and Sri Lanka kept monetary policy steady, whereas Thailand and the Philippines hiked interest rates.
- The Bank of Japan cut its economic growth forecast for 2008 to 1.2% and raised its inflation estimate. Elsewhere, policymakers in Hong Kong and Thailand unveiled inflation relief packages to cost HKD\$11bn and 46bn baht respectively.
- In Singapore, exports continued to decline in June, as demand from the US and Europe cooled.
- In politics, India's coalition government faces a no-confidence vote over the US nuclear deal. Malaysia's de facto opposition leader Anwar Ibrahim was released on bail, following his arrest on sodomy allegations.

Corporate News

Australia: Toll Holdings will pare its stake in Virgin Blue Holdings through a special dividend, retaining just 11m shares.

China/Hong Kong: Public Financial's interim net profits were decent. In full-year results, **Texwinca** was helped by sector consolidation and strong retail sales in China, whereas **Hung Hing Printing** was hurt by losses from financial products, which led to a board reshuffle. **The Hongkong and Shanghai Hotels** will jointly develop a hotel in Paris with Qatari Diar Real Estate Investment.

India: Corporate results for the quarter to June were mixed. Despite a housing market slowdown, **Housing Development Finance Corp.** posted steady growth. **Tata Consultancy Services'** decline in contracts was due to delays in projects, whereas **Satyam Computer Services'** results met expectations as stable margins compensated for lower volumes. Meanwhile, **Sun Pharmaceutical** extended its tender offer for Taro Pharmaceutical Industries; and **Oil & Natural Gas Corp.** made a bid for London-listed company Imperial Energy Corp. The simmering feud between the Ambani brothers boiled over after Reliance Industries started arbitration proceedings against Reliance Communications, causing the latter's tie-up talks with South Africa's MTN to derail. We have long resisted holding the Reliance Group of companies, despite their large index weightings.

Indonesia: **Holcim Indonesia** posted healthy second-quarter cement sales growth. **Ramayana Lestari** reported steady interim sales growth, while **Astra International's** subsidiary Astra Agro's sales were boosted by robust volumes and high crude palm oil prices.

Japan: Regional telecom operator **Okinawa Cellular** posted disappointing results for the quarter ending June; it continued to face a highly competitive environment. Elsewhere, **Toyota Motor** may downgrade its unit sales projections for the current fiscal year, due to difficult US market conditions.

Korea: The former chairman of **Samsung Group** Lee Kun Hee was cleared of illegal trading, but was convicted of tax evasion and fined US\$109m. **Kookmin Bank's** shares fell after it revealed that it might not form a holding company if major shareholders oppose it. **Pusan Bank's** second-quarter results were better than expected, as strong loan growth outweighed the impact of a decline in net interest margin.

Malaysia: In interim results, **Public Bank's** earnings were aided by a rise in net interest income and lower costs; **British American Tobacco** benefited from a better sales mix and increased market share despite declining volumes.

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Singapore: **Singapore Press Holdings'** net profits for the quarter to end-June was affected by a fall in investment income, although recurring income rose. **ComfortDelgro** will introduce a temporary diesel surcharge of S\$0.30 on all taxi rides. **Fraser & Neave's** unit, Frasers Centrepoint, is acquiring a 74% stake in Indian property firm KS Realty Constructions, for S\$30.02m. **CapitaLand** set up a S\$1.4bn Chinese fund to invest in prime commercial properties.

Thailand: **TISCO Bank** reported decent second-quarter profit growth from substantial lending and fee income businesses. **Eastern Water Resource Development** may lower water tariffs temporarily.

We hold all the above companies highlighted.

Asian Fixed Income

Most Asian bond markets strengthened on renewed weakness in US financial markets, while easing food prices led investors to take advantage of higher yields.

Currency performance was mixed. The Philippine peso and the baht rallied after several months of weakness, as central banks in both countries raised interest rates. Conversely, the ringgit and the won came under renewed selling pressure.

Sentiment in Asian credit markets deteriorated at the start. However, better-than-expected quarterly results of US-listed Wells Fargo and JP Morgan boosted bond prices, notably in the high yield space.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	18/07/2008
Australia All Ords	-3.01%	-23.45%	-2.44%	-15.12%	4,915.30
Hang Seng	-1.40%	-21.35%	-1.32%	-21.34%	21,874.19
MSCI China (US\$)	-2.35%	-27.30%	-2.35%	-27.30%	61.73
MSCI Zhong Hua (US\$)	-2.34%	-27.03%	-2.34%	-27.03%	320.72
India NSE50	1.07%	-33.34%	1.94%	-38.20%	4,092.25
Indonesia JCI	-5.96%	-22.02%	-5.67%	-19.63%	2,141.14
Japan Topix	-2.60%	-15.13%	-3.12%	-10.29%	1,252.43
Korea KOSPI	-3.67%	-20.41%	-4.91%	-26.52%	1,509.99
Malaysia KLSE	-3.94%	-23.53%	-4.30%	-22.06%	1,105.04
New Zealand 50	-0.02%	-22.78%	0.09%	-23.10%	3,120.91
Pakistan KSE100	-12.49%	-27.30%	-13.73%	-36.85%	10,234.78
Philippines PCOMP	-1.99%	-34.02%	0.88%	-38.46%	2,389.52
Straits Times Index	-2.70%	-17.83%	-2.40%	-12.62%	2,847.73
Taiwan TWSE	-5.93%	-19.88%	-5.62%	-14.31%	6,815.32
Thailand SET	-9.01%	-22.56%	-7.97%	-30.09%	664.52
Sri Lanka	-0.54%	-5.06%	-0.45%	-4.09%	2,412.38
US DJ	3.57%	-13.33%	3.57%	-13.33%	11,496.57
UK FTSE 100	-3.14%	-12.95%	-1.81%	-13.30%	5,620.80
Nasdaq Composite	-1.97%	-9.28%	-1.97%	-9.28%	2,406.09
MSCI AC AP Free X Japan (US\$)	-3.18%	-23.12%	-3.18%	-23.12%	407.26
MSCI AC Asia Pac X Japan Small Cap (US\$)	-3.88%	-27.01%	-3.88%	-27.01%	804.08
ML Asian Dollar Index	0.02%	-0.82%	0.02%	-0.82%	229.46
JPM Singapore Govt Bonds	0.40%	0.41%	0.71%	6.78%	139.99

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

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