

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 | |
|---|--------------------------------------|------------|---------|----------------|---------|
| REGIONAL/FUNDS/DEVELOPED MARKETS | | WOW | YTD | WOW | YTD |
| 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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