

Asian Weekly



Overview

- Asian equities suffered their biggest weekly loss since last March, owing to concerns over weak US jobs data and potential tightening measures by regional central banks. Investors largely ignored solid US fourth-quarter growth figures as sentiment soured.
- China's banking regulators told lenders to scrutinise property loans more strictly and ordered banks to call back some of their January loans. Elsewhere, Australia's bank lending for December rose by the most in almost a year from a month earlier.
- Japan's unemployment fell and industrial output grew in December, driven by exports, which rose for the first time in 14 months. Separately, Standard & Poor's downgraded the nation's sovereign credit rating outlook from stable to negative, because of the lack of a plan to rein in the burgeoning budget deficit.
- Consumer prices eased in Japan in December but rose in Australia in the fourth quarter, while India and Sri Lanka saw inflation accelerate in January. Most central banks left benchmark interest rates unchanged. India's policymakers raised the reserve requirement ratio by 0.75-percentage points, though they did not hike interest rates, while the Philippines increased the rediscount rate by 0.5-percentage points as it began to unwind stimulus measures.
- Fourth-quarter GDP growth accelerated in the Philippines, but in South Korea, the pace of growth eased to its slowest in three quarters as exports, consumer demand and government spending declined. Manufacturing activity expanded in China and Australia in January, while industrial production in Thailand posted a record gain in December.
- In politics, Sri Lankan president Mahindra Rajapakse won the nation's first peacetime presidential election in three decades.

Corporate News

Australia: BHP Billiton approved US\$1.9 billion-worth of capital expenditure to expand capacity in its Western Australia operations. The miner also acquired Canada's Athabasca Potash Inc for US\$320 million.

China/Hong Kong: Hang Lung Properties' first-half profits almost quadrupled from a year earlier, thanks to well-timed property sales and solid rental income from investment properties in Hong Kong and China. **MTRC** is inviting developers to tender for two residential projects next to its Austin Station. **PetroChina's** subsidiary CNPC HK will invest about HK\$10 billion this year to develop its natural gas business.

India: Earnings for the quarter-ended December were resilient: **Housing Development Finance Corporation's** net interest margin expanded despite softer interest rates; **Hindustan Unilever** was boosted by increased consumption; cement holding **Grasim** was helped by steady demand and healthy prices; **Bharti Airtel's** total subscriber growth reached 42% year-on-year and the telco maintained its profit levels from the previous quarter, despite the ongoing price war.

Indonesia: Indosat's total mobile subscribers grew 15.3% quarter-on-quarter to 33.1 million in the fourth quarter. **Telkom** bought a 75% stake in healthcare company AdMedika for US\$13 million. It has also set aside more than 1 trillion rupiah to acquire at least three more companies in the IT and media sectors this year.

Japan: Toyota Motor's accelerator pedal-related woes are set to worsen, with the number of recalled vehicles globally approaching the total number of units sold by the parent last year. Furthermore, it will be suspending production of eight popular models in the US this month. Retail conglomerate **Seven & i Holdings** may close four Sogo & Seibu department stores. **Takeda Pharmaceutical** expects to seek marketing approval for a combination diabetes and blood pressure drug. Separately, the drug maker plans to launch obesity-fighting drugs in Japan and the US. Meanwhile, exporters such

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as industrial equipment maker **Omron**, robot maker **Fanuc** and clutch maker **FCC** posted decent corporate results. **Canon** also beat expectations, mainly through good cost control.

Korea: Fourth-quarter results were mixed: **Daegu Bank** was hurt by its exposure to Kumho Group's losses, albeit its core operating performance was encouraging. Conversely, **Samsung Electronics** benefited from stronger earnings from its semiconductor and LCD divisions.

Malaysia: **Hong Leong Bank** granted the board of EON Capital a deadline extension until 2 February to evaluate Hong Leong's buyout offer.

Philippines: **Asian Terminals** secured a 25-year contract to run the second terminal in Batangas for cargo business.

Singapore: **Keppel Corp** reported sound profit growth, driven by higher property and infrastructure contribution, greater margins at the offshore and marine division as well as gains from the sale of Singapore Petroleum Corporation. The company will also be listing its K-Green Trust, a green business trust, which will be given out as a dividend in specie to existing shareholders. **CDL Hospitality Trust's** results exceeded expectations because of better occupancy. It also acquired five Australian hotels.

Taiwan: Fourth-quarter earnings were robust: **TSMC** reported its highest net profit in two years, rising 162% from a year earlier to NT\$32.7 billion, underpinned by a recovery in global chip demand. Meanwhile, the bulk of its US\$4.8 billion capital expenditure budget for 2010 will be earmarked for leading edge technology. **Taiwan Mobile's** results met expectations, with cable revenue growth offsetting the contraction in its mobile business.

Thailand: Moody's upgraded the credit outlook for the nation's banking system to stable from negative. Corporate results were largely solid: **Siam Cement's** full-year earnings rebounded on the back of a recovery in volumes and margins; **Thai Stanley's** fiscal third-quarter profits were boosted by improved operating performance, while **Phatra Securities'** headline full-year profits doubled from a low base in 2008, driven by trading and investments. Meanwhile, **PTT Exploration and Production's** profits fell by less than expected, despite lower product prices and expenses related to the Montara oil spill.

We hold all the above companies highlighted.

Asian Fixed Income

Asian credit markets closed flat in a challenging week, which saw spreads widen during the early part. Nervousness over higher policy rates triggered a sell-off, but the market subsequently stabilised. Vietnam placed US\$1 billion-worth of bonds and EXIM Bank of India issued US\$300 million-worth of debt, both of which did well on their debut.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	29/01/2010
Australia All Ords	-3.67%	-5.85%	-5.38%	-6.82%	4,596.90
Hang Seng	-2.92%	-8.00%	-2.85%	-8.14%	20,121.99
MSCI China (US\$)	-4.16%	-8.64%	-4.16%	-8.64%	59.21
MSCI Zhong Hua (US\$)	-3.65%	-8.04%	-3.65%	-8.04%	305.18
India NSE50	-3.06%	-6.13%	-3.06%	-5.42%	4,882.05
Indonesia JCI	0.02%	3.02%	-0.46%	3.88%	2,610.80
Japan Topix	-4.23%	-0.71%	-4.74%	1.37%	901.12
Korea KOSPI	-4.86%	-4.77%	-5.53%	-4.36%	1,602.43
FTSE Bursa Malaysia KLSE	-3.18%	-1.07%	-3.10%	-0.29%	1,259.16
New Zealand 50	-0.81%	-2.03%	-1.92%	-4.89%	3,164.65

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Pakistan KSE100	-1.45%	2.62%	-1.47%	2.38%	9,632.76
Philippines PCOMP	-2.32%	-3.26%	-2.77%	-3.71%	2,953.19
Straits Times Index	-2.64%	-5.26%	-2.80%	-5.28%	2,745.35
Taiwan TWSE	-3.62%	-6.69%	-3.55%	-6.57%	7,640.44
Thailand SET	-2.46%	-5.17%	-2.88%	-4.61%	696.55
Sri Lanka	2.96%	7.41%	2.68%	7.13%	3,636.41
US DJ	-1.04%	-3.46%	-1.04%	-3.46%	10,067.33
UK FTSE 100	-2.16%	-4.14%	-2.89%	-4.95%	5,188.52
Nasdaq Composite	-2.63%	-5.37%	-2.63%	-5.37%	2,147.35
MSCI AC AP Free X Japan (US\$)	-4.23%	-6.36%	-4.23%	-6.36%	390.03
MSCI AC Asia Pac X Japan Small Cap (US\$)	-5.35%	-5.62%	-5.35%	-5.62%	833.92
Merrill Lynch Asian US Dollar Bond	0.32%	1.38%	0.32%	1.38%	272.69
JPM Singapore Govt Bonds	0.00%	0.50%	-0.17%	0.48%	151.06

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

For more information

Client Services Team

Tel: +65 6395 2701

Fax: +65 6438 0743

Aberdeen Asset Management Asia Limited

21 Church Street

#01-01 Capital Square Two

Singapore 049480

Tel: +65 6395 2700

Fax: +65 6535 7159

www.aberdeen-asia.com

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