

# Asian Weekly

## Weekly Commentary

16 January 2012

### Overview

- Asian equities rose last week amid signs of a US economic recovery and speculation that China would ease monetary policy to stimulate the slowing economy.
- Standard & Poor's cut the sovereign credit rating of nine European countries including France and Austria, leaving only four triple-A nations in the currency bloc.
- Chinese inflation edged down in December to its lowest level in 15 months. The trend is similar in other Asian countries including Indonesia, Thailand and the Philippines.
- Industrial production fell in Malaysia owing to Thai flood-related supply disruption in motor vehicles and chemicals. Conversely, factory output rose in India driven by strong growth for consumer goods in November which coincided with last year's Diwali.
- Exports decelerated in Malaysia and fell sharply in the Philippines because of a slowdown in external demand for commodities and technology products.
- Retail sales for November was flat in Australia with weakness widespread across all sectors, and slackened in Singapore as motor vehicle sales and tourist spending fell. India lifted restrictions to give foreign retailers full control over the ownership of single-brand stores.
- Japanese prime minister Noda reshuffled the cabinet and appointed Katsuya Okada as deputy prime minister, who is tasked with a comprehensive tax and social security reform. Elsewhere, Ma Ying-jeou's re-election as Taiwan's president is expected to improve cross-strait relations and strengthen economic ties with China. In Malaysia, de facto opposition leader Anwar Ibrahim was acquitted of sodomy charges, which should pave the way for him to contest in elections due later this year.

### Corporate News

**Australia: QBE Insurance Group** warned that 2011 profits would be halved because of numerous catastrophes and the fall in bond yields. The final dividend was cut to A\$0.25 per share. On a positive note, management provided guidance for a yield of 3.0% in 2012, up from 2.1% last year. **Rio Tinto** completed the acquisition of Hathor and now has full ownership.

**India:** **HDFC's** net profits for nine months to December rose on the back of healthy loan book growth. Net interest margins remained high while the balance sheet was well-capitalised. **Infosys** delivered good growth in revenue and net profits in the December quarter but management lowered its guidance for the full year ending March 2012. The stock remains attractive as it is well positioned in the software engineering space, with a competent team backed by a solid balance sheet.

**Japan:** Shopping centre operator **Parco Co.** reported flat same-store-sales year-on-year and will invest ¥1.5 billion to build a store in Osaka. Shoe retailer **ABC-Mart** and general merchandise retailer **San-A's** results met expectations.

**Malaysia:** **CIMB Group** finalised the acquisition of 60% of Philippine conglomerate San Miguel Corp's banking arm, The Bank of Commerce. Elsewhere, CIMB will seek an operating licence in Laos. These moves are consistent with its strategy to broaden its ASEAN banking franchise. **LPI Capital's** earnings for 2011 improved because of higher premiums; the insurer announced an interim dividend of M\$0.50 per share.

**Singapore:** **Singapore Press Holdings'** net profits for the November quarter declined because of lower contributions from the newspaper and investment divisions which outweighed growth in the property segment. **City Developments**, together with the Hong Leong Group and TID, clinched a residential site for S\$388 million. **Keppel Corp** secured a US\$150 million contract to construct and upgrade a moored semisubmersible rig for delivery in 2013. At **WBL's** AGM, Aberdeen voted, along with other key shareholders, against the re-election of Ng Ser Miang to the board as we felt that although some restructuring has taken place, the pace has been too slow. Norman Yip will replace him.

**Sri Lanka:** Conglomerate **Aitken Spence** is selling its 30% stake in the development of a new container terminal in Colombo, citing rising project costs. While we view this as negative, given that the project was supposed to be a key driver for earnings growth, we commend management for prioritising shareholder return over the development of strategic national assets.

**Thailand:** **PTT Exploration & Production** will invest US\$19.6 billion over the next five years to increase production by 22% as the company looks for opportunities regionally and internationally. **Kasikornbank** expects loans to grow by below the projected 12% in 2011. **TISCO Financial Group's** 2011 profits rose 13% amid narrower margins, lower brokerage income and a one-off tax charge in the fourth quarter.

We hold all the above companies highlighted.

## Asian Fixed Income

Regional bond market activity was mixed. Malaysia's yield curve flattened whereas Thailand's steepened because of demand at the short end. While the yield curve was supported in Singapore, the Philippines underperformed with mild across-the-board selling pressure. Indonesian bonds outperformed with the one-year tenor declining by 65bps. The Indian bond market also saw firm interest.

Asian currency performance was also varied. Most Asian currencies strengthened against the euro whereas performance against the US dollar was mixed. Gains were led by the rupee and Taiwan dollar, while losses were highest for the Thai baht and Korean won.

## Indices Performance Table

|                          | WOW    | YTD    | WOW (US\$) | YTD (US\$) | 13/01/2012 |
|--------------------------|--------|--------|------------|------------|------------|
| Australia All Ords       | 2.18%  | 3.51%  | 2.75%      | 3.83%      | 4,255.40   |
| Hang Seng                | 3.29%  | 4.18%  | 3.27%      | 4.18%      | 19,204.42  |
| MSCI China (US\$)        | 4.75%  | 5.16%  | 4.75%      | 5.16%      | 55.55      |
| MSCI Zhong Hua (US\$)    | 3.93%  | 4.32%  | 3.93%      | 4.32%      | 297.98     |
| India NSE50              | 2.35%  | 5.23%  | 4.90%      | 8.62%      | 4,866.00   |
| Indonesia JCI            | 1.70%  | 2.97%  | 1.82%      | 3.62%      | 3,935.33   |
| Japan Topix              | 0.69%  | 0.82%  | 0.92%      | 0.97%      | 734.60     |
| Korea KOSPI              | 1.77%  | 2.74%  | 2.64%      | 3.23%      | 1,875.68   |
| FTSE Bursa Malaysia KLSE | 0.59%  | -0.50% | 0.79%      | 0.43%      | 1,523.07   |
| New Zealand 50           | -0.80% | -1.44% | 0.60%      | 0.07%      | 3,227.46   |
| Pakistan KSE100          | -1.00% | -2.94% | -0.62%     | -3.33%     | 11,014.46  |
| Philippines PCOMP        | 2.91%  | 5.53%  | 3.46%      | 5.39%      | 4,613.83   |
| Straits Times Index      | 2.80%  | 5.49%  | 2.77%      | 5.74%      | 2,791.54   |
| Taiwan TWSE              | 0.86%  | 1.55%  | 1.67%      | 2.53%      | 7,181.54   |
| Thailand SET             | 0.83%  | 1.90%  | 0.54%      | 1.20%      | 1,044.81   |

|   |        |        |        |        |           |
|---|--------|--------|--------|--------|-----------|
| Sri Lanka                                 | -0.02% | -2.39% | -0.04% | -2.34% | 5,929.34  |
| US DJ                                     | 0.50%  | 1.67%  | 0.50%  | 1.67%  | 12,422.06 |
| UK FTSE 100                               | -0.23% | 1.16%  | -1.04% | -0.24% | 5,636.64  |
| Nasdaq Composite                          | 1.36%  | 4.050% | 1.36%  | 4.050% | 2,710.67  |
| MSCI AC AP Free X Japan (US\$)            | 3.06%  | 3.94%  | 3.06%  | 3.94%  | 408.24    |
| MSCI AC Asia Pac X Japan Small Cap (US\$) | 2.97%  | 4.06%  | 2.97%  | 4.06%  | 822.96    |

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

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