

Asian Weekly



Overview

- Asian stockmarkets fell last week as the US Federal Reserve's move to maintain loose monetary policy, along with weak economic data from both the US and China, renewed fears of a double-dip recession.
- Preliminary data showed a moderation in Japan's second-quarter GDP, while a smaller-than-expected rise in core machinery orders in June suggested that companies are more cautious.
- In China, key economic indicators slowed further, including industrial output, fixed asset investment, retail sales, new loans and the money supply. Inflation accelerated as flooding disrupted food supplies. The surge in trade surplus is likely to pressure Beijing into letting the yuan to rise faster.
- India's industrial output decelerated in June as demand cooled and the base effect from a year ago faded. Separately, the central bank is mulling whether to issue banking licences to industrial groups, potentially reversing its policy of separating the lending and industrial sectors.
- Hong Kong took steps to cool the property market further. It imposed tighter lending rules, lowered the mortgage ceiling for high-end homes, and hiked cancellation fees.
- South Korean president Lee Myung Bak unexpectedly proposed a new tax to fund the future cost of unification with North Korea.

Corporate News

Australia: Both **Commonwealth Bank of Australia** and **Computershare** raised their full-year dividends after posting better profits. **National Australia Bank** expects the underlying business to continue to meet expectations in the third quarter.

China/Hong Kong: Our holdings reported positive earnings results. **Wing Hang Bank** gained from lower credit cost and improving asset mix. **Dah Sing Bank** and **Dah Sing Financial** benefited from better asset quality and loan growth. **Li & Fung** will buy logistics unit **Integrated Distribution Services (IDS)**, after posting solid interim operating earnings; IDS's only marginal rise in operating profits was due to increased losses in the US. Profits from property development underpinned **MTR's** interim income, while its rail operations generated good cash flow. **Yanlord's** results were lifted by steady growth in the gross floor area delivered.

India: In earnings news, **Bosch India's** solid interim sales and net earnings growth were boosted by recovering automotive sector demand. **Bharti Airtel's** results were mixed: despite better revenues, net profits were hurt by increased domestic competition and costs related to the acquisition of Zain's African assets. Separately, the mobile operator is buying Telecom Seychelles to expand into emerging markets. **ICICI Bank** received regulatory approval to buy Bank of Rajasthan; the acquisition will enhance its branch network in the northern and western parts of India.

Indonesia: **Ace Hardware's** net profits jumped sharply on the back of a strengthening rupiah, lower import duties, economies of scale and an improved product mix. **ITMG** reported a rise in top-line growth, but margins were hurt by higher costs. **Petra Foods' strong** second-quarter net profits were driven by its cocoa ingredients and branded consumer divisions.

Japan: First-quarter earnings news was mixed. Medical equipment maker **Sysmex** continued to do well on the back of robust demand for its haematology equipment. Sports equipment maker **Asics** overcame sluggish domestic demand with contributions from other developed economies. A substantial recovery in **Amada's** sales failed to translate into better profits, implying that the machinery company will need to generate higher levels of activity, or implement stricter cost controls. Elsewhere, regional lender **Bank of Yokohama** struggled with low loan demand, although net profits increased, mostly owing to lower non-performing loans. Watakyu Seimoa proposed to takeover its subsidiary, catering service provider **Nissin Healthcare Food Service**.

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Singapore: Corporate results from our holdings were largely upbeat. **UOB's** interim profits gained from resilient net interest income and lower provisions amid improving asset quality. **Hong Leong Finance** benefited from wider lending interest spreads and lower provisions. **City Developments'** healthy profits were boosted by a recovery across all its divisions; separately, the property developer set up a new subsidiary in China to get a foothold in the mainland. **Bukit Sembawang's** robust first-half results were driven by higher revenues. **F&N** reported decent quarterly results, thanks to the growth momentum in both its property, and food and beverage units. **SingTel's** first-quarter results were flat, with its Singapore and Australian operations compensating for its regional associates. **WBL's** net profit growth was boosted by the disposal of non-core assets.

Sri Lanka: South Asia Gateway Terminals, an associate of conglomerate **John Keells** which operates the port in Colombo, saw its third-highest ever monthly throughput in July.

Taiwan: **Taiwan Mobile's** July results met expectations, as higher mobile data usage, international roaming and cable broadband revenues outweighed increased promotions for smartphones. **TSMC's** net sales for July rose on continued demand for technology products.

Thailand: The government's upward revision of full-year export growth estimates for the electronics and auto sectors bode well for our holdings in **Hana Microelectronics**, **Goodyear (Thailand)** and **Thai Stanley Electric**. **Central Pattana** is on track to reopen its CentralWorld mall by end-September after extensive renovations and redevelopment; its next biggest branch in Ladprao is also slated for a multi-billion dollar makeover. In quarterly earnings news, **BEC World's** results exceeded expectations as advertising income outweighed higher costs. The improvement in **Eastern Water Resources'** net profits was attributed to better volume sales. A recovery in orders and margin expansion boosted **Hana Microelectronics'** bottom line. Investment gains contributed to the earnings of **Bangkok Insurance** and **Muang Thai Insurance**. **Sammakorn's** results were driven by better property sales. **Siam Makro** benefited from healthy growth in same-store-sales and new store openings. **Minor International**, however, was weighed down by lacklustre hotel business.

We hold all the above companies highlighted.

Asian Fixed Income

Regional bond markets continued to do well, with Hong Kong and Singapore outperforming. The Bank of Korea kept the policy rate on hold, but bond yields fell, especially at the short end of the curve. Philippine bonds also did well, whereas Indonesia came under selling pressure. The won, rupee and Singapore dollar led the sell-off in Asian currencies against the dollar, as volatility and risk aversion rose towards the weekend.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	13/08/2010
Australia All Ords	-2.30%	-8.23%	-4.21%	-8.37%	4,480.90
Hang Seng	-2.80%	-3.66%	-2.92%	-3.90%	21,071.57
MSCI China (US\$)	-3.10%	-4.67%	-3.10%	-4.67%	61.78
MSCI Zhong Hua (US\$)	-2.47%	-2.54%	-2.47%	-2.54%	323.44
India NSE50	0.24%	4.83%	-1.08%	4.29%	5,452.10
Indonesia JCI	-0.25%	20.46%	-0.67%	26.51%	3,053.01
Japan Topix	-3.48%	-8.41%	-4.54%	-1.85%	831.24
Korea KOSPI	-2.11%	3.77%	-4.65%	1.61%	1,746.24
FTSE Bursa Malaysia KLSE	-0.02%	6.86%	-0.73%	15.86%	1,360.15
New Zealand 50	-0.97%	-6.66%	-3.77%	-8.91%	3,015.13

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Pakistan KSE100	-4.77%	4.65%	-4.65%	3.13%	9,823.37
Philippines PCOMP	-1.33%	13.65%	-2.35%	15.68%	3,469.52
Straits Times Index	-1.84%	1.46%	-2.81%	4.71%	2,939.97
Taiwan TWSE	-0.90%	-3.62%	-1.51%	-3.49%	7,891.58
Thailand SET *	-1.48%	17.37%	-1.04%	22.90%	862.16
Sri Lanka	1.00%	51.11%	1.06%	53.86%	5,115.79
US DJ	-3.29%	-1.20%	-3.29%	-1.20%	10,303.15
UK FTSE 100	-1.07%	-2.54%	-3.32%	-5.85%	5,275.44
Nasdaq Composite	-5.02%	-4.22%	-5.02%	-4.22%	2,173.48
MSCI AC AP Free X Japan (US\$)	-2.90%	-2.36%	-2.90%	-2.36%	406.73
MSCI AC Asia Pac X Japan Small Cap (US\$)	-1.70%	0.44%	-1.70%	0.44%	887.53
Merrill Lynch Asian US Dollar Bond	0.68%	10.27%	0.68%	10.27%	296.59
JPM Singapore Govt Bonds	0.44%	5.66%	-0.55%	9.04%	158.82
* Prices as of 11/08/10					

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

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