

# Emerging Markets Weekly

## Weekly Commentary

16 January 2012

### Overview

- Emerging markets rose last week after successful bond auctions in Europe offered hopes the debt crisis was stabilising. Signs of a US economic recovery and speculation that China would ease monetary policy also bolstered sentiment.
- However, confidence was shaken towards the week's end after Standard & Poor's downgraded the sovereign credit ratings of nine European countries, including France.
- Inflation eased in several Eastern European and Asian countries. Poland left interest rates unchanged whereas Chile cut its benchmark rate unexpectedly for the first time in over two years as growth showed signs of slowing.
- Industrial production fell in Malaysia owing to Thai flood-related supply disruptions in motor vehicles and chemicals. Exports decelerated in Malaysia and declined sharply in the Philippines on a slowdown in external demand for commodities and technology products. Conversely, factory output rose in India driven by consumer goods.
- Fitch lowered South Africa's credit rating outlook to negative, citing concerns over faltering growth and deteriorating public finances.
- India lifted restrictions to give foreign retailers full ownership of single-brand stores. Hungary restarted bailout talks with the IMF and EU after negotiations were suspended on worries that new rules would hurt central bank independence.
- Ma Ying-Jeou's re-election as Taiwan's president is expected to 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 later this year. Widespread protests in Nigeria against the removal of fuel subsidies and a hike in petrol prices threatened to paralyse essential services.

### Corporate News

**Brazil:** Petrobras' oil and gas reserves rose 3% to 16.4 billion barrels in 2011; it also discovered more oil in the Campos and Potiguar Basins although they are not yet commercially viable. Vale declared force majeure as heavy rains prevented it from delivering two million tons of iron ore; it is now in talks with affected customers.

**India:** HDFC's net profits for the 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 revenue and net profit growth 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.

**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.

**Mexico:** **Banorte** introduced a new service allowing customers to make payments via mobile phones that is expected to increase the penetration of banking services.

**Russia:** **Lukoil** started production in its second gas project in Uzbekistan.

**South Africa:** Retailer **Massmart** reported a 15% rise in second-half revenue led by price cuts and promotions. **SABMiller** will take over the operational management of its

Nigerian joint venture with French group Castel, which brings it closer to the possible acquisition of Castel's African business; separately, the brewer raised US\$7 billion via a bond sale.

**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.

**Turkey:** **Garanti** expects a 14% loan-book expansion in 2012 driven by lira-denominated loans, with non-performing loans likely to remain below 2% despite last year's robust growth.

We hold all the above companies highlighted.

## Indices Performance Table

REGION/COUNTRY	INDEX/FUND	US DOLLARS		LOCAL CURRENCY	
		WOW	YTD	WOW	YTD
<b>REGIONAL/FUNDS/DEVELOPED MARKETS</b>					
Emerging Markets	MSCI Emerging Markets	2.79%	3.99%	1.76%	2.86%
	MSCI Emerging Markets Small Cap	2.59%	3.55%	1.72%	2.77%
US	Dow Jones	0.50%	1.67%	0.50%	1.67%
US	NASDAQ Composite	1.36%	4.05%	1.36%	4.05%
UK	FTSE Allshare	-0.71%	0.07%	0.10%	1.47%
Europe	FT Europe ex UK	0.87%	-0.76%	1.17%	1.56%
World	MSCI AC World Free	1.04%	1.87%	1.00%	2.25%
World	Citigroup World Government Bond*	0.62%	-0.57%	0.62%	-0.57%
<b>EMERGING MARKETS ASIA</b>					
EM Asia	MSCI Emerging Markets Asia	3.31%	4.07%	2.56%	3.43%
	MSCI Emerging Markets Asia Small Cap	2.73%	3.69%	1.96%	3.02%
China	MSCI China	4.75%	5.16%	4.79%	5.18%
Hong Kong	MSCI Hong Kong	2.13%	2.49%	2.18%	2.52%
India	MSCI India	4.71%	8.38%	2.35%	5.18%
Indonesia	MSCI Indonesia	1.49%	2.72%	1.32%	2.86%
Korea	MSCI Korea	2.99%	2.94%	1.69%	2.60%
Malaysia	MSCI Malaysia	1.23%	1.31%	0.81%	0.18%
Pakistan	MSCI Pakistan	0.75%	0.03%	0.29%	0.38%
Philippines	MSCI Philippines	3.90%	5.80%	2.98%	5.56%
Sri Lanka	MSCI Sri Lanka	-1.39%	-2.67%	-1.42%	-2.67%
Taiwan	MSCI Taiwan	2.21%	3.28%	1.36%	2.27%
Thailand	MSCI Thailand	0.45%	0.04%	1.02%	0.85%

<b>EMERGING MARKETS EUROPE MIDDLE EAST AFRICA</b>					
EMEA	MSCI EMEA	1.09%	2.21%	0.92%	2.57%
	MSCI EMEA Small Cap	1.60%	1.43%	1.41%	2.07%
Czech Republic	MSCI Czech Republic	-0.30%	-5.92%	-1.21%	-3.29%
Egypt	MSCI Egypt	4.22%	4.34%	4.24%	4.45%
Hungary	MSCI Hungary	9.99%	1.76%	8.41%	2.99%
Morocco	MSCI Morocco	-0.72%	0.24%	-0.58%	2.13%
Poland	MSCI Poland	1.64%	-0.84%	0.52%	0.74%
Russia	MSCI Russia	1.88%	5.62%	1.76%	5.04%
South Africa	MSCI South Africa	-0.44%	0.25%	-0.32%	1.28%
Turkey	MSCI Turkey	4.08%	2.64%	3.13%	1.14%
<b>MIDDLE EAST</b>					
Bahrain	Bahrain All Share Index	-0.28%	-0.80%	-0.28%	-0.80%
Kuwait	Kuwait Stock Exchange Index	0.52%	-1.10%	0.73%	-0.84%
	MSCI Kuwait	0.58%	-1.70%	0.76%	-1.33%
Oman	Muscat Securities Market Index	-1.67%	-0.91%	-1.67%	-0.90%
	MSCI Oman	-1.72%	-1.77%	-1.72%	-1.77%
Qatar	Doha Securities Market Index	-2.17%	-1.61%	-2.16%	-1.60%
	MSCI Qatar	-2.53%	-1.90%	-2.52%	-1.90%
Saudi	Tadawul All Share Index	0.38%	1.16%	0.38%	1.16%
UAE - Abu Dhabi	Abu Dhabi Securities Market	-1.77%	-2.42%	-1.77%	-2.42%
UAE - Dubai	Dubai Financial Market General Index	-1.54%	-2.88%	-1.54%	-2.88%
	MSCI UAE	-1.95%	-3.06%	-1.95%	-3.06%
Israel	MSCI Israel	0.99%	6.90%	0.96%	7.66%
Jordan	MSCI Jordan	-3.94%	-7.22%	-3.94%	-7.25%
MSCI GCC ex SA	MSCI GCC ex Saudi Arabia	-0.72%	-1.94%	-0.63%	-1.74%
<b>LATIN AMERICA</b>					
Latin America	MSCI Latin America	2.79%	5.15%	0.40%	1.66%
	MSCI Latin America Small Cap	2.86%	5.41%	0.58%	2.02%
Argentina	MSCI Argentina	0.85%	11.76%	0.85%	11.76%
Brazil	MSCI Brazil	3.89%	6.85%	0.80%	2.91%
Chile	MSCI Chile	1.40%	3.37%	-0.23%	0.17%
Colombia	MSCI Colombia	1.30%	5.55%	-1.00%	0.35%
Mexico	MSCI Mexico	-0.09%	0.52%	-0.89%	-1.81%
Peru	MSCI Peru	3.86%	3.93%	3.86%	3.92%
<b>FRONTIER MARKETS</b>					
FM (FRONTIER MARKETS)	MSCI Frontier Markets	-0.87%	-1.18%	-0.75%	-0.76%
Botswana	MSCI Botswana	-0.62%	-1.36%	-0.32%	-0.32%
Bulgaria	MSCI Bulgaria	-0.76%	-5.61%	-0.40%	-3.27%
Croatia	MSCI Croatia	-1.14%	-3.15%	-0.59%	-0.36%
Estonia	MSCI Estonia	0.26%	2.46%	0.64%	5.00%
Ghana	MSCI Ghana	-2.85%	-3.24%	0.10%	0.87%
Jamaica	MSCI Jamaica	-5.41%	-7.35%	-5.30%	-7.13%
Kazakhstan	MSCI Kazakhstan	2.03%	2.43%	2.03%	2.43%
Kenya	MSCI Kenya	0.45%	-0.83%	0.74%	1.68%
Lebanon	MSCI Lebanon	-1.38%	-0.99%	-1.38%	-0.99%
Lithuania	MSCI Lithuania	0.86%	-0.47%	1.24%	2.00%
Mauritius	MSCI Mauritius	-1.18%	-1.79%	-1.18%	-0.95%
Nigeria	MSCI Nigeria	-0.31%	-1.08%	-0.36%	-1.28%

Romania	MSCI Romania	0.00%	-1.38%	-0.03%	1.36%
Serbia	MSCI Serbia	-1.89%	-4.07%	-1.52%	-2.84%
Slovenia	MSCI Slovenia	-2.06%	-9.62%	-1.69%	-7.38%
Tunisia	MSCI Tunisia	-0.87%	-1.79%	-0.27%	0.54%
Ukraine	MSCI Ukraine	-5.94%	-5.65%	-6.10%	-5.53%

\* Local Currency of Citigroup WGB Index in USD

Source: Bloomberg, 13 Jan 12

#### 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](http://www.aberdeen-asia.com)

#### Important information

The above is strictly for information purposes only and should not be considered an offer, or solicitation, to deal in any of the mentioned funds. Any research or analysis used to derive, or in relation to, the above information has been procured by Aberdeen Asset Management Asia Limited ("Aberdeen Asia") for its own use, without taking into account the investment objectives, financial situation or particular needs of any specific investor, and may have been acted on for Aberdeen Asia's own purpose.

Aberdeen Asia does not warrant the accuracy, adequacy or completeness of the information herein and expressly disclaims liability for any errors or omissions. The information is given on a general basis without obligation and on the understanding that any person acting upon or in reliance on it, does so entirely at his or her own risk. Any projections or other forward-looking statements regarding future events or performance of countries, markets or companies are not necessarily indicative of, and may differ from, actual events or results. Aberdeen Asia reserves the right to make changes and corrections to the information, including any opinions or forecasts expressed herein at any time, without notice.

**Aberdeen Asset Management Asia Limited, Registration Number 199105448E**

