

# Emerging Markets Weekly



## Overview

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- **Emerging markets 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.**
- **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.**
- **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.**
- **Second-quarter GDP expanded in the Czech Republic at its fastest pace, as the export-oriented manufacturing industry benefited from increasing demand in Western Europe.**
- **Brazil saw retail sales rise 11.5% year-on-year in the first half of 2010. Manufacturing output grew in Mexico, South Africa and Turkey, but decelerated in India in June. Separately, India's central bank is mulling whether to issue banking licences to industrial groups, potentially reversing its policy of separating the lending and industrial sectors.**
- **Chilean consumer prices rose in July. The central bank raised interest rates from 1.5% to 2%.**
- **South Korean president Lee Myung Bak unexpectedly proposed a new tax to fund the future cost of unification with North Korea.**

## Corporate News

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**Brazil: Banco Bradesco** and Banco do Brasil will partner Banco Espirito Santo Africa (BES) to consolidate and develop BES' operations in Africa. **Multiplan** reported solid growth in rental and parking revenues. **Ultrapar** saw volume growth across all segments. **Petrobras** and regulator ANP disputed the price per barrel from the reserves to be given to Petrobras. ANP also suspended operations at an offshore platform operated by Petrobras due to safety concerns raised by the labour union. Separately, Petrobras plans to set up a company to explore pre-salt oil fields in 2011.

**China/Hong Kong:** Our holdings reported positive earnings results. **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 operating profits grew only marginally as a result of increased losses in the US. **Yanlord's** results were lifted by steady growth in the gross floor area delivered.

**India:** In earnings news, **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: Petra Foods'** strong second-quarter net profits were driven by its cocoa ingredients and branded consumer divisions.

**Israel: Teva Pharmaceutical** completed the acquisition of Ratiopharm, making it the top generic drug-maker in Europe.

**Mexico:** Macquarie Airports's subsidiary JMEX divested its 16% stake in **Asur**.

**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.

## Emerging Markets Weekly

**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**, and **Thai Stanley Electric**. A recovery in orders and margin expansion boosted **Hana Microelectronics'** bottom line. **Siam Makro** benefited from healthy growth in same-store-sales and new store openings. **Minor International**, however, was weighed down by lacklustre hotel business.

**Turkey:** **Akbank** engaged several lenders to raise €1 billion via a syndicated loan.

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	-3.01%	-0.91%	-2.08%	-0.72%
	MSCI Emerging Markets Small Cap	-1.28%	4.28%	-0.37%	4.39%
US	Dow Jones	-3.29%	-1.20%	-3.29%	-1.20%
US	NASDAQ Composite	-5.02%	-4.22%	-5.02%	-4.22%
UK	FTSE Allshare	-3.58%	-4.93%	-1.33%	-1.59%
Europe	FT Europe ex UK	-5.97%	-12.98%	-2.38%	-4.29%
World	MSCI AC World Free	-4.07%	-4.96%	-2.88%	-3.86%
World	Citigroup World Government Bond*	-1.56%	2.87%	-1.56%	2.87%
<b>EMERGING MARKETS ASIA</b>					
EM Asia	MSCI Emerging Markets Asia	-2.61%	-0.38%	-1.83%	-0.52%
	MSCI Emerging Markets Asia Small Cap	-0.86%	3.12%	-0.08%	2.93%
China	MSCI China	-3.10%	-4.67%	-2.98%	-4.45%
Hong Kong	MSCI Hong Kong	-0.91%	2.91%	-0.79%	3.15%
India	MSCI India	-1.31%	2.85%	0.00%	3.36%
Indonesia	MSCI Indonesia	-0.94%	16.80%	-0.50%	11.61%
Korea	MSCI Korea	-4.01%	0.92%	-2.20%	2.59%
Malaysia	MSCI Malaysia	-0.81%	14.18%	-0.13%	5.66%
Pakistan	MSCI Pakistan	-5.04%	0.66%	-5.17%	2.19%
Philippines	MSCI Philippines	-2.53%	10.68%	-1.66%	8.45%
Sri Lanka	MSCI Sri Lanka	-0.65%	37.09%	-0.65%	34.63%
Taiwan	MSCI Taiwan	-1.90%	-5.65%	-1.40%	-5.90%
Thailand	MSCI Thailand	-1.83%	16.82%	-2.22%	11.89%
<b>EMERGING MARKETS EUROPE MIDDLE EAST AFRICA</b>					
EMEA	MSCI EMEA	-4.36%	-0.39%	-2.45%	0.64%
	MSCI EMEA Small Cap	-2.97%	6.48%	-1.14%	7.53%
Czech Republic	MSCI Czech Republic	-5.62%	-6.15%	-1.48%	-0.61%
Egypt	MSCI Egypt	-1.47%	0.33%	-1.08%	3.96%
Hungary	MSCI Hungary	-8.36%	-14.21%	-4.08%	0.37%
Morocco	MSCI Morocco	-5.51%	0.25%	-2.52%	10.28%
Poland	MSCI Poland	-8.21%	-7.00%	-3.82%	2.25%
Russia	MSCI Russia	-4.80%	-3.42%	-2.76%	-2.65%
South Africa	MSCI South Africa	-3.03%	2.44%	-1.90%	1.84%
Turkey	MSCI Turkey	-4.23%	8.61%	-2.61%	9.93%
<b>MIDDLE EAST</b>					
Bahrain	Bahrain All Share Index	0.48%	-3.55%	0.48%	-3.55%
Kuwait	Kuwait Stock Exchange Index	-0.70%	-5.28%	-0.06%	-4.95%
	MSCI Kuwait	1.07%	10.43%	1.69%	10.82%
Oman	Muscat Securities Market Index	-0.79%	-1.07%	-0.79%	-1.05%
	MSCI Oman	-0.60%	3.16%	-0.60%	3.18%
Qatar	Doha Securities Market Index	-1.28%	0.93%	-1.27%	0.88%
	MSCI Qatar	-1.30%	2.47%	-1.29%	2.42%
Saudi	Tadawul All Share Index	-2.39%	0.85%	-2.39%	0.83%

## Emerging Markets Weekly

UAE - Abu Dhabi	Abu Dhabi Securities Market	-1.67%	-9.41%	-1.67%	-9.41%
UAE - Dubai	Dubai Financial Market General Index	-1.88%	-18.75%	-1.88%	-18.75%
	MSCI UAE	-2.05%	-15.49%	-2.05%	-15.49%
Israel	MSCI Israel	-0.57%	-10.84%	0.45%	-10.57%
Jordan	MSCI Jordan	-0.89%	-18.37%	-0.86%	-18.28%
MSCI GCC	MSCI GCC	-1.36%	1.89%	-1.22%	1.97%
MSCI GCC ex SA	MSCI GCC ex Saudi Arabia	-0.05%	2.29%	0.29%	2.48%
<b>LATIN AMERICA</b>					
Latin America	MSCI Latin America	-2.93%	-2.97%	-2.42%	-2.59%
	MSCI Latin America Small Cap	-1.55%	6.51%	-1.14%	6.88%
Argentina	MSCI Argentina	-0.36%	19.79%	-0.36%	19.79%
Brazil	MSCI Brazil	-3.52%	-7.65%	-2.85%	-6.18%
Chile	MSCI Chile	0.69%	18.15%	-0.05%	19.15%
Colombia	MSCI Colombia	-1.57%	28.54%	-0.47%	15.53%
Mexico	MSCI Mexico	-2.75%	1.98%	-2.39%	-0.64%
Peru	MSCI Peru	-0.30%	8.42%	-0.30%	8.42%
<b>FRONTIER MARKETS</b>					
	MSCI Frontier Markets	-1.48%	2.19%	-0.92%	3.64%
Botswana	MSCI Botswana	-2.78%	-1.36%	-1.59%	1.10%
Bulgaria	MSCI Bulgaria	-0.98%	-13.48%	3.14%	-2.72%
Croatia	MSCI Croatia	-4.45%	-14.15%	-0.37%	-4.32%
Estonia	MSCI Estonia	-4.55%	29.21%	-0.58%	45.27%
Ghana	MSCI Ghana	-1.02%	25.87%	-0.71%	26.05%
Jamaica	MSCI Jamaica	-2.46%	20.81%	-2.66%	16.12%
Kazakhstan	MSCI Kazakhstan	-3.80%	-21.63%	-3.80%	-21.63%
Kenya	MSCI Kenya	-4.40%	21.22%	-3.26%	28.33%
Lebanon	MSCI Lebanon	-1.19%	-10.43%	-1.19%	-10.43%
Lithuania	MSCI Lithuania	-4.45%	-0.74%	-0.48%	11.59%
Mauritius	MSCI Mauritius	-2.85%	-4.81%	-1.22%	-4.81%
Nigeria	MSCI Nigeria	-5.48%	16.71%	-5.34%	17.41%
Romania	MSCI Romania	-4.13%	-6.26%	-0.37%	5.41%
Serbia	MSCI Serbia	-4.30%	-9.45%	-1.32%	11.08%
Slovenia	MSCI Slovenia	-6.04%	-18.02%	-2.14%	-7.82%
Tunisia	MSCI Tunisia	-1.54%	7.82%	0.85%	20.23%
Ukraine	MSCI Ukraine	-3.85%	23.51%	-3.84%	21.67%

\*Local Currency of Citigroup WGB Index in USD  
Source: Bloomberg, 13/08/2010

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## Emerging Markets Weekly

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