

# Asian Weekly

## Weekly Commentary

20 February 2012

### Overview

- Asian stockmarkets rose last week as China pledged to continue buying Eurozone debt and Japan expanded its domestic bond purchases. Improving US data further supported sentiment.
- The Bank of Japan increased its bond-buying programme by ¥10 trillion to boost the economy. Domestic GDP growth shrank in the fourth quarter as Thai floods disrupted supply chains, while exports were hampered by the yen's strength and weak overseas demand.
- China cut banks' reserve requirement ratio by 0.5 percentage points, the second time in three months.
- Resilient domestic consumption and investment underpinned Malaysia's fourth-quarter GDP growth, whereas Thailand's economy contracted because of the floods. Singapore maintained its 2012 GDP growth forecast at 1-3%, although the pace of expansion had slowed in the fourth quarter.
- India's inflation eased in January as food prices fell. Separately, the government outlined a new telecoms policy aimed at simplifying licencing rules, encourage M&As and improve transparency.
- Singapore's Budget increased aid for lower income households in a bid to fix the widening income gap and tightened measures to stem the inflow of imported labour.
- Australian business confidence rose in January on the back of recent interest rate cuts.

### Corporate News

**Australia:** **Westfield Group** partnered Canada's Pension Plan and Investment Board in a US\$4.8 billion joint venture; separately, it sold stakes in three shopping centres in the UK at a premium, which lifted its full-year results and may buy back up to 10% of its stock. **BHP Billiton** and **Rio Tinto** will invest over US\$4 billion in Chile's Escondida mine to expand output, signalling their optimism in long-term copper demand. BHP will also resume operations at its idled Pinto Valley mine in the US soon. **SingTel's** Australian subsidiary, Optus, is acquiring Vividwireless Group for A\$230 million, significantly increasing its network capacity to address the next wave of broadband growth.

**India:** **Castrol India** and **Nestle India** delivered resilient results, despite facing inflationary pressures. **GlaxoSmithKline Pharmaceuticals'** consolidated sales and net earnings were driven by new products and tight cost controls. Although **Tata Power's** earnings improved from a year ago, the start-up of its Mundra power plant weighed on profits.

**Japan:** **Asahi Intecc** lowered its full-year guidance as Thai floods affected one of its main plants. The guidewire specialist, however, expects production to normalise in April; it also intends to buy back ¥500 million-worth of shares to improve shareholder return.

**Korea:** Higher net interest income and lower provisions boosted **BS Financial's** full-year profits.

**Malaysia:** **CIMB Group** should benefit from Bank Indonesia's policy reversal in limiting foreign ownership of local banks; it will not have to cut its holding in CIMB Niaga, which could lower contributions to the group. Separately, CIMB Group completed the acquisition of a 70% stake in Thai broker Sicco Securities, bringing its stake to 82%. It also sold a 60% interest in its private equity arm, CapAsia, to US-based private asset management firm Rohatyn Group. In full-year earnings news, **BAT Malaysia** declared a final dividend of M\$0.66 a share, although higher taxes and lower margins eroded profits; similarly, **Tasek** announced a final and special dividend amounting to M\$0.60 a share after posting solid results.

**Singapore:** In quarterly results, **SingTel** was hurt by weaker margins in the domestic market and lower contribution from its regional associates. Although **WBL's** property division saw higher sales in China, its technology business was weak and its auto unit's profits were pared by investments abroad.

**ComfortDelgro** reported steady profits as its local and

Australian taxi operations compensated for weakness in its bus division. **FJ Benjamin** saw healthy sales in its fashion and watch segments, but operating profits fell because of investments in in-house brand Raoul.

**Thailand:** State-owned financial institutions, which are currently exempt from paying a surcharge on deposits, will have to pay a levy of 0.47% from July. This is positive as it creates a more level playing field between both state-run and commercial lenders. In earnings news, **BEC World's** improved full-year profits met expectations, while **Big C Supercenter's** healthy results were aided by its acquisition of Carrefour's local business. Increased condominium sales underpinned **LPN Development's** earnings. Conversely, **Thai Stanley Electric** and **Sammakorn** both suffered losses because of the floods. **Ratchaburi Electricity's** disappointing fourth-quarter results was due to lower affiliate contributions and higher expenses in Australia.

We hold all the above companies highlighted.

## Asian Fixed Income

Asian bonds were lacklustre last week. Moody's downgrade of six European countries caused a flight to quality initially, but Asian bonds staged a recovery on the back of positive newsflow. Local currency bond yields rose as improving sentiment lifted equity markets. The Philippines was the exception, with long-end bond yields falling because of weaker-than-expected December export data.

Asian currency markets strengthened against the dollar but were mixed against the euro. Growing risk appetite underpinned the rupee, which appreciated against the dollar and the euro, whereas the peso lagged.

## Indices Performance Table

Index	WOW	YTD	WOW (US\$)	YTD (US\$)	17/02/2012
Australia All Ords	-1.14%	3.95%	-0.84%	8.56%	4,273.26
Hang Seng	3.41%	16.58%	3.41%	16.77%	21,491.62
MSCI China (US\$)	2.59%	16.60%	2.59%	16.60%	61.60
MSCI Zhong Hua (US\$)	3.06%	16.61%	3.06%	16.61%	333.09
India NSE50	3.39%	20.33%	3.73%	29.48%	5,564.30
Indonesia JCI	1.64%	4.04%	1.92%	5.35%	3,976.54
Japan Topix	4.03%	11.23%	1.64%	7.82%	810.45
Russell Nomura Small Cap Index #	2.05%	8.28%	0.26%	6.22%	325.24
Korea KOSPI	1.49%	10.83%	1.33%	13.80%	2,023.47
FTSE Bursa Malaysia KLCI	-0.29%	1.73%	-0.29%	6.10%	1,557.15
New Zealand 50	-1.77%	0.44%	-1.08%	7.35%	3,289.00
Pakistan KSE100	2.16%	10.12%	2.03%	9.04%	12,495.68
Philippines PCOMP	2.03%	11.64%	1.80%	14.97%	4,880.71
FTSE Straits Times Index	1.37%	13.39%	1.32%	16.71%	3,000.59

Taiwan TWSE	0.41%	11.63%	0.46%	14.35%	7,894.36
Thailand SET	1.53%	10.20%	1.66%	12.96%	1,129.93
Sri Lanka	-0.60%	-12.99%	-3.26%	-16.26%	5,285.17
US DJ	1.16%	5.99%	1.16%	5.99%	12,949.87
UK FTSE 100	0.90%	5.97%	1.47%	8.19%	5,905.07
Nasdaq Composite	1.65%	13.306%	1.65%	13.306%	2,951.78
MSCI AC AP X Japan (US\$)	1.38%	13.51%	1.38%	13.51%	445.85
MSCI AC Asia Pac X Japan Small Cap (US\$)	0.50%	16.42%	0.50%	16.42%	920.73

# based on Total Return

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

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