

Asian Weekly



Overview

- Asian stockmarkets fell last week on renewed concerns that global recovery may stall, particularly after the Federal Reserve's unexpected decision to raise its discount rate.
- In comparison, Japan's central bank kept interest rates unchanged and refrained from expanding its lending and asset-purchase programmes, despite pressure to combat deflation. Sri Lanka also held rates steady. Meanwhile, India's wholesale-price inflation accelerated in January.
- Japan's economy grew a better-than-expected 1.1% in the fourth quarter from the previous three months, bolstered partly by improving domestic demand. Singapore raised its 2010 growth forecast to 6.5%, after GDP shrank 2% last year.
- Foreign direct investment in China climbed in January from a year earlier, while exports in Singapore and Thailand rose strongly. In Australia, fourth-quarter business confidence was more upbeat than the previous quarter.
- Chinese authorities reminded local banks yet again to lend prudently, while Singapore unveiled new rules to stabilise the property market. Korea's financial regulator told local banks to refund up to US\$11 million in wrongly charged fees.

Corporate News

Australia: Earnings were mixed: **Westpac Bank's** first-quarter profits grew on new loans and lower defaults; **Westfield's** full-year operational earnings improved as its overseas businesses stabilised; **ASX Limited's** first-half profits beat estimates; **National Australia Bank's** results were flat; whereas **Billabong International** suffered from tough trading conditions.

India: **Bharti Airtel** is in talks with Zain to buy most of the Kuwaiti telco's assets in Africa. **Tata Power** and Korea East West Power will jointly operate power generation assets in Asia and Africa. In full-year results, both **GlaxoSmithKline** and **Castrol India** posted higher sales and profits.

Indonesia: Robust net interest income and effective cost control boosted **Bank OCBC NISP's** full-year profits, while higher cement demand aided **Holcim Indonesia**. Meanwhile, **United Tractors'** construction machinery sales rose sharply in January.

Japan: **Sekisui House** plans to buy a 75% stake in Joint Capital Partners, signalling its entry into the REIT sector. To cut costs for customers, Fujitsu and **Canon** will jointly provide IT services by bundling equipment with software. **Honda Motor** expects to post record profits in China, where its mid-sized cars are faring well, whereas **Toyota Motor** will halt production at three overseas plants because of weaker sales stemming from its widespread recalls.

Korea: **Samsung Electronics** continues to grow its domestic TV market share as it rides on the success of its flat-panel products.

Malaysia: **Digi.Com** will spend at least M\$350 million to expand its mobile broadband coverage. **CIMB Group** will acquire an additional 32% stake in Touch N' Go, which owns the smart card electronic payment system used by domestic toll operators.

Philippines: **Ayala Land's** full-year net income deteriorated on the back of weaker property sales, but **Jollibee Foods'** results were positive as margins improved on lower raw material costs.

Singapore: Earnings news was generally positive: **Oversea-Chinese Banking Corp's** full-year profit growth was underpinned by a recovery in insurance and trading income; **WBL Corp's** first-quarter profits improved partly because of the gain from selling a Malaysian property; while **ST Engineering's** aerospace, electronics and land systems businesses lifted fourth-quarter earnings. As for **Bukit Sembawang**, revenue from its properties launched last year has yet to be realised.

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Thailand: Central Pattana will spend 8.9 billion baht on new projects this year. Full-year results were mostly encouraging: **Eastern Water** was boosted by healthy sales; profits at **Electricity Generating's** joint ventures made up for lower electricity sales; **LPN Development** did well, despite high promotional expenses; strong sales and lower interest payment helped **Sammakorn**; and **Advanced Information Services** declared a 5-baht special dividend even though earnings fell.

We hold all the above companies highlighted.

Asian Fixed Income

It was a relatively quiet week for Asian credit markets. The Fed's decision to raise its discount rate strengthened US treasury yields and the US dollar, which in turn marginally lifted Hong Kong and Singapore government bond yields. In currency markets, the yen weakened against the US dollar.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	19/02/2010
Australia All Ords	1.47%	-4.64%	2.72%	-4.72%	4,656.28
Hang Seng	-1.85%	-9.05%	-1.80%	-9.20%	19,894.02
MSCI China (US\$)	-2.14%	-9.53%	-2.14%	-9.53%	58.63
MSCI Zhong Hua (US\$)	-2.03%	-8.54%	-2.03%	-8.54%	303.52
India NSE50	0.37%	-6.85%	0.62%	-6.40%	4,844.90
Indonesia JCI	0.80%	0.79%	0.85%	1.80%	2,554.38
Japan Topix	-0.35%	-2.04%	-2.44%	-1.51%	889.08
Korea KOSPI	0.02%	-5.28%	0.46%	-4.42%	1,593.90
FTSE Bursa Malaysia KLSE	0.34%	-1.19%	1.09%	-0.22%	1,257.67
New Zealand 50	0.86%	-3.81%	1.15%	-7.62%	3,107.09
Pakistan KSE100	0.85%	5.43%	0.68%	4.90%	9,896.43
Philippines PCOMP	0.98%	-2.43%	1.40%	-2.56%	2,978.53
Straits Times Index	-0.06%	-4.85%	-0.08%	-5.36%	2,757.14
Taiwan TWSE #	0.00%	-9.11%	0.00%	-9.34%	7,441.84
Thailand SET	0.35%	-4.64%	0.27%	-4.17%	700.44
Sri Lanka	1.59%	11.32%	1.87%	11.29%	3,768.81
US DJ	3.00%	-0.25%	3.00%	-0.25%	10,402.35
UK FTSE 100	4.19%	-1.01%	2.77%	-5.26%	5,358.17
Nasdaq Composite	2.76%	-1.11%	2.76%	-1.11%	2,243.87
MSCI AC AP Free X Japan (US\$)	0.34%	-6.50%	0.34%	-6.50%	389.46
MSCI AC Asia Pac X Japan Small Cap (US\$)	-0.18%	-6.23%	-0.18%	-6.23%	828.58
Merrill Lynch Asian US Dollar Bond	-0.12%	0.69%	-0.12%	0.69%	270.83
JPM Singapore Govt Bonds	-0.24%	0.24%	-0.25%	-0.30%	150.68

Source: Aberdeen Asset Management Asia Limited, Bloomberg, Reuters, IRESS. Figures as of 19/02/10

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