

Asian Weekly



Overview

- Asian stocks rose last week on the back of upbeat earnings news, though gains were pared by concerns of faltering global growth reflected by weak economic data in Japan and the US.
- China overtook Japan as the world's second largest economy in the second quarter. Japanese policymakers may consider fresh measures to boost growth and address the yen's strength.
- Taiwan's economy grew faster than expected in the second quarter, while Thailand and Malaysia's GDP also expanded strongly. In contrast, export growth slowed in India, Singapore and Thailand in July.
- Inflation eased in India last month as prices for manufactured products cooled. In Sri Lanka, the central bank lowered its reverse repurchase rate amid benign price increases.
- China will encourage the use of the renminbi by allowing foreign lenders to invest further in the domestic interbank bond market. Separately, Shanghai will set up a second over-the-counter market for listing start-ups. Taiwan approved a landmark economic pact with China.
- The Australian election ended in a hung parliament. Both the ruling Labor Party and opposition Liberal-National coalition failed to win enough seats to form a majority government.

Corporate News

Australia: **BHP Billiton** launched a hostile takeover to buy Canada's Potash Corp after its offer at US\$130 a share was rejected. **QBE Insurance** posted weaker first-half profits, in line with the numbers it flagged last month. Still, recent acquisitions are expected to help lift its second-half margins.

China/Hong Kong: First-half results were positive. **China Mobile's** earnings were decent as it kept operating expenses well contained despite heavy competition. Higher net income, robust fee growth and lower provisions aided **China Merchants Bank**. **CLP Holdings** was boosted by one-off gains on asset disposal and tax benefits. Higher output and product prices bolstered **CNOOC**, while **Asia Satellite** was lifted by continued core business growth.

Indonesia: **Indosat's** first-half earnings were driven by growth in its cellular business, which offset weakness in its non-cellular division.

Japan: First-quarter earnings were mostly encouraging. **Unicharm** was aided by its core personal care business. **Optex** benefited from improved corporate spending and better demand in Europe and Asia. As for **Ricoh**, rising sales in emerging markets were overshadowed by unfavourable currency fluctuations and still cautious sentiment in developed markets.

Malaysia: **Hong Leong Bank's** full-year profits were boosted by loan growth, lower bad debt and contributions from the Bank of Chengdu. Higher print revenue during the World Cup lifted **Star Publications'** first-half net profits. Strong export sales and a larger product range benefited **Panasonic Manufacturing's** quarterly performance. Meanwhile, **SP Setia's** new property sales rose in the year to-date, despite fewer deals in July.

Philippines: **Ginebra San Miguel** delivered positive first-half results, helped by better domestic demand and prices. **Asian Terminals** saw profits rebound on the back of tariff hikes and a recovery in trade at the Port of Manila.

Singapore: **Wheelock Properties** reported robust quarterly profits on the back of higher property revenue. **ComfortDelgro** posted decent earnings growth across its various businesses, while **SBS Transit** was supported by good rail sector contribution.

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Sri Lanka: **Aitken Spence** announced a share split of 15 shares for every existing share. Subsequent demand drove up its share price, while hopes of further stock splits lifted the local bourse.

Thailand: In corporate results, **Amarin Printing**, **Goodyear (Thailand)** and **Haad Thip** all posted better sales and margins, while **Regional Container Lines'** losses narrowed. **Big C Supercenter's** earnings increased, but **Bumrungrad Hospital's** profits were hurt by lacklustre patient revenue and losses from the sale of an affiliate. **Central Pattana's** weak earnings were in line with expectations, following the closure of its flagship mall Central World, damaged in May's anti-government riots. Nevertheless, it is expanding its domestic presence by developing a new mall in Surat Thani.

We hold all the above companies highlighted.

Asian Fixed Income

Heightened risk aversion weighed on regional bond yields. Indonesian bonds outperformed at the short end, while good investment flow drove performance at the long end in Korea. However, inflation risks pressured Indian bonds, while profit-taking depressed those in the Philippines.

Regional currencies remained resilient against the US dollar, led by the baht and ringgit. The latter strengthened after the Malaysian central bank relaxed rules on foreign exchange transactions by allowing the use of the ringgit to settle offshore trades.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	20/08/2010
Australia All Ords	-0.42%	-8.61%	-1.13%	-9.40%	4,462.10
Hang Seng	-0.43%	-4.07%	-0.47%	-4.35%	20,981.82
MSCI China (US\$)	0.66%	-4.05%	0.66%	-4.05%	62.19
MSCI Zhong Hua (US\$)	0.17%	-2.38%	0.17%	-2.38%	323.98
India NSE50	1.44%	6.34%	1.65%	6.01%	5,530.65
Indonesia JCI	2.12%	23.02%	2.06%	29.12%	3,117.72
Japan Topix	-0.20%	-8.59%	0.41%	-1.45%	829.59
Korea KOSPI	1.68%	5.51%	2.15%	3.79%	1,775.54
FTSE Bursa Malaysia KLSE	2.56%	9.60%	3.58%	20.00%	1,395.02
New Zealand 50	-0.49%	-7.11%	-0.91%	-9.74%	3,000.40
Pakistan KSE100	0.38%	5.04%	0.32%	3.46%	9,860.35
Philippines PCOMP	3.58%	17.72%	4.08%	20.40%	3,593.60
Straits Times Index	-0.12%	1.34%	0.21%	4.93%	2,936.48
Taiwan TWSE	0.45%	-3.19%	0.52%	-2.99%	7,927.31
Thailand SET	3.68%	21.70%	4.83%	28.84%	893.92
Sri Lanka	8.74%	64.32%	8.82%	67.43%	5,563.00
US DJ	-0.87%	-2.06%	-0.87%	-2.06%	10,213.62
UK FTSE 100	-1.52%	-4.02%	-1.94%	-7.68%	5,195.28
Nasdaq Composite	0.29%	-3.94%	0.29%	-3.94%	2,179.76
MSCI AC AP Free X Japan (US\$)	0.22%	-2.14%	0.22%	-2.14%	407.61
MSCI AC Asia Pac X Japan Small Cap (US\$)	1.08%	1.53%	1.08%	1.53%	897.11
Merrill Lynch Asian US Dollar Bond	0.89%	11.26%	0.89%	11.26%	299.24
JPM Singapore Govt Bonds	0.19%	5.86%	0.51%	9.60%	159.12

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

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