

Emerging Markets Weekly



Overview

- Upbeat earnings news helped emerging markets to move higher last week, but gains were pared by concerns of faltering global growth reflected by weak economic data in the US.
- East European economies strengthened the second quarter, on increasing demand for cars and electronic goods in western Europe.
- Turkey kept interest rates unchanged after inflation eased amid flagging consumer confidence. South Africa's strong retail sales in June were partly boosted by the World Cup. Russian industrial production growth slowed to an eight-month low in July as manufacturers cut output in the face of the worst heatwave on record.
- China overtook Japan as the world's second largest economy in the second quarter. 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 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.
- A strike by South African government employees that began last week crippled essential public services, with the trade unions continuing to defy court orders to return to work.

Corporate News

Brazil: **Vale** and Thyssenkrupp will start production at an US\$8.2 billion steel-slabs joint venture in two weeks. **OdontoPrev** and Branco do Brasil have signed a non-binding MOU for the joint development and sales of dental products; the deal represents a significant growth opportunity for OdontoPrev. The solid second-quarter performance from **Saraiva's** retail division was countered by weak operating results at its publishing unit.

China/Hong Kong: First-half results were positive. **China Mobile's** earnings were decent as it kept operating expenses well contained despite heavy competition.

Malaysia: **SP Setia's** new property sales rose in the year to-date, despite fewer deals in July.

South Africa: **Truworths** reported good full-year profits, with marked improvement in its debtors' book despite high levels of household debt. Meanwhile **Massmart's** trading update suggested that annual earnings may fall on the back of lacklustre consumer spending.

Thailand: In corporate results, **Regional Container Lines' losses** narrowed, but **Bumrungrad Hospital's** profits were hurt by lacklustre patient revenue and losses from the sale of an affiliate.

Turkey: **Akbank** secured a syndicated loan of €1 billion, split into tranches of €810.5 million. Leading discount retailer **BIM's** second-quarter net income fell.

We hold all the above companies highlighted.

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Indices Performance Table

REGION/COUNTRY	INDEX/FUND	US DOLLARS		LOCAL CURRENCY	
REGIONAL/FUNDS/DEVELOPED MARKETS		WOW	YTD	WOW	YTD
Emerging Markets	MSCI Emerging Markets	0.78%	-0.13%	0.69%	-0.04%
	MSCI Emerging Markets Small Cap	1.50%	5.85%	1.39%	5.85%
US	Dow Jones	-0.87%	-2.06%	-0.87%	-2.06%
US	NASDAQ Composite	0.29%	-3.94%	0.29%	-3.94%
UK	FTSE Allshare	-1.74%	-6.58%	-1.32%	-2.89%
Europe	FT Europe ex UK	-1.99%	-14.71%	-1.84%	-6.05%
World	MSCI AC World Free	-0.66%	-5.59%	-0.59%	-4.43%
World	Citigroup World Government Bond**	0.62%	3.50%	0.62%	3.50%
EMERGING MARKETS ASIA					
EM Asia	MSCI Emerging Markets Asia	1.28%	0.90%	1.18%	0.66%
	MSCI Emerging Markets Asia Small Cap	1.80%	4.98%	1.68%	4.66%
China	MSCI China	0.66%	-4.05%	0.71%	-3.78%
Hong Kong	MSCI Hong Kong	-1.02%	1.86%	-0.97%	2.15%
India	MSCI India	1.69%	4.59%	1.49%	4.90%
Indonesia	MSCI Indonesia	1.95%	19.08%	1.90%	13.72%
Korea	MSCI Korea	1.62%	2.55%	1.59%	4.23%
Malaysia	MSCI Malaysia	3.58%	18.26%	2.71%	8.52%
Pakistan	MSCI Pakistan	0.56%	1.23%	0.59%	2.80%
Philippines	MSCI Philippines	3.82%	14.90%	3.18%	11.90%
Sri Lanka	MSCI Sri Lanka	1.89%	39.68%	1.84%	37.11%
Taiwan	MSCI Taiwan	0.21%	-5.46%	0.25%	-5.67%
Thailand	MSCI Thailand	5.21%	22.91%	3.82%	16.17%
EMERGING MARKETS EUROPE MIDDLE EAST AFRICA					
EMEA	MSCI EMEA	-0.79%	-1.18%	-0.65%	-0.01%
	MSCI EMEA Small Cap	-0.46%	5.99%	-0.39%	7.11%
Czech Republic	MSCI Czech Republic	-1.62%	-7.66%	-1.22%	-1.83%
Egypt	MSCI Egypt	0.73%	1.06%	0.64%	4.62%
Hungary	MSCI Hungary	-0.31%	-14.47%	-0.39%	-0.02%
Morocco	MSCI Morocco	-3.79%	-3.54%	-3.16%	6.79%
Poland	MSCI Poland	0.36%	-6.67%	-0.02%	2.23%
Russia	MSCI Russia	-0.69%	-4.09%	-0.37%	-3.01%
South Africa	MSCI South Africa	-1.48%	0.92%	-1.35%	0.47%
Turkey	MSCI Turkey	0.73%	9.41%	0.69%	10.69%
MIDDLE EAST					
Bahrain	Bahrain All Share Index	0.19%	-3.37%	0.19%	-3.37%
Kuwait	Kuwait Stock Exchange Index	0.28%	-5.01%	0.40%	-4.57%
	MSCI Kuwait	2.70%	13.41%	2.84%	13.97%
Oman	Muscat Securities Market Index	0.11%	-0.96%	0.11%	-0.95%
	MSCI Oman	0.06%	3.23%	0.06%	3.24%
Qatar	Doha Securities Market Index	2.24%	3.19%	2.26%	3.16%
	MSCI Qatar	2.17%	4.70%	2.19%	4.66%
Saudi	Tadawul All Share Index	-1.33%	-0.49%	-1.33%	-0.50%
UAE - Abu Dhabi	Abu Dhabi Securities Market	0.81%	-8.68%	0.81%	-8.68%
UAE - Dubai	Dubai Financial Market General Index	1.79%	-17.29%	1.79%	-17.29%
	MSCI UAE	3.04%	-12.92%	3.04%	-12.92%
Israel	MSCI Israel	1.39%	-9.60%	1.46%	-9.27%

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Jordan	MSCI Jordan	2.71%	-16.15%	2.60%	-16.15%
MSCI GCC	MSCI GCC	0.06%	1.96%	0.09%	2.07%
MSCI GCC ex SA	MSCI GCC ex Saudi Arabia	2.51%	4.85%	2.59%	5.13%
LATIN AMERICA					
Latin America	MSCI Latin America	0.80%	-2.20%	0.51%	-2.09%
	MSCI Latin America Small Cap	2.34%	9.01%	2.07%	9.09%
Argentina	MSCI Argentina	3.05%	23.45%	3.05%	23.45%
Brazil	MSCI Brazil	0.67%	-7.03%	0.28%	-5.92%
Chile	MSCI Chile	1.96%	20.47%	1.40%	20.82%
Colombia	MSCI Colombia	2.16%	31.32%	1.48%	17.25%
Mexico	MSCI Mexico	0.54%	2.53%	0.82%	0.18%
Peru	MSCI Peru	0.66%	9.14%	0.66%	9.14%
FRONTIER MARKETS					
	MSCI Frontier Markets	1.10%	3.32%	1.30%	4.99%
Botswana	MSCI Botswana	-1.89%	-3.22%	-1.38%	-0.29%
Bulgaria	MSCI Bulgaria	-2.05%	-15.26%	-1.48%	-4.16%
Croatia	MSCI Croatia	-0.92%	-14.94%	0.36%	-3.98%
Estonia	MSCI Estonia	-1.55%	27.21%	-0.96%	43.87%
Ghana	MSCI Ghana	2.20%	28.65%	2.27%	28.92%
Jamaica	MSCI Jamaica	-4.02%	15.95%	-4.19%	11.26%
Kazakhstan	MSCI Kazakhstan	-0.39%	-21.93%	-0.39%	-21.93%
Kenya	MSCI Kenya	0.40%	21.70%	1.46%	30.21%
Lebanon	MSCI Lebanon	-1.06%	-11.39%	-1.06%	-11.39%
Lithuania	MSCI Lithuania	0.36%	-0.38%	0.96%	12.67%
Mauritius	MSCI Mauritius	-0.58%	-5.36%	0.40%	-4.42%
Nigeria	MSCI Nigeria	0.96%	17.84%	1.03%	18.62%
Romania	MSCI Romania	1.87%	-4.50%	2.23%	7.76%
Serbia	MSCI Serbia	-1.43%	-10.75%	-0.93%	10.05%
Slovenia	MSCI Slovenia	0.47%	-17.63%	1.07%	-6.84%
Tunisia	MSCI Tunisia	1.01%	8.92%	1.80%	22.40%
Ukraine	MSCI Ukraine	0.00%	23.50%	-0.01%	21.65%

**Local Currency of Citigroup WGB Index in USD
Source: Bloomberg, 20 Aug 10

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