

Asian Weekly



Overview

- Asian stocks closed mixed last week after early gains from China's revaluation of the renminbi were counterbalanced by weak US economic data that triggered concerns over the global recovery.
- China and Taiwan agreed to lower tariffs on goods and open up their markets further for banking and other services. Beijing also cancelled the export tax rebate, which is expected to rebalance the economy.
- Chinese industrial companies' profits rose 82% year-on-year in the first five months of 2010, reflecting the strength of the economic rebound.
- In May, inflation eased in Japan but quickened in India, Singapore, Hong Kong and Malaysia. Taiwan's central bank unexpectedly raised interest rates for the first time since 2008, whereas Hong Kong held interest rates steady.
- India will allow petrol prices to move freely in tandem with global oil prices.
- Singapore and Taiwan's industrial output accelerated in May; Hong Kong's exports rose for a seventh consecutive month, boosted by mainland demand.
- In politics, Julia Gillard became Australia's first female prime minister after she ousted Kevin Rudd as Labor Party leader in an uncontested party ballot.

Corporate News

Australia: BHP Billiton agreed with Western Australia to amend iron ore royalty rates and various state contracts, as well as facilitate the proposed joint venture between BHP Billiton and **Rio Tinto**, which still requires the approval from both regulators and shareholders.

China/Hong Kong: **Hong Kong Economic Times** reported decent full-year results amid the economic recovery. **Pacific Basin Shipping** bought back US\$2 million of its convertible bonds. **China Mobile** added 4.76 million mobile subscribers in May as its subscriber base rose to 549 million.

Indonesia: **United Tractor's** equipment sales volumes rose by 78% year-on-year in May. OCBC increased its stake in **Bank OCBC NISP** to 81.9% after it bought out International Finance Corp.

Japan: **Toyota Motor** suspended work at Chinese plants due to strikes. **Honda Motor** launched a new hybrid car priced at about ¥1.5 million, making it the most affordable domestic model. Printer maker **Canon** plans to boost output in Asia on expectations of a recovery in demand in the medium term.

Malaysia: Domestic Chinese investors can now invest in the Malaysian market after it qualified under the mainland's QDII scheme. We view this positively for **Bursa Malaysia** as it provides a timely boost to the low foreign inflows. Our cement holdings **Lafarge** and **Tasek** may benefit from the first phase of the M\$7 billion LRT extension, which is due to start at the yearend. **Maxis Bhd** plans to upgrade its network. **Hong Leong's** acquisition of EON remains inconclusive. **SP Setia's** second-quarter profits were helped by increased margins and property sales.

Singapore: A joint venture between **Fraser and Neave's (F&N)** unit Frasers Centrepoint and Far East Organization clinched a land parcel with a bid of S\$229.4 million. Separately, F&N acquired a residential site in Sydney for A\$82.5 million. **Keppel Corp's** offshore and marine unit won S\$50 million-worth of contracts. **CDL Hospitality Trust** raised S\$196 million from a private placement.

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Thailand: Ford Motor Company plans to invest US\$450 million in a new domestic plant. The Finance Ministry reiterated its offer to sell its remaining stake in Thai Military Bank to the ING Group.

We hold all the above companies highlighted.

Asian Fixed Income

The Asian credit market started the week brightly after China depegged the renminbi from the US dollar. But spreads widened on the back of weak economic data, while 10-year US Treasury yields fell to a one-year low.

The credit market also saw two new bond issues. Asian bond markets remained well supported despite the ongoing volatility.

On the currency front, most Asian currencies weakened against the US dollar.

Indices Performance Table

	WOW	YTD	WOW (US\$)	YTD (US\$)	25/06/2010
Australia All Ords	-2.94%	-9.08%	-2.81%	-11.85%	4,439.40
Hang Seng	1.99%	-5.40%	2.04%	-5.71%	20,690.79
MSCI China (US\$)	1.68%	-5.18%	1.68%	-5.18%	61.45
MSCI Zhong Hua (US\$)	1.89%	-4.43%	1.89%	-4.43%	317.15
India NSE50	0.12%	1.31%	-0.11%	1.83%	5,269.05
Indonesia JCI	0.60%	16.28%	0.83%	20.81%	2,947.02
Japan Topix	-1.96%	-4.44%	-0.45%	-1.16%	867.30
Korea KOSPI	1.05%	2.80%	0.46%	-1.03%	1,729.84
FTSE Bursa Malaysia KLSE	0.66%	4.22%	0.66%	10.22%	1,326.45
New Zealand 50	-0.44%	-6.07%	0.48%	-7.93%	3,034.11
Pakistan KSE100	1.57%	4.37%	1.72%	3.14%	9,796.85
Philippines PCOMP	0.51%	9.82%	-0.50%	9.45%	3,352.46
Straits Times Index	0.64%	-1.59%	0.35%	-0.44%	2,851.64
Taiwan TWSE	-0.25%	-8.71%	-0.14%	-9.01%	7,474.71
Thailand SET	0.23%	8.05%	0.26%	11.39%	793.67
Sri Lanka	-0.13%	35.92%	-0.22%	36.76%	4,601.55
US DJ	-2.94%	-2.73%	-2.94%	-2.73%	10,143.81
UK FTSE 100	-3.89%	-6.77%	-2.67%	-13.45%	5,046.47
Nasdaq Composite	-3.74%	-2.01%	-3.74%	-2.01%	2,223.48
MSCI AC AP Free X Japan (US\$)	-0.56%	-5.80%	-0.56%	-5.80%	392.39
MSCI AC Asia Pac X Japan Small Cap (US\$)	-0.23%	-4.49%	-0.23%	-4.49%	843.95
Merrill Lynch Asian US Dollar Bond	0.38%	5.59%	0.38%	5.59%	284.01
JPM Singapore Govt Bonds	0.25%	2.94%	-0.05%	4.14%	154.74

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

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