

**UOB Sees Value in Emerging-Market Local Debt on Sovereign Rally**  
**2010-03-05 07:05:39.597 GMT Bloomberg**

By Lilian Karunungan

March 5 (Bloomberg) -- Emerging-market corporate and local-currency bonds offer value after a year long rally in sovereign dollar debt, according to UOB Asset Management.

UOB's United Global Emerging Markets Investments Fund bought government notes denominated in the Brazilian real and Indonesian rupiah since the end of the third quarter, and cut holdings of Indonesia and Philippine dollar bonds, portfolio manager Imran F. Khan said in an interview today.

"We are still positive on the fundamental outlook for most emerging-market economies," said Khan at UOB Asset Management, a unit of Singapore's second-largest bank that has the equivalent of \$10.5 billion under management. "We think U.S. dollar sovereign bond prices are expensive. Therefore we have expressed our positive views through corporate bonds as well as local currencies."

Investors withdrew \$30 billion from money markets in the week to March 3 and plowed a record \$2.6 billion into global bond funds in search of higher yields, EPFR Global, a Cambridge, Massachusetts-based research company, said today.

The extra yield investors demand to own emerging-market U.S. currency debt over Treasuries has shrunk to 2.85 percentage points from 6.95 points a year ago, according to JPMorgan Chase & Co.'s EMBI+ index. The difference was at a six-year high of 8.65 points on Oct. 24, 2008, in the wake of the collapse of Lehman Brothers Holdings Inc. in September that year.

The fund has returned 2.9 percent so far this year compared with an average 1.3 percent for similar funds, according to data compiled by Bloomberg. In 2009, investment gains were 27.5 percent versus 25 percent for its peers.

JPMorgan's Emerging Markets Index, which tracks total returns for dollar-denominated debt issued by governments of developing countries, climbed 25 percent this year compared with 28 percent for 2009.

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