



EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	-4.5	-1.1	-5.1	-50.2
MSCI Far East Free ex-Japan	-4.0	-0.8	-5.1	-48.9
MSCI China	-0.9	0.3	-4.5	-45.5
MSCI Hong Kong	-2.6	1.4	2.9	-42.1
MSCI India	-8.3	-1.7	-5.6	-59.3
MSCI Indonesia	-7.1	6.0	-10.2	-63.1
MSCI Korea	-16.2	-4.5	-16.1	-57.5
MSCI Malaysia	0.7	4.3	3.6	-38.6
MSCI Philippines	2.3	-1.3	5.3	-43.1
MSCI Singapore	-9.1	-9.1	-9.9	-48.4
MSCI Taiwan	6.4	0.4	0.6	-48.2
MSCI Thailand	-2.6	6.4	0.9	-52.4

Returns in Singapore dollars. Source: Bloomberg

Asian equity markets continued its downtrend from the start of the year, declining during the month on the back of heightened risk aversion, rumors of bank nationalisation in the US and worries of a deepening euro area recession. Export-oriented Asian economies remained fundamentally weak with exports data in key Asian countries (South Korea, Taiwan, China and Singapore) continuing to deteriorate against the backdrop of falling global demand. The deepening global recession is creating greater challenges to policymaking in emerging markets, where fiscal flexibility is challenged and capital outflows limit monetary policy easing. Overall, the Asian equity market was down 6.2% for the month, outperforming the global equity market, which was down 10.0%.

#### OUTLOOK AND STRATEGY

	Policy	Change	Comment
Consumer staples	Overweight	–	Rising incomes and growing affluence in China underpin domestic consumption. Elsewhere in Asia, still-low interest rates should keep credit-led consumption firm.
Industrials (infrastructure)	Overweight	–	Structural urbanisation trend in China will lead to continued high infrastructure spending; infrastructure spending in other Asian economies are also still on track.



## Market Commentary

March 2009

We expect Asian markets to continue to be volatile as incoming economic data will continue to be negative with exports continuing to be hit by a fall-off in global demand. In the near to medium term, we expect Asian domestic demand to remain linked to the global economic outlook through export-related jobs, the negative wealth effect created in the asset markets and a fall in demand for commodities. We expect that Asia's sustained recovery will require a ramp-up of domestic consumption in surplus countries such as China and Japan, as well as an end to the deleveraging process by US consumers.

The key issues for a recovery in the Asian markets will be stabilisation in the financial system, particularly in the US, and whether consumers in the surplus countries respond to the deep rate cuts implemented by central banks and the fiscal boosts by the various governments. The speed with which China takes to rebalance its economy and shift away from export dependence towards domestic demand, for example through rural and social security reforms will also aid in the recovery.

We retain our overweight stance on China as we view China to have the greatest latitude in pushing through policies to mitigate growth challenges. The country's economy is sharply slowing not unlike the rest of the region but we view that China is the best bet in having the capacity to implement policies to meet its internal growth challenges.



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