



EQUITIES – Asia ex-Japan	1 Mth	3 Mth	YTD	12 Mth
MSCI AC Asia ex-Japan	-0.2	6.9	0.4	37.5
MSCI Far East Free ex-Japan	-0.2	6.5	-0.1	34.3
MSCI China	-2.6	4.5	-4.5	28.2
MSCI Hong Kong	-4.8	3.6	-3.2	23.8
MSCI India	1.8	12.7	6.7	81.9
MSCI Indonesia	3.9	11.5	13.8	81.0
MSCI Korea	3.5	11.3	5.9	42.6
MSCI Malaysia	2.1	11.0	10.0	38.5
MSCI Philippines	2.6	12.4	5.8	44.9
MSCI Singapore	2.9	7.6	1.1	52.3
MSCI Taiwan	0.5	2.9	-3.8	25.9
MSCI Thailand	-5.9	11.4	5.5	55.0

Returns in Singapore dollars. Source: Bloomberg, 30 April 2010

Asian equity markets continued to edge up in April despite sovereign debt woes in Europe. Policy normalisation in China and India also dampened investor sentiment towards the end of the month. In contrast, Asian exports growth remain robust and should continue to persist going into the second quarter of the year, underpinned by a consistent strength of the broader regional Purchasing Manager indices and US ISM surveys. US dollar returns of Asian equity markets were further boosted by the appreciation of Asian currencies.





OUTLOOK AND STRATEGY

	Policy	Change	Comment
Industrials and Utilities	Overweight	↑	The alternative energy sector is set to grow strongly as countries hasten efforts to diversify energy sources. Among them, we favour Nuclear and Wind energy plays due to favourable long term dynamics. Growth potential is the strongest in Asia, with key countries like China, India and Korea leading the way. In Water & Waste Management, companies specialising in turning waste to energy look interesting, especially in China.
Healthcare	Overweight	–	Healthcare spending currently accounts for only 4.5% of GDP in China and we expect government policies to remain very favourable. January 2010's RMB850bn incremental healthcare budget and April 2010's New Healthcare Reform plan should boost pharmaceutical sales growth to 25% in the next two years.

Equity markets have been moving in a yo-yo pattern in recent days, rising on strong economic data and good corporate earnings but declining on concerns of the sovereign debt problems in Europe. Since the credit crisis, investors have been extremely cautious and swift in backing away from any sign of financial trouble. The continued doubts regarding the debt problems in Europe could keep financial markets edgy for a further period.

Despite the rise in uncertainty, we however continue to stay positive on Asian equities as leading economic indicators continue to be firm and the US labour market is likely to have entered a period of sustained job creation.

Asian economies continue to be in good shape with most countries running healthy current account surpluses and low government debt to GDP ratios. As Asian economies recover from the recession, real GDP growth in Asia is likely to peak in the second quarter and moderate going into the second half of the year. Although concerns about tightening will persist, we believe the market has more or less priced these in and will focus again on fundamentals. In our view, the ongoing improvement in the global economy and the recovery in corporate earnings are likely to drive equity markets higher in the coming months.

Our key strategy going forward is to focus on Asia's robust domestic demand, the sector which in our view will drive corporate earnings growth and valuation expansion. We maintain our overweight positions in the Consumer and Energy sectors. We upgrade Industrials and Utilities as we see attractive opportunities in the alternative energy and water treatment space. We downgrade Financials due to policy risks and maintain our underweight relatively slower growth sectors like Telecoms.



Market Commentary

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