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STAR RATINGS REVIEW

MONTHLY MORNING MEETING JAN 2010. PRESENTED BY iFAST FINANCIAL PTE LTD ©

ASIA EXCLUDING JAPAN (4.0 STARS – VERY ATTRACTIVE)

- 1) The Asia ex-Japan market trades at an estimated 14.4X and 12.0X 2010 and 2011 earnings (as at 29 Dec 2009). The valuation for Asia ex-Japan is the highest amongst the regions we cover.
- 2) As global economy recovers leading to greater in external demand, earnings are estimated to rebound strongly at 32.2% earnings growth in 2010 and a further 19.9% in 2011.
- 3) Exports are showing improving trend on a monthly basis even though the exports are still lower compared with 2008 for some countries. This has also helped to improve the manufacturing industry in many Asian economies.
- 4) Taiwanese government also raised the 09 full year GDP forecast from -4.04% to -2.53%. The Korea Development Institute said in Nov that GDP will expand 0.2 percent this year before rising 5.5 percent in 2010. That compares with a September forecast of a contraction of 0.7 percent this year and a 4.2 percent expansion in 2010.
- 5) In Vietnam, there are plans to boost stocks' liquidity by loosening restrictions on the sale of equities in Jan 2010. Holding period of stocks are being reduced by one day from current's 3 days.
- 6) Low interest rates in developing economies are raising concerns on possible bubbles in property markets and China scrapped a tax break on property sales. Taiwanese government is sending a cautious signal to the property market by stating their stance of monitoring the prices of property closely.
- 7) There continue to be concerns on potential spike in bad debts in China with Bank of International Settlement stating concern that China's lending boom was "unavoidably" linked to an easing of credit standards and may erode the quality of bank balance sheets.
- 8) Asian currencies have shown significant appreciation against USD in 2009. Relative to the beginning of the year, export competitiveness has lessened. With the Japanese Yen showing weakness in recent month, exporters in countries like South Korea and Taiwan may face greater competition from Japanese exports.
- 9) Asia ex-Japan region has delivered a return of 66.5%. We find that investors are pricing in much higher level of optimism compared with the previous quarters in 2009. As valuations of 2010 and 2011 PE ratios is relatively more expensive than other regional markets, we believe it is appropriate to downgrade the region to a 4.0 star "Very Attractive" rating.