



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

ASIA EXCLUDING JAPAN (4.0 STARS – VERY ATTRACTIVE)

1. The Asia ex-Japan market trades at estimated PE ratios of 12.7X and 11.4X estimated earnings for 2010 and 2011 respectively (as at 30 June 10).
2. Earnings are forecast to rise 29.4% and 11.6% in 2010 and 2011 respectively. Heavyweights like Taiwan and Korea lifted the estimated earnings growth in 2010.
3. First quarter GDP growth was better than expected in many of the Asian economies with exports growth being the main contributor to the better-than-expected economic growth.
4. Exports continued to register healthy growth although we may expect more headwind in coming quarters as the weakened euro may crimp demand coming from Europe.
5. Inflation started to pick up pace in the second quarter and Taiwan becomes the latest bank to raise benchmark interest rates. Central banks of Korea and Indonesia remain the last two major economies to withhold from raising rates. However, it's a matter of time before normalizing of the interest rates would take place.
6. China has taken a more aggressive stance to prevent property bubble from building up by raising minimum down payments on second and raising mortgage rates for second home. Third mortgages are also banned in selected cities. Impact was seen in May as property transactions plunged 51% m-o-m in May.
7. Asian currencies showed modest appreciation against the USD in the second quarter. In April, Singapore has allowed a one-off strengthening and the gradual appreciation trend for SGD against the currencies of its trading partners. China also announced greater flexibility in Chinese Yuan in mid June.
8. The Thai army has quelled the riots which turned violent in May. While we do not believe that tourism or investments will be permanently affected, growth forecast by the government seem a tad harder to reach. The lack of a general election may be a catalyst for another riot towards the end of the year.
9. Asia Ex Japan equities fell 5.7% (in USD terms) in the second quarter of 2010, led by heavy weights Korea and Taiwan. We believe the region will benefit from the recovery in global trade (albeit a slower recovery now due to events in Europe) and we are retaining the 4.0 Star "Very Attractive" rating on Asia ex-Japan market.