

ORIENT FINANCE

SUMMARY OF ASIAN MARKETS

JULY 2009

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INDICES	30/06/2009	31/07/2009	% CHANGE
MSCI AC FAR EAST EX JAPAN	359.03	406.17	13.12%
HONG KONG & CHINA			
Hang Seng	18378.73	20573.33	11.94%
Red Chips	3820.14	4150.06	8.64%
H-Shares	10962.61	12123.59	10.59%
Shanghai A-Shares	3106.59	3581.86	15.30%
KOREA			
Kospi	1390.07	1557.29	12.03%
Kosdaq	485.15	504.35	3.96%
TAIWAN			
Taiax	6432.16	7077.71	10.04%
SINGAPORE			
Straits Times	2333.14	2659.20	13.98%
THAILAND			
SET Index	597.48	624.00	4.44%
MALAYSIA			
Kuala Lumpur Composite	1075.24	1174.90	9.27%
INDONESIA			
Jakarta Composite	2026.78	2323.24	14.63%
PHILIPPINES			
Philippines Composite	2437.99	2798.33	14.78%
INDIA			
Sensex 30	14493.84	15670.31	8.12%

CURRENCIES

VS EURO

	30/06/2009	31/07/2009	%
HK \$	10.88	10.94	-0.57%
CHINESE RENMINBI	9.59	9.64	-0.60%
KOREAN WON	1787.75	1734.29	2.99%
TAIWANESE \$	46.29	46.31	-0.03%
SINGAPORE \$	2.03	2.03	-0.15%
THAI BAHT	47.79	48.04	-0.51%
MALAYSIAN RINGGIT	4.96	4.97	-0.24%
INDONESIAN RUPIAH	14394.35	14043.43	2.44%
PHILIPPINES PESO	67.55	67.86	-0.45%
INDIAN RUPEE	67.23	67.93	-1.05%

VS US\$

	30/06/2009	31/07/2009	%
HK \$	7.75	7.75	0.00%
CHINESE RENMINBI	6.83	6.83	-0.02%
KOREAN WON	1273.80	1228.75	3.54%
TAIWANESE \$	32.81	32.81	0.01%
SINGAPORE \$	1.45	1.44	0.41%
THAI BAHT	34.06	34.03	0.10%
MALAYSIAN RINGGIT	3.52	3.52	-0.13%
INDONESIAN RUPIAH	10208.00	9950.00	2.53%
PHILIPPINES PESO	48.14	48.08	0.12%
INDIAN RUPEE	46.95	48.14	2.52%

GENERAL FACTORS AFFECTING ASIA AS A WHOLE

July 2009 was a good month for the global equities thanks to a long list of better-than-expected results and on hopes that global economies will continue recovering. The US banks as well as some big tech names put out good 2Q results and or 3Q guidance: Wells Fargo, Goldman Sachs, JPM, Ebay, Motorola, Intel, Texas Instrument, IBM, Apple, Caterpillar, Ford, etc. Several US analysts even revised up 2009 net earnings for the S&P for the 1st time since 2 years.

Crude oil price (and other commodities) fell at the beginning of the month but rebounded sharply in the second half of July.

Xinjiang (China) riots surprised the world in July: the worst ethnic violence in the western region of Xinjiang in decades had kicked off with a protest on 5th July by Muslim Uighurs that spiralled into violence against Han Chinese, the nation's ethnic majority. Rioters roamed the streets, beating people, smashing windows and burning cars. In subsequent days, groups of Han Chinese launched revenge attacks. The official Xinhua News Agency reported that 192 people died and 1,721 were wounded. Hu Jintao quitted the G8 in Italy to come back home due to the riots.

North Korea test fired 7 short range missiles after having fired 4 rockets. The two journalists working for an American remained in jail after being sentenced last month to 12 years in prison. Recent images of an old, sick-looking, thin hair Kim Jong-Il have touched off renewed speculation about his health. South Korean broadcaster YTN even reported a pancreatic cancer and said he had less than five years to live.

The Ritz and the Marriott hotels in Jakarta were hit by islamist bombings on 17th July. The bomb blasts at the two hotels killed nine people in Jakarta; the CEO of Holcim Indonesia was killed in one of the blasts.

In Malaysia on the 1st of August 15000 people demonstrated in Kuala Lumpur against laws that allow for detention without trial.

HONG KONG / CHINA

The HSI grew by 10% in July. For once, both Red and H share indexes underperformed the MSCi Asia. On the macro side in China, The PMI manufacturing for June confirmed good health, at 53.1 New loans for June reached a stellar 1.5trillionn yuan (664bn in May). Business Climate index also showed strength: 115 for 2Q (105 1Q). Trade surplus disappointed: \$8bn vs \$15bn expected with exports and imports contracting 21% and 13% (26% and 25% in May). M2 exploded to 28.5% (25.7% in May), Forex reserves reached \$2.13trillion (1.95 in May). CPI and PPI still in deflation: -1.7% and -11.2%. Retail sales 15% as usual. Industrial Production at 10.7% (9.5% expected, 8.9% in May) and Fixed asset Urban Investments at 34% confirmed this strong batch of figures. Mainland reports said China's electricity output gained 3.6% in June, the first monthly increase since October. Power output at the end of June rose 7% YoY as warm weather increased demand for electricity. China's 2Q GDP exceeded consensus forecast of +7.8% and expanded 7.9% YoY, rebounding from its weakest growth in almost a decade as record lending and surging investment countered a slump in exports. (1Q GDP was +6.1%). According to the China Association of Port of Entry, container throughput at Shanghai International Port Group, which operates the Shanghai Port, fell 17.8% YoY to 2m TEUs while volume fell 7.6% YoY to 3.05m tonnes. China's internet users rose by 40m to 338m in 1H as growth China's economy increased demand for online services. Subscribers now account for more than 25% of the population. NDRC said June new home prices in 36 medium and large-sized Chinese cities rose 6.3% YoY to an average of Rmb6, 554 per sq m as bank lending tripled in the first half to Rmb7.37tr. Government will stick to its proactive fiscal policy and moderately loose monetary policy ahead of the 17th Communist Party Meeting in Sept. CBRC reiterated that there was no change to the rules to strictly enforce the 40% down payment rule for 2nd home mortgage. China's June passenger-vehicle sales rose 48% YoY to 872,900 units, the biggest jump since February 2006. Overall auto sales rose 36% YoY to 1.14m units. 1H passenger-vehicle sales climbed 26% YoY to 4.53m units while commercial-vehicle sales fell 0.5% to 1.57m units. China's June coal imports increased 6x from a year earlier to 16m tonnes after demand recovered and global prices fell. Net coal imports rose to 14.86m tonnes after exports fell to an all-time low of 1.14m tonnes. China Iron and Steel Association showed profit for 71 major steel enterprises +242% MoM. The China Iron & Steel Association said Steel demand in China will improve in the second half as China's stimulus package, along with recently reiterated proactive fiscal policy and loose monetary policy, ensures the steel market will grow at a stable pace. The National Statistics Bureau said China's 1H crude steel production rose 1.2% YoY to a record 266.6m tonnes.

As for Hong Kong, Unemployment rate increased a little bit to 5.4% (.3% in June); trade balance deteriorated somewhat to 16.5bn HK\$ deficit as imports decreased only 8% vs 12% expected. Retail sales contracted 6.2% in value YoY and 6.4% in volume.

Corporate News

- July saw the listing of China State Constructing in Shanghai: and the BBMG in HK. Both climbed more than 50% in their first day of trading.
- Hang Lung Properties. Net profit for FY06/2009 fell 69% YoY to HK\$4.13bn as lower property sales offset growth in its property-leasing operation. Excluding revaluation gains on investment properties and related taxes, its underlying profit fell 53% YoY to HK\$2.39bn which is inline with market forecast of HK\$2.4bn. A final dividend of HK\$0.51 per share was proposed.
- Wheelock. It will cut the size of its planned HK\$6bn conservation and luxury home project in HK's Tai Po district. The developer now proposes a 9% cut in site area to 7.21m sq ft which includes a 3.61m sq ft nature reserve.
- Galaxy: 1H EBITDA rose 86% YoY to HK\$496m. The company is "cautiously optimistic" on 2H outlook.
- CRP plans to take a 25% stake in a Rmb25bn nuclear project in Hunan.
- Bossini its controlling shareholder terminated talks with a potential investor about selling his stake, and the possible disposal of his shares won't proceed.
- Beijing North Star forecasts it will post an interim profit of about Rmb540m compared with Rmb149.7m a year earlier.
- Dalian Port profit warning. It expects to record a "substantial" decrease in unaudited consolidated net income for the six months ended June 30 compared to the same period a year earlier.
- SMIC expects its utilization rate to increase in the third quarter to over 80% from the previous.
- Cnooc discovered oil and gas in a well in northern. China's Bohai Bay. The JinZhou 20-2N well is producing 1,900 barrels of oil a day and 345,000 cubic feet of gas. The company is assessing the discovery's reserve scale and commerciality.
- BYD said about Rmb2.8bn raised from its share sale in Shenzhen will be invested in the production of lithium-ion batteries, a facility for development and production of automobiles, production of car parts and in a manufacturing facility for producing solar batteries.
- Comba forecasted a "significant" increase in net income for the 6 months ended June 30.
- Shougang. Profit warning. It expects to post a net loss for interim results compared with a profit in the same period a year earlier due to reduced selling price and volume
- HTIL - smart phones now accounted for 30% of the company's handset sales. COO Amy Lung said mobile internet usage had increased 12x in the past year.
- Li Ning. Chairman Li Ning and Chief Executive Director Zhang Zhiyong have sold as many as 2m shares for about HK\$44.82m since June.
- China Life - it parent's 1H premium income fell 4.6% YoY to Rmb186.5bn from Rmb195.5bn, which accounted for 30.7% of the total premium income of the industry in China in the first 6 months. 1H net profits rose 43% YoY to Rmb8.7bn.
- China Gas - full year net profit fell 26% YoY to HK\$103.7m from HK \$141.1m because of an impairment in the value of its financial derivatives. Sales rose to HK\$6.32bn from HK\$2.55bn.
- IPO - BBMG's HK IPO drew at least HK\$300bn of orders from investors over 3 days and was the city's "hottest" offering in 16 months. The retail portion was more than 650x oversubscribed.
- China State Construction (601668 CH) - it has priced its Shanghai IPO at the top of the price range at Rmb4.18/ share, representing a P/E of 51.3x.
- Alibaba - rose 13.2% after a report said the number of online shoppers in China gained 19% YoY in the first 6 months of the year.
- Country Garden - 1H contract sales rose 6.5% YoY to Rmb8.79bn and GFA sold increased 30% YoY to 1.92m sq m.
- PetroChina announced that its refining profit in the first half was the company's highest since its listing in 2000 as the government's revised fuel pricing mechanism allowed refiners to pass on rising costs.
- Fairwood FY08/09 net income fell 20.8% YoY to HK\$80m from HK \$101m while sales climbed 2.8% YoY to HK\$1.47bn from HK\$1.43bn. Final dividend of HK\$0.28 was proposed.
- SaSa .Unaudited 1Q group sales rose 6.6% YoY. SSS for HK & Macau rose 1.6% YoY. Total number of transactions rose 7.9% YoY to 2.63m but average sales per transaction fell 4.4% to HK\$235.
- Cafe de Coral - gained 0.2%. FY08/09 net income rose 5.2% YoY to HK \$441.9m from HK\$420.2m. Sales climbed 9.3% YoY to HK\$4.7bn from HK\$4.3bn. Final dividend of HK\$0.38 was proposed.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCEI	CHINA SHIPPING	45.67	GUANGZHOU R+F	-1.84
	JIANGXI COPPER	40.79	CHINA OILFIELD	0.48
	ANGANG STEEL	36.70	BEIJING CAP	1.66

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSI	CITIC PACIFIC	37.95	HONG KG ELEC	-0.81
	NEW WORLD DEV	31.95	CLP HLDGS	2.53
	PING AN INSURA	31.17	IND+COMM	3.33

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCCI	CHINA INSURANCE	42.68	SINO OCEAN LAND	-6.65
	CITIC PACIFIC	37.95	GUANGZHOU INVEST	-2.33
	SHANG INDUS HLDG	34.62	BEIJING ENTERPRI	0.65

KOREA

The Kospi posted a strong 12% gain in July, while the Korean won finished the month at 1228 vs the US\$, around the 10 month high, as recovery signs spurred inflows. We started the month of July with some macro positive news again as South Korea posted a record trade surplus of \$7.4bn in June along with news that Korea's foreign exchange reserves rose for a 4th month in June to \$231.7bn. It was reported on 2nd July that FDI into Korea rose 62% in the 2Q on optimism of Korea's economic recovery. With such positive news flowing out from Korea, a foreign broker mentioned that Korea would be the first Asian country to raise its record-low 2% rates. However the rates remained unchanged. IMF upgraded Korea's growth forecast on 7th July saying it will contract 3% in 09 before expanding 2.5% in 2010, compared with its 4% decline in 09 and 1.5% growth in 2010. Goldman joined in, forecasting Korea's GDP to contract 1.7% in 09 and 2.7% expansion in 2010. Both the IMF and Goldman mentioned Korea's economy was recovering faster than expected due to a strong mix of fiscal stimulus, export data (\$53bn over the past year) and monetary easing. On July 13, Korea's Won slid the most since March, on insistent speculation that North Korean leader Kim was terminally ill with cancer. Negative news uncharacteristically came out from Korea on 15th July, as unemployment rate rose to the highest in more than 8 yrs in June to 4% from 3.9%. On 17th July we knew sales at Korea's major department stores rose 3.6% YoY in June. Meanwhile the Korean Won continued strengthening on 27th July to 1244.05 after BOK survey showed consumers are the most upbeat they've been in almost 7 years. The positive news continued with manufacturer's confidence rising to the highest in 14 months to 80 from 78 in July. The CPI rose 0.4% MoM and 1.6% YoY in July, with YoY inflation slowing for a fifth consecutive month since peaking at 4.1% y-y in February. We attribute the limited inflationary pressure, despite the rainy season and advancing oil prices, to a strong won that depressed a rise in import prices. Korea's CPI trends are significantly influenced by oil prices and the KRW/US\$ rate.

Corporate news:

- Samsung Electronics and Hynix rallied for most of the month, some profit taking was seen at the end of the month triggered on news about Taiwanese competitors. Any form of subsidy or help by Taiwanese government to chipmakers will delay the consolidation process. Also, news of Sandisk forecasting weak 3Q earnings had negative impact for Korean semicon names by July end.
- Hynix & Wuxi Taiji Ind to form \$150mn semicon venture. Hynix to own 45% of the venture.
- LG Elec rose in July to the highest since June 08 despite the government is considering levying special consumer tax on whitegoods: Refrigerator, Washing Machine, Air Conditioner & TV. Special consumer tax on whitegoods was removed in 99 but may be reinacted to encourage consumers to convert to more energy efficient product and increase tax collection.. Special consumer tax on whitegoods may be as much as 8%.
- Seoul Semi and other LED names such as Kumho Elect, Daejin DMP were strong on news that the government would establish W100bn worth LED lease company that will subsidize public institutions from switching current lighting to LED, the #1 brand for fuel efficiency by 2015. Separately Seoul Semi may boost US production.
- NCSOFT was weak in July as overhang concerns weighed from stock option exercise as the company listed additional 522,379 shrs on July. As stock options were exercised at W32, 130~67,700 per share, some employees took profit upon listing.
- KEPCO will sell a 19.4% stake in LG Powercom for at least W200bn. Kepco total holdings were 38.80%.
- Petrochemical sector was affected by news regarding a big fire at Haldia region of India at the beginning of the month, several petrochem plants halted operations. Haldia region's production capacity 520k ethylene,

330k propylene, 85k tons of benzene. Korean petrochem makers including LG Chem, Honam Petrochem and Hanwha Chem benefited. LG Chem to invest \$370mn to build a petrochem plant in China along with China's Cnooc. The venture will produce 300k tonnes of ABS/yr.

- OCI fell in July despite the Chairman strongly denied the press report of him and the company having received investigation notification for possible insider trading by the FTC. The Chairman commented that he NEVER received any sort of notification by the FTC and that he will take legal action for such false report.
- Posco to give out 1,500 interm dividend (0.36% of div yield) on 5th Aug. This is much lower than previously expected of W2,500 (0.61% div yield).
- Samsung Engineering won W3.3tn worth refinery plant order (123.3% of 2008 Rev) from an Algerian client to be completed by Aug 2012. Samsung Engineering won Jubail Export Refinery Project Package No 4 Coker Units worth W566.2bn (21.418% of 2008 Rev) from Saudi Aramco, to be completed by Dec 2013. The company also won \$300mn (14.1% of 2008 Rev) contract to build an air-separation plant for a unit of Saudi Basic Industries, order to be completed by 2011.
- Doosan E&C won W37.6bn (1.9% of 2008 Rev) stadium construction order, to be completed by April 2013.
- Daelim won W633.7bn (10.7% of 2008) refinery project from Saudi ARAMCO, to be completed by Feb 2013.
- A consortium of Samsung Heavy Ind and Technip (France) announced that it had signed a 15-year master agreement with Dutch Shell to design, construct, and install LNG FPSOs, renewable every 5 years.
- Hyundai Heavy won \$1bn contract (6.26% of 2008 Rev) from Abu Dhabi Gas Liquefaction of the United Arab Emirates to build a gas plant.
- Woongjin Coway finished the month slightly down. The company started a buyback of 1.35mn shrs (1.8% of total shrs) from 14th July to 13th Oct to stabilize shr price and as part of shareholders return policy.
- KB Financial outperformed after KB held an extraordinary BOD meeting and decided rights issuance of 30mn shrs (8.41% of total shrs) to raise about W1tr, less than originally planned. Stock rallied on lesser dilution than previously expected. 80% to shareholders and 20% to employees.
- Brokerage sector rose after KB Financial spokesman reiterated that the holding company will use the proceeds of rights issuance to acquire both an insurer and a brokerage but most likely it will seek to acquire brokerage first with the capital market integration act effective from February. The most likely target is Hyundai Sec as it is easier to acquire by acquiring major shareholders and related parties stake of ~30% while other targets mentioned are Kyobo Sec and Eugene I&S.
- Kyobo Sec finished the month almost flat. The stock was strong at one point on rumour that the broker's major shrhlder Kyobo Life (51.63% stake holder) would sell its stake to IBK I&S (Unlisted) at 20% premium around W28k/shr. IBK I&S decided backdoor listing thru acquiring Kyobo Sec better than going public itself.
- Megastudy rose in July despite news that the headquarters were raided by the Seoul Metropolitan Police for releasing quarterly examination questions. As it was not the major college entrance examination questions that Megastudy released, had limited impact.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KOSPI50	WOORI FINANCE	37.75	SK NETWORKS CO	-13.22
	SHINAN FINANCIA	28.99	KCC CORP	-8.36
	HYNIX SEMICONDUCT	28.94	DAEWOO INTL CORP	-5.44

TAIWAN

The Taiex posted solid gains in July, up 645 points, or 10%, to close at 7,077 points with daily average turnover at \$132.7bn, which is slightly higher than June turnover of \$124.5bn. Long margin stood at \$208bn, which just slightly up from \$202bn in June as retail participation was less apparent (retail turned conservative at 7,000 mark). Tech (+13.4%) regained Momentum on positive anticipation toward to 2Q09 results along with steel (15% on price hike), automobile (11.7% on industry bottoming out), rubber (15.7%) and chemical (12.8%). Food, plastics, textile, tourism and pulp underperformed on profit taking (they were the outperformers in previous months). Financials +5.4% also underperformed on the delay of signing MOU & ECFA and short-term profiting taking activities.

Export orders YoY decline narrowed significantly in June, to 10.9%, marking the smallest reading in eight months, as export value rebounded to US\$27.94bn; export orders were back up markedly across regional markets. By product, IT and communications products (including NB and handsets) and precision equipment (e.g. LCD panels) saw orders post positive growth for the first time in eight months; electronic products (semiconductor and electronic components) saw order value fall 6.1% YoY, marking the smallest decline since the global financial crisis, as the electronic sector fared uncharacteristically well in the slow season. For 1H09,

Taiwan accumulated export order value of US\$139.96bn, down 23.3% YoY. We expect export order to keep bouncing back MoM, and the YoY could turn positive in October at the soonest. In 2H09, export order growth should continue to tap Momentum thanks to continuity of China's policy to procure from Taiwan. The speed of US and European economic recovery is also crucial. For 2009 full-year, we expect Taiwan's export order value to fall 10-13% YoY. According to the Ministry of Finance, import figures reached 8-months high of US\$2.1bn, up 31.3% MoM, and imported figure in machinery has increased dramatically by 46.5% MoM. In June, Taiwan's industrial production saw YoY decline narrow to 11.4%, thanks to improving demand for consumer electronics, which should allow the YoY decline of industrial production to continue to narrow.

In June, the unemployment rate in Taiwan rose 0.12ppt MoM to a historical high of 5.94%, marking the 15th consecutive month of growth, though momentum held flat, which could be read as a first sign of stabilization for the labour market. In June, with college graduates entering the job market, the jobless headcount rose to a new high of 647k, up 14k MoM, as first-time job seekers rose by 12k. Despite three straight months of growth, we expect the unemployment rate to stay high for some time to come as the economic recovery is dragging its feet, dampening business owners' willingness to hire. For the first five months of 2009, the real regular salary was down 2.84% YoY, which continued to bode ill for private consumption.

In June, monetary aggregate M1B YoY continued up to 17%, the highest level since September 2004; M2 YoY rose to 8.2%. For 1H09, M2 YoY averaged 7%, past Central Bank of China's target zone of 2.5-6.5%, mainly because foreign capital continued to flow in while the 1H08 comparison base was low.

Taiwan and China will open tourism office in each other's territory by year end. The office will be quasi-government to help deal with increase travel and tourism matter between the two sides.

Corporate news:

- TSMC rose in July, after it reported 2Q09 EPS of NT\$0.94, up from NT\$0.06 in 1Q09. Gross profit margin improved to 46.2%, up from 18.9% in the first quarter. The company also provided a rosy 3Q09 guidance, said revenue and gross profit margin to improve further.
- The majority of Taiwanese technology companies realized sales growth in June and have guided at least double-digit growth in 3Q09, mainly due to seasonality and China's home appliance subsidy program. While it is uncertain whether 3Q09 sales will be on par with historical patterns, NB and TV demand are likely to be stronger. China's handset demand has slowed in recent months as reflected in much reduced rush orders in June as compared to May.
- MediaTek's sales slowed in June, we expect Momentum to resume in August. However, China's demand for 3G handsets is likely to remain negligible (less than 3% of overall handset shipments).
- NB sales were robust. Taiwanese NB makers' June sales rose more than 20% MoM on delayed shipments from May. In 3Q09, we expect strong sequential growth in NB shipments due to seasonality, though full-year 2009 results are likely to fall short of previous years.
- Panel makers' order visibility through August. China's home appliance subsidy program for rural villagers has contributed greatly to the increase of LCD TV sales. Taiwanese LCD panel makers guide order visibility up till August. Separately, the Ministry of Economics indicated that it will include panel and glass substrates in the ECFA with Mainland. This would allow panels to be exported to Mainland to enjoy a zero tariff, which currently the tariff is set a 3%. If this occurs, Taiwanese panels would be more price competitive in Mainland comparing to Korea and Japanese brand.
- CMO was flattish in July, the company reported 2Q09 net loss of NT\$8.8bn or NT\$1.24 per share. Gross profit margin recovered to -3.7%, up from -36% in the first quarter. The company forecasts a profitable third quarter as panel prices and demands rebound.
- Strong 4-element LED sales. Among Taiwanese LED makers, only Epistar and MBI posted strong June sales. Epistar's June sales strength was attributable to robust 4-element LED sales, while MBI grew shipments on outdoor display LED. We expect Sanan to realize significant growth in June and early 3Q09.
- Unimicron reported 2Q09 net profit after tax of NT\$1.04bn or NT\$0.96 per share. Gross margin rose to 18%, highest in six years. However, the company said business visibility is only one month.
- SPIL reported 2Q09 EPS of NT\$0.54. Gross profit margin rose to 20.7% from 9.5% in 1Q09. The company forecasts testing and packaging demands increase, therefore calls for capital investment in production.
- Powertech rallied in July. The company reported 2Q09 EPS of NT\$1.65, up from NT\$1.31 in 1Q09. The company forecasts 12-13% revenue growth in 3Q09.
- Powerchip rebounded after Powertech and Kingston (US) announced plans to inject US\$125mn or into Powerchip. This cash injection will potentially ease Powerchip's money problem for the short-term. However, an improvement in Powerchip's operations would still require an increase in DRAM prices. Separately Powerchip had received a NT\$450mn loan from ASE to repay its ECBs.
- Inotera was allowed to issue GDRs. The company sold 64m GDRs at US\$4.8757 each.
- Sunplus turned profitable in the 2Q09. The company reported 2Q09 EPS of NT\$0.12 benefiting from increased demand from DVD, STB and TV products.
- Strong discrete component sales in June. Taiwanese discrete component makers posted double-digit MoM growth. These companies expect 3Q09 sales to increase 10-20% QoQ on the back of strong China demand (fuelled by the rural home appliance subsidy program) and peak seasonality for the tech sector.

We believe the positive sentiment will also benefit Chinese discrete component makers in late 2Q09 and 3Q09.

- Solar energy firms in uptrend in 3Q09. Taiwanese solar energy companies have experienced strong orders from late June and guide for robust revenues from 3Q09, driven by inventory digestion and peak seasonality.
- Ritek reported that its development in the new CIGS (unlisted) solar cell product has completed and the new products will start mass production in 3Q09. This Ritek's solar power subsidiary, CIGS, will receive funding from the government's national development fund. The fund will inject NT\$500mn into the company and acquire a 25% stake.
- Asia Optical is reported to benefit from the shortage in DVD optical read/write head.
- Faraday reported 2Q09 net profit of NT\$266mn, up 640% QoQ. However, the company forecasts single digit revenue growth for 3Q09 and declining gross profit margin.
- Car sales in June jumped 40% MoM to 26,200 units and reached to 17 months high. Domestic auto makers like Yulon and China Motor are reported for overtime work hours including Saturday working day.
- The chairman of Bank of China indicated that in September he will leading a team of members to come visit Taiwan to evaluate the possibilities of setting up branch office in Taiwan. Tentatively, the Bank of China is scheduled to establish a branch as soon as by the end of 09, if everything was smooth in September's visit.
- Taiwan government is easing on allowing Mainland capitals to buy Taiwan properties, which they will be able to get up to 50% of collateral loans. This news is likely to benefit the construction and asset plays.
- City renewal projects: the Executive Yuan will hold a meeting in August and push seven pieces of government-owned lands to attract private capital for renewal projects. The Executive Yuan expects this will attract NT\$74bn worth of capital which several local construction firms may be interested in offering the bids.
- Shipping fees: according to Transportation Security Admission (TSA), North America shipping fees will increase by another 55% or US\$500-1,000 per container starting August 10. TSA members include lots of shipping firms in Asia, includes Yangming Marine and Evergreen Marine in Taiwan.
- FSC to open up use of Chinese credit and debit cards in Taiwan. This move is likely to boost transaction fee income for banks and promote consumption at department stores and restaurants.
- Ta Chong Bank's CBO investment product was downgraded by Fitch Ratings, to D (Default). Investors in its CBO products could lose around NT\$2.5bn due to default.
- China Steel reported 2Q09 after-tax profit of NT\$774mn. The company turned profitable earlier-than-expected as demand picked up and steel prices rebounded. A one time gain of NT\$1.6bn from the sale of TSMC shares also help to put the company back into the black.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
TW50	UNITED MICROELEC	32.27	SINOPAC FINANCI	-6.09
	LITE-ON TECHNOLO	31.05	HTC CORP	-3.56
	ADVANCED SEMICON	27.72	FAR EASTERN TEXT	-2.63

SINGAPORE

Singapore market rose almost 14% in July and was one of the best performers. The STI corrected at the start of the month, as the pensive mood from June spilled over. However, the bull market resumed from mid-Jul as U.S. results season came in better-than-expected and CIT was resolved. Turnover was down; with volume traded falling 30% from June. There was more stock-specific underperformance in July; sector underperformance was not distinctive as conglomerates, financials, transport, offshore & marine, telcos and commodities all came in with mixed performances.

Singapore's economy roared out of a recession with growth of 20.4% in the 2Q over the previous quarter, marking the first expansion in a year and prompting the Government to raise its 2009 growth forecast from 6-9% to 4-6%. This is also the strongest QoQ pace since 3Q 2003. May retail sales figures rose 0.8% month on month on a seasonally adjusted basis, after falling 4.9% in March and 3% in April. YoY, retail sales fell 10.3% in May, but this was an improvement from April's 11.4% contraction. Singapore's non-oil domestic trade showed its biggest sequential drop since December. After a revised 5.3% gain in May, NODX fell 5.2% seasonally adjusted in June, the most since an 11% drop in December. May CPI rose 0.6% MoM, largely attributed to higher costs of housing and transport & communication. Compared with May 2008, the CPI in May 2009 fell by 0.3%. Visitor arrivals to Singapore reached 730,000 in May 2009, registering a YoY percentage decline of 13%. May factory output grew 2%, marking a second month of YoY growth. April's revised 0.4% growth in production was the first expansion after six months of decline. On a seasonally adjusted MoM basis, manufacturing output fell 1.6% in May, after April's 25.9% increase. June PMI shows that the manufacturing economy has expanded

for the second time after having contracted over 8 consecutive months. Although the June's PMI reading of 51.1 was one-tenth of a point down from May's figure, more positive signs surfaced in the electronics sector. The electronic PMI was 55 in June; highest since December 2006.

Corporate news

- SingTel is upbeat on its upcoming pair of co-owned satellites that could spawn new market opportunities. The two satellites are scheduled for launch in around two years' time. SingTel's India subsidiary, Bharti, came in with below-expectations results on 23rd July.
- SIA announced that its management will take a 10-20% pay cut from July, SIA's board of directors has volunteered a cut of 20% in fees for directors. SIA filled more seats and cargo space in June than in any of the previous five months. The airline filled 75.7% of seats last month but that still down from 79.2% in June 2008 but up a significant 8.8% from May's dismal 66.9%.
- NOL's box volumes and average rates seems to have bottomed out in the May reporting period. Both figures rose slightly from the month before, although still down >20% YoY. NOL's APL unit, China Cosco Holdings Co and 12 other container lines have agreed to raise rates on Asia-US routes, ending a price war caused by slumping demand, overcapacity and 'panic'.
- SMRT is acquiring a 49% stake in Shenzhen transport company for 320m yuan (\$68m). This is SMRT's first investment in a Chinese company which it hopes will help it gain a foothold in China.
- STATS ChipPac is expanding capacity to full turnkey wafer level packaging in Singapore, citing strong growth in the segment. It intends to expand capacity further and is on track to achieve another 50% increase in wafer level capacity by the third quarter of 2009.
- Wilmar International has hired three banks to handle a US\$3bn floatation of its China business. The company said it plans to list 20-30% of its China operation to tap investors in its biggest market and to raise cash for acquisitions. Wilmar has elected to float shares in its mainland subsidiary on the Hong Kong market. The offering is expected to be in the first half of next year.
- Olam has won the bid for assets of US tomato processor which has filed for Chapter 11 bankruptcy protection. The acquisition cost of US\$39m is significantly below the potential replacement cost of US\$130m for these assets. Meanwhile, Olam shareholders have approved the sale of 14% stake to Temasek Holdings.
- Cosco Corp (Singapore) disclosed that orders worth US\$298.7m to build eight bulk carriers have been cancelled and the delivery dates for another three have been put back.
- ST Engineering unit ST Aerospace won two separate small contracts. One is a US\$45m component maintenance deal with Jeju Air. The second is a US\$32.5m deal with Primera Air. ST Marine bags a \$20m Singapore Navy contract and ST Land also won a S\$26.5m contract from the Land Transport Authority. STE set up a US\$1.2bn multi-currency medium term note program to diversify its funding options. It also plans to sell US\$500m of 10-year bonds. The notes will be priced to yield 1.5%-pt more than US Treasuries.
- Keppel Corp has secured three semi-submersible rig repair and upgrading contracts worth \$30m. Keppel Seghers Belgium NV, a wholly owned subsidiary of KIE has secured an €11m (\$22.3m) contract to provide technology to a waste-to-energy plant in Hangu. OCBC issued capital increased by 2.1% to 3.19bn shares, following the allotment of 67.3m new units under its scrip dividend scheme. Credit Suisse's deal with Aberdeen Asset Management has inadvertently raised its deemed stake in OCBC to the above 5% threshold that would normally require explicit approval from the Singapore regulators. It is not clear how these restrictions would apply to Credit Suisse which has no direct shareholdings in OCBC and which acquired its indirect stake of more than 5% in OCBC as a result of a transaction that did not involve the Singapore bank.
- Property stocks fell upon rumours of a proposed change to the income tax laws. Anyone who sells only one property in any four-year period will not be taxed on his profit, but if he sells another property within the four years of the first sale, the profit from the second sale may be taxable. Stock recovered when the Ministry of Finance came out to say that the proposed change is aimed at giving certainty and is not a move against property speculators.
- KepLand is offering \$0.29/share to delist Evergro Properties, its China unit. Shareholders can also opt for 1 new Keppel Land share for every 7 Evergro shares they own. KepLand now owns 85.4% of Evergro and will have to pay \$54m if all other shareholders choose to sell for cash. This offer values Evergro at \$368.2m.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
FSSTI	GENTING SINGAPOR	24.26	SIA ENGINEERING	-2.22
	JARDINE CYCLE+	22.92	SINGAPORE AIRLIN	1.50
	SINGAPORE EXCH	22.82	CAPITALAND LTD	2.96

THAILAND

Thai market closed up further 4.4% m-m in Jul 09 to close at 624 points on the back of continued foreign buying. There were profit-taking in the first two weeks, but then the index began to rise following regional markets rebounded. Foreign investors were still net buyers of US\$266m, down from US\$407m in Jun. Local institutions were still net sellers of US\$86m, down from US\$172m in May. Stock market was still quite active with US\$541m average daily turnover in Jul vs US\$693m in Jun. Politics seems to heat up again following the red shirts or former Prime Minister Thaksin's supporters planning to submit a petition, backed by 1m+ signatures, to the King to grant royal pardon to Thaksin. There were some attempts to block the red shirts to submit the petition. Thus, there could be confrontations between the pro- and the anti-Thaksin camps. The government suffered a sharp decline in its popularity as Prime Minister Abhisit's popularity plunged from 51% in Mar 09 to just 33% in Jul 09, while former Prime Minister Thaksin's rating jumped from 24% to 34%, surpassing PM Abhisit's rating. On the economic front, the central bank just announced that the GDP contracted 5.4% in 2Q09, improved from -7.1% in 1Q09. However, the central bank a week earlier had revised down its GDP contraction from 1.5-3.5% to 3-4.5% for this year, while it revised up GDP growth next year from 1.5-3.5% to 3-5%. Economic activities seemed to improve m-m in Jun. However, tourism sector is still hurt by the spread of H1N1 and the concerns on ongoing political uncertainties.

Corporate news

- Siam City Bank is to increase its share stake in Ratchthani Leasing to 50% under a recapitalisation plan by the leasing company.
- Total Access Communication Plc (DTAC), which operates Thailand's second-largest mobile carrier DTAC, is cutting its marketing budget by 20% this year to control costs at a time of slow subscriber growth. But strong growth in data services would help offset falling roaming revenue, so 2009's turnover should be similar to last years, chief commercial officer Thana Thienachariya said yesterday.
- Thai Airways International has no option but to keep its order for six Airbus 380 megajets, because cancelling could have huge legal and financial consequences. "The best option available for us is to delay taking delivery of those A380s," Wallop Bhukkanasut, the chairman of THAI's executive board, said last night.
- True Corporation has now taken over KSC Commercial Internet (KSC), the first commercial internet service provider in Thailand. KSC is a joint venture between the True subsidiary Internet Knowledge Center (IKSC) and CAT Telecom.
- The country's second largest developer, Preuksa Real Estate Plc (PS), plans to revise up sales target of 2009 from 18 billion to 20 billion baht after it exceeded its half-year presales target, said chief operating officer Prasert Taedullayasatit. Despite a gloomy market from January to April, PS posted 9.04 billion baht in sales in the first half of the year, rising by 35% from the same period last year. Around 5 billion was recorded in the second quarter. It also had another 1.5 billion baht for 312 weeks of July.
- National oil conglomerate PTT Plc (PTT) is expanding its bond issue size to 35 billion baht by exercising a green-shoe option worth 5 billion baht to sell at the end of this month, says CEO and President Prasert Bunsumpun.
- Kasikornbank posted 60% growth in its wealth management business over the past 12 months, with assets under management now around 250 billion baht. Assets held in mutual funds under its wealth management business have risen 40% over the past year to 60 billion baht, while debenture investments doubled to 30 billion. Bank deposits still represent the largest asset class at the bank with 150 billion baht. The bank currently has around 1,400 high-net worth accounts, up 20% over the past year and defined as clients with total investment assets of at least 50 million baht. Mr Tawit said the bank expected assets under management to rise to 300 million baht by the end of the year in line with the recovery in the global economy and financial markets.
- Despite the sluggish economy and political uncertainty, Samart Corporation (SAMART) is confident it will achieve its revenue target of 23 billion baht this year, helped by the surge in revenue and profit growth government projects.
- Bangkok Bank may post zero loan growth this year after seeing its outstanding loans fall by 6.26% in the first half. The bank has cut the upper range of its loan targets to 3% growth for the full year from 4% earlier. The forecast is based on the economy posting a contraction of 3-4% this year.
- Bangkok Bank results beat our expectations but in line with market consensus. The surprise came from a rebound in net interest margins and a decent growth in fee-based income, even though its loans still shrank both YoY and QoQ. Its operating costs were well under control. It's 1H09 net profit forms 55% of our full-year forecasts, but we maintain our numbers as we expect tougher. 2H09 and banks normally set aside more provision in 4Q.

- Thai Union Frozen Products, the country's largest tuna exporter, expects a record high bottom line this year and is aiming for a net profit of 3 billion baht next year, according to President Thiraphong Chansiri.
- Siam Cement 2Q09 results were better than the forecast by 24% and 34% above market consensus, driven by petrochem and paper business unit.
- Siam Commercial Bank cut its loan growth target from 7% to 3-5% range this year as demand for new funding slowed amid an economic recession.
- Krung Thai Bank results beat our forecasts and market expectations. The surprise came from strong growth in fee income and improved operating expenses. But as its 1H09 net profit forms 49% of our full-year forecasts, we maintain our figures. Although its loans grew nicely QoQ, its NIM shrunk as it cut lending rates more aggressively than others during 2Q09. And its NPL dropped to 8.0% of total loans as at end 2Q09 from 9.3% as at 1Q09. Its NPL coverage was low at 41%.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
SET50	CALCOMP ELECTRON	35.78	GLOW ENERGY	-12.50
	BANK AYUDHYA	24.83	TMB BANK	-5.81
	DELTA ELEC THAI	21.88	CENTRAL PATTANA	-5.61

INDONESIA

The Indonesian market performed exactly in line with the MSCI ex Japan. On the macro side: June CPI at 3.65% was better than expected. May trade surplus was less, at \$1.4bn (\$2.2bn expected and \$1.7bn in April). Bank Indonesia Reference rate was decreased to 6.75% from 7%. Foreign reserves stayed at \$57bn. Consumer confidence was an astonishing 109.1 for June. Motorcycle, auto and cement sales surpassed expectations nicely (485000; 39567; 3.8mn tons).

- Bakrie & Brothers plans to raise its stake in affiliates Bumi Resources and Bakrieland Development this year, potentially boosting earnings. "We will exercise the call options" to buy more of Bakrieland and Bumi, once Indonesia's most valuable company, Director Dileep Srivastava said. Deals to restructure part of Bakrie's US\$1.4bn debt had cut its holdings in the companies. Bakrie has an option to buy 7.8% more of Bakrieland
- Bumi Resources said its open to a strategic partnership in its Australian unit Herald Resources Ltd. Herald is "entertaining offers" from potential investors keen on a stake in the Perth-based company. Calipso Investment Pte. Ltd., wholly owned by Bumi, holds an 84.2% stake in Sydney-listed Herald. Bumi is seeking partners to develop Herald's zinc and lead mine in Indonesia after acquiring the company for A\$563mn (US\$454mn) last year. An investor in Herald may also help ease pressure on Bumi's cash flow as the Indonesian company expands its coal business. Herald's management is considering offers to take up equity in the company or its debt, Srivastava said. The Indonesian company has also expressed its interest in the Haju coking-coal mine run by BHP Billiton Ltd., Srivastava said. The company is awaiting the outcome of BHP's "deliberations"
- Medco Energi Internasional delayed a power plant, a liquefied natural gas plant and gas field development projects worth a total of US\$3bn. The company delayed its US\$600mn Sarulla power plant in North Sumatra because agreement hasn't been reached with state utility Perusahaan Listrik Negara on electricity selling prices. Medco postponed construction of its US\$1.8bn Senoro LNG plant in the Central Sulawesi province and the US\$600mn development of the Block A gas field in Aceh province, according to the report. The two projects have yet to obtain government approval.
- Mitra Adiperkasa, which runs Starbucks Coffee shops and Debenhams Plc stores in Indonesia, plans to sell Rp500bn (US\$49mn) of bonds soon. Proceeds from the bond sale will be used to repay part of the company's bank loans
- Aneka Tambang plans to spend US\$40mn to develop its newly acquired Cibaliung gold mine in the Banten province. The gold mine may start production by the middle of next year
- Astra Agro Lestari, Indonesia's biggest agricultural company by value, posted a 28% 2Q09 profit decline after palm oil prices fell. Net income in the three months to 30 Jun 09 dropped to Rp552.13bn (US\$56mn) from Rp770.4bn a year earlier, while sales slid to Rp2.13tr from Rp2.37tr. Unaudited net income in the six months to 30 Jun 09 fell to Rp769.85bn from Rp1.6tr a year earlier. Sales dropped to Rp3.54tr from Rp4.64tr, it said. The company earned Rp217.7bn in 1Q09. As of 30 Jun 09, the company had 254,595ha of plantation area and 20 processing mills with total capacity of 940 tons of fresh fruit bunches an hour. The company is building a plant in East Kalimantan that can process 45 tons an hour of oil palm fruit.

- Telekomunikasi Indonesia said 1H09 net profit fell 4.1% from a year earlier as higher interest expenses outweighed gains in sales. Net income in the six months ended 30 Jun 09 declined to Rp6.04tr (US\$607mn) from Rp6.30tr a year earlier. Sales climbed to Rp30.67tr from Rp30.21tr, while interest expenses rose to Rp938bn from Rp573.8bn
- United Tractors, Indonesia's biggest seller of earthmoving equipment, posted a record 2Q09 profit on rising demand for its coal mining services. Net income increased 54% to Rp1.1tr in the three months ended 30 Jun 09, from Rp689.5bn a year earlier. Higher coal prices and demand to extract the fuel helped the company's mining contracting unit, Pamapersada Nusantara, boost sales by 48% in 1H09. Production of the fuel may increase in the second half of the year on dryer conditions brought about by the El Nino weather pattern.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
LQ 45	CHAROEN POK INDO	63.08	MITRA RAJASA	-5.26
	INDO TAMBANGRAYA	32.83	BANK DANAMON	0.00
	HOLCIM INDONESIA	31.82	INDIKA ENERGY	2.15

MALAYSIA

July was again a disappointing month for the KLCI, as the index underperformed by -4% the Asian benchmark. On the macro side: The trade balance for May was a bigger than expected surplus of 10bn ringgit, as imports contracted 28%, more than the 24% expected. Foreign reserves increase to reach \$91bn (\$87bn in May). Industrial Production contracted 11%, as expected (-11.4% in May). CPI was -1.4%, in line. The Central Bank kept rates unchanged at 2%.

Corporate News

- The government is still open to the idea of a strategic foreign partner for Proton Holdings but it has to be on the right terms and conditions, said Prime Minister Datuk Seri Najib Tun Razak.
- Dreamgate has fixed the issue price for up to 90.1mn new shares to be issued under its proposed private placement exercise at 15.7sen/share.
- AirAsia, who is planning to issue 20% more shares, said it's considering selling the entire stake to a single institutional fund or a strategic investor as part of a plan to reduce debt.
- Air Asia says it carried 3.5 million passengers in 2Q09, 4% from year earlier. Also, capacity growth of 25% on-year contributed to earnings, but seat load factor declined marginally to 74.8% vs 75.2% in 2Q08. AirAsia also announced last night frequency of AirAsia X flights from Kuala Lumpur-Taipei will be increased from 5 flights per week to daily flights due to overwhelming response.
- Berjaya Land has placed out 40m Berjaya Sports Toto (BToto) shares for RM190mn or RM4.75 apiece.
- MRCB aims to have at least one fifth of its operating income as a sustainable, recurring stream in three years, driven by toll road operations, retail and building management income.
- UMW Holdings, which is delaying its plan to list its oil and gas (O&G) unit for the third time, is switching to fast gear on expansion as the price of crude oil rises.
- Tenaga Nasional reported lower than expected results and investors were disappointed by the Govts decision not to increase tariff rates. Courts decision on the RM113m arbitration also weighed on the stk px. However they have filed an appeal.
- Gamuda may announce a special dividend payout following associate SPLASH's acceptance of the latest takeover bid by the Selangor state government. The Selangor government recently offered to take over Splash for RM2.975bil but retained the company as operations and maintenance (O&M) operator in the state.
- Public Bank posted MYR610m for its 2Q vs MYR593mn fr a yr ago. It also declared an interim dividend of 30% per share totaling MYR777mn. The underlying operating net profit improved by 3% YoY.
- WCT won four infrastructure related contracts for the Medina Iskandar Malaysia valued at MYR767m. These contract will boost WCT's order book by 35% to MYR2.9b
- AXIATA: It is said Celcom and Excelcomindo under the Axiata group were performing better than its earlier expectations. Celcom is expected to deliver the largest +ve surprise as it benefited fr operating leverage and very robust growth in voice and data subscribers.

- Sapuracrest is among 7 contractors in running for 5 transport and installation packages offered under Petronas's umbrella tender. This is a 3-year contract, slated to start in 21Q0, valued at MYR3.0 billion.
- Uem Land:UEM Group has been offered construction projects in Vietnam worth several billion U.S. dollars. The company is also considering whether to accept a \$100 million contract to build a bridge in Phnom Penh in Cambodia, a project big enough to require other contractors.
- Bumi Commerce plans to establish a regional 'bad bank' to manage some MYR10-11b in NPLs that have been written down to about MYR1b. The bad loans were mainly for Msian operations but the 'bad bank' would also manage NPLs fr its Thai.
- DiGi is currently finalising the issuance of RM300m in bonds for its working capital requirements. DiGi expects its 3Q and 4Q revenue to reflect the impact of its newly-launched Family Plan that gives users the flexibility to include up to three prepaid supplementary lines, said its head of product and segment marketing, Albern Murthy.
- Malaysia Airports Holdings has appointed Datuk Abdul Hamid Mohd Ali as COO and Faizal Mansor as CFO effective July 1.
- Sime Darby Plantation is set to invest an initial RM100m to develop oil palm plantations on Native Customary Rights lands in Julau, about 55km from Sarikei, Sarawak.
- Perodua has forecast that the Malaysian automotive industry will recover slightly next year, with the company's TIV expected to reach 165,000 units, close to its historic high of 167,000 units in 2008.
- IOI Corp's shareholding in IOI Prop, which has been taken private by the former, has increased to 99.7% - up from 91.33% at the close of the takeover offer period on 31 March 2009.
- Genting Group is still on track to launch its S\$6.59bn Sentosa IR by 12Q010, despite recent news of delays by rival Las Vegas Sands.
- Malaysian tycoon Ananda Krishnan is set to restructure Astro All Asia Networks, in a RM9bn transaction that will rank as the region's largest corporate exercise so far this year.
- Hong Leong Bank has received a licence from the State Bank of Vietnam to incorporate and operate a wholly owned commercial bank in Vietnam by the name of Hong Leong Bank Vietnam Ltd (HLBVN).
- Proton Holdings said the automobile industry is facing a challenging year but bookings for its vehicles have remained stable, helped by the government's scrap car programme and support from finance companies.
- Prime Minister Datuk Seri Najib Razak said he has suggested that Maxis be re-listed on Bursa Malaysia to boost liquidity and attract investors to the stock market.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KLCI	PPB GROUP	26.72	BERJAYA SPORTS	-7.50
	AXIATA GROUP	24.05	PETRONAS GAS	0.00
	BUMIPUTRA-COMMER	19.34	DIGI.COM	0.00

PHILIPPINES

July was quite a good month for the Philippines: the index outperformed the MSCI in July by approximately 5%. On the macro side: Overnight borrowing rates were decreased to 4% as expected, from 4.5%. The June budget turned into a deficit of 30bn pesos. Overseas remittances expanded 3.7% in May, higher than expectations of just +2 to 3 percent. Remittances reached a record P1.48bn in May; YTD figure is now \$6.98bn or a +2.8% growth YoY. According to the Philippine Stock Exchange, Philippine listed firms' 1Q09 net income fell 9% YoY. Aggregate earnings for the period reached P63.82bn (\$1.32bn). The earnings decline was slower than the 29% drop in the full year of 2008. Philippine exports continued to fall in May albeit at a slower pace. May exports totalled \$3.08bn, down 27% YoY. However this is up 10% MoM as exports reached \$3bn per month mark in May versus \$2.8bn in April. YTD exports still down 34.5% to \$13.8bn. Electronics declined 27% YoY to \$1.8bn in May; Compared to last month, electronics exports were up by 8%. Electronics account for 58% of exports 27%, 24%, and 40% respectively compared to previous year. FDI surged to positive flow of \$601mn in April, reversing the outflow trend in Jan to March of \$27mn. April inflow considered an aberration as it featured Kirin Holdings' investment in San Miguel Brewery. Philippine central bank approved plans to raise as much as \$1bn through an international bond issue. Will either be through a global bond or a Eurobond proceeds to finance the widening deficit. Budget deficit target for 2009 raised to P250bn and can even reach P320bn or 4% of GDP. Vehicle sales in the Philippines grew 4.4% in June to 10,909 units from a year earlier, higher sales driven by new model launches. YTD sales however reflected a decline of 2.8% to 59,910 units whilst passenger car sales in June grew 1.8%; Sales of commercial vehicles rose 6.2%. Local inflation eased to its slowest pace in 22

years. CPI for June 2009 registered at 1.5%; just within BSP's forecast 1.1% to 2.1% range. This compares to 3.3% in May and is lower than market expectations of 1.75%. Comparable to April 1987 which saw a rise of +1.0%. Attributed to fall in oil and commodity prices from last year.

On the political side, Senator Manuel Villar has generated a wide lead in the upcoming Philippine presidential race according to latest surveys. Villar controls property developer Vista Land & Lifescapes. The Senator leads the pack of the top eight potential candidates with 33% of respondents favoring him as the new president. Former President Joseph Estrada comes next with 25%. Senators Francis Escudero and Manuel Roxas were tied in third position, each with 20% share of the 1,500 respondents.

Corporate News:

- Philippine Savings Bank reported better profits in 1H09. Net profit in the first half of the year was P623mn slightly better than the P608mn in 1H08. Net interest income expanded 27% to PHP2.25bn. This is attributed to strong core lending business and government securities investments.
- San Miguel Purefoods unit reportedly on the selling block. Purefoods is a meat and sausage producer; was integrated in 2001 to SMC given a good fit to its poultry and feeds business. SMC reportedly willing to sell 49% of its fully owned food processing unit. PF posted P541mn in 1H09 income, up 26% YoY.
- Banco de Oro Unibank Inc., reported a net profit of P1.1bn in 2Q09. This is 10% better than the P1bn reported from 2Q08. However, 1H09 profits declined 12% to P2.1bn from P2.4bn last year.
- Philippine Long Distance Telephone Co. got a credit rating upgrade from Moody's Investors Service. This followed upgrade for the Philippine government's long-term dollar debts. In a statement late last Thursday, Moody's said it had given PLDT debt a "Ba1" rating, or a notch above the "Ba2" rating previously.
- Filinvest Development Corp. (FDC) form new hotel unit. SEC the incorporation of Filinvest Development Corp.'s new hotel and leisure business venture in Cebu City. Seascapes Resort, Inc., has P100mn in authorized capital, with 25% subscribed to and paid for by Filinvest Development and several members of the Gotianun family. Seascapes Resort will construct, develop, and manage hotels, inns, and resorts.
- Energy Development Corp. (EDC) to receive \$15mn from contract extension to provide geothermal well drilling and other services to Lihir Gold Ltd. (LGL.AU) in Papua New Guinea. Contract expired in March but will now be extended until December 2009, providing an additional \$15mn in revenues for EDC. EDC has been providing drilling services to Lihir Gold. Lihir sources electricity for its gold mine and processing facility on Lihir Island in Papua New Guinea.
- First Philippines Holding's sale of Meralco stake to PLDT officially done. Market turnover ballooned to P22.6bn on the 29th on block sales of Meralco issue. Around 223mn shares of MER were sold as 2 blocks totalling at P90/ share. This deal represents the shares acquired by the PLDT group from the First Phil. Holdings group last February. Deal completed ahead of the August 31 "backstop date". Exclusive of the \$1.1bn inflow from Kirin, FDI would have posted a decline of \$500mn for the month. FDI inflow in the first four months of the year reached \$648mn, up 29.1% from a year earlier.
A Meralco director indicated that Meralco's net income will improve sharply in 2009. According to the official, MER is poised to earn P13 to P15bn this year. This is a gargantuan increase from only P3.1bn last year although core income was estimated at P5bn per annum. Exclusive of the \$1.1bn inflow from Kirin, FDI wouldve posted a decline of \$500mn for the month. FDI inflow in the first four months of the year reached \$648mn, up 29.1% from a year earlier.
- DMCI-MPIC Water Company Inc. file for increase in capital. This is the joint venture water company between DMCI Holdings, Inc. and Metro Pacific Investments Corp. (MPI.PH). The JV Company seeks to increase its authorized capital stock by 46% to PHP8.8bn from PHP6.0bn. Of the proposed PHP2.88bn increase, Metro Pacific subscribed to 1.9bn shares. DMCI subscribed to the remaining shares by converting shareholders' advances into equity. This will bring Metro Pacific's interest in the company to 55.4%, while DMCI will own 44.5%.
- Telco stocks (GLO and TEL) underperformed the market. National Telecommunications Commission (NTC) issued a memo mandating telcos to (1) charge voice calls on per pulse basis (every 3-seconds) and (2) extend the extend the life of prepaid load credits depending on denomination. NTC action is a response to clamour for lower call rates and Senate investigation regarding issue on "drop calls" issue several weeks back.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
PCOMP	MANILA ELECTRIC	64.75	ABOITZ POWER	-1.75
	VISTA LAND+LIF	56.25	JOLLIBEE FOODS	3.06
	ALLIANCE GLOBAL	49.09	SAN MIGUEL	3.85