

ORIENT FINANCE

SUMMARY OF ASIAN MARKETS

OCTOBER 2009

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INDICES	30/09/2009	30/10/2009	% MONTH	% YTD
MSCI AC FAR EAST EX JAPAN	423.45	417.67	-1.36%	53.17%
HK & CHINA <i>(Page 2)</i>				
Hang Seng	20955.25	21752.87	3.81%	51.19%
Red Chips	3893.75	4018.08	3.19%	22.04%
H-Shares	11858.15	12769.36	7.68%	61.81%
Shanghai A-Shares	2916.73	3143.88	7.79%	64.45%
KOREA <i>(Page 5)</i>				
Kospi	1673.14	1580.69	-5.53%	40.57%
Kosdaq	505.94	486.46	-3.85%	46.50%
TAIWAN <i>(Page 7)</i>				
Taiex	7509.17	7340.08	-2.25%	59.87%
SINGAPORE <i>(Page 9)</i>				
Straits Times	2672.57	2651.13	-0.80%	50.50%
THAILAND <i>(Page 10)</i>				
SET Index	717.07	685.24	-4.44%	52.29%
MALAYSIA <i>(Page 12)</i>				
Kuala Lumpur Composite	1202.08	1243.23	3.42%	41.80%
INDONESIA <i>(Page 13)</i>				
Jakarta Composite	2467.59	2367.70	-4.05%	74.69%
PHILIPPINES <i>(Page 15)</i>				
Philippines Composite	2800.82	2908.50	3.84%	55.30%
INDIA				
Sensex 30	17126.84	15896.28	-7.18%	64.77%
PAKISTAN <i>(Page 16)</i>				
Karachi 100	9349.67	9159.18	-2.04%	56.17%
AUSTRALIA				
S&P/ASX 200	4743.60	4643.20	-2.12%	24.74%

CURRENCIES

VS EURO	30/09/2009	30/10/2009	%	VS US\$	30/09/2009	30/10/2009	%
HK \$	11.34	11.48	-1.18%	HK \$	7.75	7.75	0.00%
CHINESE RENMINBI	9.99	10.11	-1.20%	CHINESE RENMINBI	6.83	6.83	-0.02%
KOREAN WON	1723.03	1747.73	-1.43%	KOREAN WON	1178.05	1182.05	-0.34%
TAIWANESE \$	46.95	48.22	-2.71%	TAIWANESE \$	32.15	32.53	-1.17%
SINGAPORE \$	2.06	2.07	-0.30%	SINGAPORE \$	1.41	1.40	0.86%
THAI BAHT	48.95	49.52	-1.16%	THAI BAHT	33.44	33.43	0.03%
MALAYSIAN RINGGIT	5.06	5.06	0.08%	MALAYSIAN RINGGIT	3.46	3.41	1.42%
INDONESIAN RUPIAH	14147.62	14202.56	-0.39%	INDONESIAN RUPIAH	9665.00	9585.00	0.83%
PHILIPPINES PESO	69.30	70.55	-1.81%	PHILIPPINES PESO	47.34	47.63	-0.62%
INDIAN RUPEE	70.42	69.58	1.19%	INDIAN RUPEE	48.11	46.98	2.36%
PAKISTANI RUPEE	121.77	123.84	-1.70%	PAKISTANI RUPEE	83.15	83.81	-0.79%
AUSTRALIAN \$	1.66	1.62	2.22%	AUSTRALIAN \$	0.88	0.91	-3.45%

GENERAL FACTORS AFFECTING ASIA AS A WHOLE

The Asian markets were mixed in October, with Chinese, Philippine and Malay stocks outperforming; while stocks in India and Korea underperformed. The institutional investors are getting cautious. Neither are valuations that cheap, nor catalysts clear. Fund flows show lagged inflows into Asia and inflows favouring laggard markets.

Despite US lacklustre consumption, 3Q earnings from corporations around the world have been beating consensus forecasts, thanks to cost cutting and decent sales. In the US the 3Q earnings season has been particularly strong, with around 75% of the S&P 500 companies reporting better-than-expected earnings. Apple, Texas Instruments and Intel posted impressive 3Q results. US tech companies surprised the market, fuelled by the release of Microsoft's Windows 7 and stronger-than-expected PC demand in China. The consensus for global corporate PC demand in 2010 is positive, with companies replacing aging PCs and servers. This view caused a meaningful increase in DRAM prices.

In the US we had mixed macroeconomic numbers: good 3Q GDP, decent jobless numbers, good Empire manufacturing, but also smaller than expected rise in housing, poor mortgage applications, decreasing consumer confidence...

A new scandal exploded in the US, as Galleon hedge fund faces US federal charges related to insider-trading. According to the FT Galleon allegedly paid hundreds of millions of dollars to some brokers in exchange for confidential information. Galleon dealt with Morgan Stanley, Goldman Sachs and Bear Stearns.

Bulk shipping started to see a ray of hope as steel imports to China revived, Baltic Dry Index climbed and some bulk shipping supply was pushed out to the future. BDI had a jump on surging rates for capsized-class vessels to haul coal and iron ore. At one point in October, crude oil has crossed the US\$80bbl for the first time in 2009, prompting concerns that an unchecked rise in oil prices could derail the fragile economic recovery. The weak dollar has pushed oil higher. Oil has since more than doubled from below US\$33 last December.

Australia decided to raise their interest rates.

Towards the end of the month, some Asian governments, worried the rally in the property market could turn into a bubble took some cooling measures (HK for luxury property; Taiwan asking three state linked banks to curb property loans; China trying to control advances of more than 300 000 yuan given by banks).

The Thai market fell sharply in mid October on rumours about the health of the 81-year-old and highly venerated King Bhumibol Adulyadej. No one in Thailand wanted to talk about this, a real taboo in the country. Investors had doubts about the official reassurances and foreigners heavily sold the market on worries about potential social disorders.

Pakistan has suffered a horrible Taliban wave of gun and bomb attacks on civilian and military targets that have killed around 300 people this month. October was a quiet month in terms of typhoons, earthquakes and tsunamis. No major natural disaster in Asia.

And finally.... our congratulations to our partners in Korea, Malaysia, Pakistan and the Philippines who have all just been declared as Best Local Brokerage House for the year 2009 in their respective markets by AsiaMoney. Only the number one has been announced for the moment, but experience suggests that our colleagues in the other Asian markets should be quite close to the top as well.

HONG KONG / CHINA

Market extended its gain in Oct despite some profit-taking after reaching its YTD high on 23 Oct. The index was up 3.8% MoM in to 21,753. The Shanghai Composite Index gained 7.8%, while the H share index was up 7.7% MoM in Oct. YTD, the HSI has gone up 51.2% while A share index has surged 64.5%.

On the macro side:

In China, a good set of figures for China, with many indicators showing a strong economy. The September PMI stayed at S4 level.

3Q Business Climate Index showed 120.1 (110.2 2Q). Exports contracted just 15% in Septmeber, having expected -21% against a backdrop of -23% in August. Imports were virtually flat, contracting just 3.5%, a vast improvement on the -15% expected and -17% in August.

M2 and New loans were again impressive: +29.3% (28% August) and 516.7bn yuan (440bn yuan expected; 410bn yuan in August). Foreign reserves reached \$2.27tn (2.13tn in August). 3Q GDP was in line at 8.9% (7.9% in 2Q), and therefore GDP YTD grew at 7.7% for the first 3 quarters.

China is still in recession: PPI -7.7%, (-8% in August) and CPI -0.8% (-1.2% August). Retail sales +15% as always. Finally, Industrial Production and Fixed Asset Urban Investment both surprised slightly on the upside; growing +13.9% and 33.3% respectively, having been +12.3% and +33% in August.

As for Hong Kong, PMI showed 51.8 in September (52.8 in August). Foreign currency reserves increased to US\$226bn (223bn in August). Unemployment decreased slightly to 5.3%, from 5.4% in August. CPI increased

to 0.5%, pushing HK out of recession (-1.6% in August)

Trade Balance deteriorated to 29bn HKD deficit (-21 in August). Imports contracted very slightly YoY. Exports contracted much less than expected, -8% versus -10% and -14% in August.

Chinese banks outperformed as interim results were above expectations or in line. China Construction Bank +10%, Bank of Comm +0.5%. ICBC +7.7%. China Citic Bank +16.2%.

Chinese Auto sector outperformed on strong Sep sales. Dongfeng +14.2% and Denway +9.3%. Brilliance jumped 76.8% MoM as the company entered into business transfer agreement to sell the loss-making Zhonghua sedan business to its parent, Huachen. Weichai rebounded 26.1% MoM as it announced better than expected 3Q results. Geely surged 34.6% on strong car sales in Sept and its parent company is in negotiation with Ford on the purchase of Volvo cars.

Cement sector underperformed as news of government curbing the industry overcapacity remained an overhang.

IPP sector underperformed as uncertainty in coal price remained an overhang. Huaneng Power announced better than expected interim results, but Datang's results were disappointing. Huaneng -0.8% MoM, China Resources Power -9.4%. Datang -7.2%.

Chinese property sector outperformed as underlying demand for properties remains strong. COLI +1.9%, Shimao +12.3%, Agile +12.1% and Guangzhou R&F +9.8%. Chinese retailers and department stores outperformed on strong Golden week sales. Golden Eagle continued to go up by 3.2% while Xinyu Hengdeli was up 19.2%. Parkson was up 11.2% while Lifestyle was up 8%.

Telecoms underperformed as competition for market share continues to weigh on profitability in coming years. HK Property sector continued to outperform on surging residential property prices.

Hong Kong banking sector generally underperformed on profit-taking.

Corporate News:

- China Overseas has entered into agreement with Shell Electric Manufacturing (SMC) to expand COLI's property platform in the PRC. COLI reported 3QFY09 operating profit of HK\$1.8bn, bringing 9MFY09 operating profit to HK\$7.18bn, in line with expectations.
- Shimao together with Shanghai Shimao has acquired a site in Xiamen for Rmb709m to be developed into 2 high-rise buildings, comprising office, a five-star hotel and commercial facilities. Set up JVs with Wuxi Communications, a SOE, to develop five plots of land in Wuxi, Jiangsu province, into an integrated project of high-end residential, commercial and hotels, with the aggregate site area of around 301k sq m, or planned GFA of 1.4m sq m. Acquired 2 premium land sites at Yuhang district of Hangzhou city, Zhejiang province at total consideration of Rmb360m.
- Agile proposed to issue the senior notes and received the approval in principal for the listing of the Notes on the SGX. Merrill Lynch and HSBC are the joint lead managers and the joint bookrunners on this transaction.
- New World Development net profit plunged 78.5 % to HK\$2.08bn for the year to June in the absence of new projects offered for sale and on fair-value losses on investment properties. Turnover fell to HK\$24.41bn from HK\$29.36bn.
- BOC, CCB and ICBC - Central Huijin Investment increased its stakes in BOC, ICBC and CCB. Huijin bought A shares through the Shanghai Stock Exchange.
- BoCom 3Q09 results were within our expectations and market estimates. 3Q09 net profit edged up 1.5% to Rmb7.32bn, bringing the bank's 9M09 net profit to 78.5% of our full-year forecast.
- CCB 3Q09 net profit expanded 18.6% to Rmb30.3bn, bringing 9M09 net profit to 75.7% of our full-year forecast. The results were in line with our expectations but should be above market estimates.
- Citic Bank's 3Q09 results topped our and market expectations by expanding 7.5% YoY. The bank's 9M09 net profit totalled 82.6% of our full-year forecast. The main positive surprise was higher-than-expected NIM.
- BOC 3Q09 net profit rose 19% YoY to Rmb21.1bn on increased loans and lower impairment losses on investments. This beat consensus estimates of Rmb20.5bn. BOC 9M09 operating profit fell 20.3% YoY to HK\$10.58bn.
- ICBC 3Q09 net profit rose 19% YoY to Rmb33.6bn, better than Consensus estimates of Rmb31.5bn. 9M09 net profit is Rmb100bn.
- Anhui Conch 9M09 net profits, prepared according to PRC GAAP, expanded 11% YoY to Rmb2.2bn. Although it works out to only 64% of our full-year estimate, we consider it to be in line as the group typically generates a third of its earnings in the peak period of 4Q.
- Sinoma made an announcement regarding its new contracts signed with Nigeria based Dangote for two cement production lines with 3000t/day, involving US\$288m in total (Rmb 1.97bn).
- Li & Fung will pay up to US\$401.8 mn (HK\$3.134bn) to buy US clothing business Wear Me Apparel. It will also spin off Trinity to raise HK\$745.7m.

- Fu Ji Food and Catering Services Holdings, a mainland firm that helped provide food for the Beijing Olympics last year, has applied to the High Court to wind up its operations.
- China Life third-quarter profit more than doubled to 5.95bn yuan (HK\$6.75bn) from a year earlier as the equity market recovery boosted its investment returns.
- China Mobile settled an anti-trust lawsuit with a subscriber for US\$146. 3QFY09 operating data were in line with our expectations, though slightly below consensus forecasts. Net profit was flat YoY, with revenue growth of 8% YoY offset by a 1.9% pt drop in EBITDA margin.
- China Telecom reported 3Q09 operating statistics, with net profit slumping 51% YoY and missing our forecast and consensus.
- ZTE will sign a commercial agreement with Telstra Corp. when Chinese Vice Premier Li Keqiang visit Australia.
- CNOOC 3Q09 sales dropped 23.1% YoY to Rmb23.76bn.
- Sinopec 3Q09 net profit rose 124% YoY to Rmb16.6bn as demand rebounded. 9M09 net profit rose 2.3x to Rmb49.8bn.
- Petrochina Acquires 16.31% share of Australian-listed oil and gas group Cue Energy Resources, from Petrochina's acquisition of Singapore Petroleum. Posted a 24 % drop in third-quarter profit after oil prices fell from record levels a year earlier. Net income fell to 30.8bn yuan (HK\$35bn) from a restated 40.3bn yuan a year earlier.
- Nine Dragons Paper aimed to sell US\$350 mn worth of shares in a top-up placement.
- Geely announced that the listed company entered into purchase agreements with the parent company to purchase its three plants which are located in Chengdu, Jinan and Lanzhou for a total cash consideration of Rmb 333.4m. It also announced that its parent company, Zhejiang Geely Holding Group Co. Limited, is in detailed discussions with Ford Motor Company for the purchase of Volvo Car Corporation. Weichai Power 3Q09 net profit, prepared according to PRC GAAP, surged 225% YoY to Rmb1.16bn, taking 9M net profit to Rmb2.38bn.
- Brilliance will sell the Zhonghua sedan business to its parent for at least Rmb494.5m.
- Yanzhou coal completed the acquisition of Australia's Felix Resources Ltd, which reported first-quarter sales advanced 21% YoY to 1.2m tonnes.
- China Coal 9M09 net profit declined by 14% YoY to Rmb 4.9bn.
- Datang's 3QFY09 PRC GAAP results were below expectations, with 9MFY09 net profit accounting for only 40% of our full year forecast and 43% of consensus.
- Huaneng's 3Q09 results beat expectations. 9M09 core net profit already exceeded consensus full-year forecast by 6.6%.
- CLP Holdings revenue fell 12 % in the first nine months of the year because of government curbs on its returns in the city. Sales declined to HK\$37.6bn from HK\$42.7bn in the same period last year. Revenue in Hong Kong fell 10.3 % to HK\$21bn.
- Anta's major shareholders have placed out 80m shares or 3.2% of its issued shares at HK\$10.00/share, a 7.1% discount to the last closing price.
- CRE announced the asset swap with its parent CRH. CRE will acquire from CRH 75 "Vanguard" branded hypermarket stores (the Home World Group acquired by CRH from independent third parties in 200. A brewery in Shandong province. At the same time, CRE will sell non-core assets back to CRH: Textile operations, and Interests in two container port JVs (namely HIT container terminal in HK and Yantian container terminal) Acquired assets (ie. (+) is valued at Rmb4,937m whereas disposed assets (ie. (+) is valued at Rmb4,784m. The difference of Rmb153m will be settled by a discounted price of Rmb30m cash paid by CRE to CRH.
- China Cosco posted a 3Q09 net loss of Rmb690.7m compared to a net profit of Rmb5.56bn a year earlier after sales fell 53% YoY to Rmb15.8bn.
- Tsingtao 9M09 net income climbed 78.6% YoY to Rmb1.25bn while sales rose 10% YoY to Rmb4.94bn.
- ASM 3Q09 net profit rose 50% YoY to HK\$401m while sales remained flat at HK\$1.57bn compared with HK\$1.52bn a year earlier. 9M09 net profit fell 49.5% YoY to HK\$476m.
- MCC 9M09 net profit was Rmb3.45bn and sales was Rmb119.8bn.
- Henderson chairman Lee Shau-kee sold as much as 30% of his HK stock to buy land for homes. Henderson is also spending more than HK\$10bn buying old buildings for redevelopment.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCEI	CHINA OILFIELD	19.23	DATANG INTL	-7.16
	CHINA MERCH BK	17.77	CHINA NATL	-6.47
	CHINA CITIC BK	16.24	CHINA RAIL	-6.16

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSI	FOXCONN INTL	37.33	CHINA RES POWER	-9.43
	CHINA RES ENT	17.29	CHINA UNICOM HON	-7.47
	CNOOC	15.36	HONG KONG CHINA GS	-4.19

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCCI	BYD ELECTRONIC	69.05	CHINA RES POWER	-9.43
	GUANGZHOU INVEST	65.35	CHINA UNICOM HON	-7.47
	CNPC HK	65.34	CHINA MOBILE	-2.12

KOREA

The Kospi fell 5.5% in October, underperforming other Asian markets. Foreign net buying of Korean stocks appears to be slowing this month, we expect October net-capital inflows to be lower than those in September despite persistent net buying of Korean bonds. 3Q corporate earnings have been solid, which we attribute to cost cutting and easing of marketing competition. September household lending fell to W1tr to W404.2tr, dropping for the first time in 8 months as the authorities tightened mortgage lending. BOK left key interest rate unchanged at 2% for the last 8 months (as expected). Sept PPI fell for the 5th month by 2.6% YoY on cheaper oil and strong KRW. Korea may target a 4% cut in greenhouse gas emissions by 2020.

Korea reported another current account surplus in September largely on the goods balance surplus rising to USD5.45b (vs USD3.33b in August) thanks to an increased number of working days last month (Chuseok fell in October this year vs September in 200; and incentives for firms to increase exports ahead of 3Q results. However, in October we expect custom-cleared exports to decline 11.6% YoY and imports to decline 15.8% YoY. Thus, we now expect October's trade surplus to decline to USD2.4b. Accordingly, the current account surplus, which has been rising due to declining imports, should be squeezed going forward. We believe that the capital & financial account saw portfolio investment by foreign investors leap significantly in September on increased foreign net buying of Korean securities following the FTSE's upgrade of Korea to developed market status; and higher net buying of Korean bonds for arbitrage trading. Won may weaken to around KRW1,220/USD at year-end. As short-term borrowing at financial institutions expanded in September in the 'other investment' line of the capital and financial account, we expect financial authorities to tighten regulations on foreign-currency liquidity ratios. Coupled with a decline in current-account surplus, this leads us to maintain our view that the won will weaken in 4Q to around KRW1,220/USD at year-end. DRAM shares did well on rising spot prices and a belief that contract prices for the 2nd half of October should be higher as well. DDR3 spot price YTD high at US\$2.18 on hopes Microsoft's Windows 7 OS to boost demand. Consumption numbers were solid. We attribute the recent recovery in consumption mainly to low interest rates that have reduced households' interest burden; and rises in asset prices. As Korean households have continued to borrow (unlike their counterparts in advanced countries), we see interest rate hikes as the biggest risk to domestic consumption and department store sales. While rates have been rising since 2Q, we believe current consumption levels will be sustained unless interest rates rise significantly.

Corporate news:

- Samsung Electronics 3Q profits came in a bit higher-than-forecast as huge turns in semi and TFT-LCD profits drove the earnings increase. SEC plans to spend W2.6tn to build 7.5G LCD plant in Suzhou, China, by forming a venture. SEC completed the building of the 7th handset manufacturing plant in Vietnam & plans to increase production capacity to 100m units by 2012.
- LG Display made a disclosure that the company is considering to acquire LG Innotek's LCD module biz next year, however price may be an issue as Innotek is demanding W500bn vs LGD's view of W100bn.
- Hynix fell slightly in another very volatile month. Nothing is sure yet regarding the potential stake sale to Hyosung but the CEO of Korea Finance Corp commented that while price is important, the government will put higher priority on buyer's capability and long term commitment when selecting the buyer of stake sale. Leading to speculation that Hyosung won't be able to buy Hynix. Apart from that, Hynix official commented that 2nd gen 1Gb DDR3 dev is complete.
- Samsung Electro-Mechanics plans to spend W40.6bn to buy back 407,722 shrs (0.5% of o/s) for investors who exercise stock options. SEMCO announced good 3Q results, showing growth in consolidated sales and operating profit of 17.7% and 60.6%, respectively, to KRW1.5t and an all-time high of KRW207b.

Unlisted subsidiary Samsung LED posted solid sales of KRW183.2b, backed by increasing LED TV sales at Samsung Electronics. Semco's sales of power modules soared 34% QoQ on robust demand for SEC's LED TVs.

- Internet games companies were hit by China regulatory risk as China tightened regulations for foreign online games to protect home-grown games.
- Samsung Fine Chemicals announced poor 3Q operating profit, missing both our estimate and market consensus by more than 15%.
- Cheil Worldwide posted growth in 3Q operating profit of 12% YoY to KRW11.9b, thanks to a drop in labor costs and the base effect of last year's one-off consulting fees. Shares in Cheil Worldwide have outperformed on expectations of an earnings recovery next year, backed by sports events and an expected rise in marketing expenses at SEC; new business opportunities linked to a revision of Korea's media law; and visibility of an acquisition involving a Chinese ad agency.
- CJ CGV announced that 3Q sales and operating profit rose bolstered by higher ticket prices and strong seasonal sales. However, operating margin declined 2.1%pts YoY due to increased fixed costs following aggressive site expansion—the firm opened five new sites this year. CJ CGV plans to open 2 new sites in 2010 and 5 in 2011.
- LG Telecom 3Q operating profit improves on reduced marketing expenses. Its valuation discount with market leader SK Telecom should narrow following the announcement of LG telcos' merger—LGT shares are trading at 7.2x 2009 P/E while SKT's are at 11.4x 2009 P/E. LGT continues to expand subscriber base on price and distribution competitiveness.
- Auto sector finished the month little changed after a volatile month, the main players HMC and Kia fell sharply but rebounded afterwards. A 10.4% decline in auto sales pushed down total retail sales for Sept in US. The Toyota Camry will be released in Korea with much lower price at W34.9mn to compete with HMC's YF Sonata. Mobis was a bit stronger than other auto sector plays on CEO comment that 2009 sales to exceed earlier target of W8.9tn (-4.2% YoY) for domestic mkt and US \$6.7bn (+4.7% YoY) for overseas mkts.
- Korean battery plays were volatile after recent rallies, on concerns over the negative impact from US ITC's probe of Toyota over hybrid car patent infringement.
- Hana FH was volatile. It plunged 14% on 5th Oct on talk of W1~2tr rights issuance and disclosure that an US fund lowered holdings from 5.32% to 4.33%. However Hana decided not to discuss recapitalization for the time being and the shares rebounded a little from that level as Hana posted solid 3Q results due to NIM recovery and write-back from Taesan LCD provision.
- Retailers outperformed on expectations of earnings turnaround in 3Q due to more consumer spending (this was confirmed by the end of the month). We attribute department stores' recent outpacing of discount stores in sales growth to macro factors (wealth concentration and slowing overseas consumption growth) and micro factors (ability of each retail channel to respond to changes in consumption trends). Unless discount stores improve their service and value, their sales will likely remain sluggish, and for longer than the market expects. We therefore prefer department store-oriented retailers, such as Hyundai Dept Store and Lotte Shopping.
- Lotte Shopping managed to rise despite concerns over aggressive expansion scheme in China as the company bought the Chinese retailer Times, US\$625mn investment much bigger than this year's overseas investment guidance of W360bn.
- Shinsegae reported slightly below consensus 3Q results of W2.58tr Rev & W229.9bn OP.
- Jinro debuted quietly in the market after its IPO, trading slightly in positive.
- Kogas fell despite it made disclosure that the value estimated for land in Kyunggido area about W2.03tr vs. previous W840.5bn according to the recent asset revaluation. Kogas said it will delay the development of a natural gas project in Uzbekistan by 2 yrs to 2014 due to uncertainty about its reserves. Kogas released Sept gas sale of 1.54mn metric tons (+1.4% YoY).
- Construction sector attracted buying interest after the International Contractors Association of Korea reported Korea's Sept overseas construction contracts recorded US\$5.5bn (+257% MoM, +559% YoY).
- Kepeco's subsidiary Korea Power Eng delayed its IPO by almost 2 months to Dec 14 after book building showed low demand.
- Megastudy recovered from earlier weakness on talk of solid 3Q earnings and comments that recent correction on government regulation was overdone as the new agenda to switch foreign language school to have limited impact.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KOSPI50	GS ENGINEERING	15.51	OCI CO	-19.70
	LOTTE SHOPPING	6.46	HYUNDAI DEVELOP	-16.36
	HYUNDAI ENG+CONS	4.38	SK HLDGS	-15.02

TAIWAN

The Taiex fell slightly after its impressive +10% gain in September. The Taiex hit YTD high index level of 7,811.92 in mid-October, but selling pressure in the last week of October led by pullback of global market and profit taking activities to finish the month at 7,340 points, or down 2.25% MoM. Daily turnover was 127bn, slightly up from \$1211.bn in Sept, with long-margin position at \$233.2bn, also up from \$216.2bn. We saw increasing participation from both local and foreign investors in Sept. There have been active switching from tech into traditional and financial sectors amid MOU & ECFA signing approaching, as some investors believe 3Q09 upbeat tech results should in-line with expectation and concerns tech's seasonality. Taiwan government officials suggested ECFA negotiation has commenced in October which trigger one-day rally on the Taiex. Other sectors were relatively in-line with the Taiex performance (mostly within 5% range). National Stabilization Fund has been reportedly saying to reduce holding in the Taiex with \$20bn unrealized profit, but government never confirm such a saying. NT dollar surged. Tax reform committee of Executive Yuan was planning to impose capital gain tax on corporate first follow by individuals leading the Taiex to tumble in early session on Oct 13th, but Premier Wu denied such a proposal will be on the table. Most of tech companies reported 3Q09 result beating expectation including AsusTek, Wistron, Unimicron, CSC, etc. The Central Bank has expressed concerns over high housing prices and has, in an effort to stop housing speculators from pushing up housing prices, requested government-owned banks to narrow the interest rate spread between teaser rates and the interest rates to be paid after that, or to adopt a single rate for the entire mortgage period.

According to customs records, the decline in exports slowed to 12.7% YoY in September from 24.6% YoY in August. Exports value was US\$19.07bn, largely unchanged August. Imports fell 21.1% YoY in September, improving from 32.3% in August. As a result, in September the trade balance grew by US\$0.6bn to US\$2.6bn. Exports rose for the fifth straight month in September due to stronger demand for electronics and optical equipment. Electronics exports declined by 3.7% YoY in September (-13.4% in August), while optical equipment (panels) exports posted positive growth of 2.2% in September (-16.5% decline in August). By destination, exports to China recovered strongly, rising by 0.3% in September vs the 17.3% contraction in August. The decline in shipments to advanced economies also slowed in September, with Japan, Europe and the US down 13.4%, 20.4% and 28.2%, respectively. Premier Wu was planning to impose a new energy tax, but there is no set timetable at this time.

Corporate news:

- TSMC reported good 3Q09 sales of NT\$89.9bn, up 21% QoQ, and net profit of NT\$30.5bn, for EPS of NT\$1.18. TSMC chairman Morris Chang predicts sales to grow another 10% YoY in 2010 as a strong recovery in consumer electronics will help boost foundry demand.
- UMC reported 3Q09 sales of NT\$27.4bn, up 21.1% QoQ, and an improved profit margin of 27.9%. UMC announced plans to buy a 49.9% stake in UMC Japan via a subsidiary for a total amount of NT\$2.1bn.
- Acer chairman said that in the next 3 years Acer's sales would increase by 70% and its annual sales would challenge US\$30bn. Acer has surpassed Dell as global number 2 PC maker, according to IDC; with a 14% share of the world PC market, Dell is in third with 13%. Acer released its first Android netbook and smartphone, Acer Liquid uses the android operating system and comes with a 1Ghz CPU at a reasonable price.
- Asustek outperformed as the company reported better-than-expected sales in 3Q09. The company made NT\$67.06bn in sales in 3Q09, up 46% QoQ, for EPS of NT\$1.5. Market speculates that its NB shipments will challenge 13-15mn units in 2010.
- Quanta 3Q09 earnings were slightly lower than market's estimates. 3Q09 earnings reached NT\$6.11bn or NT\$1.68 per share, up 25% QoQ, on the consolidated sales of NT\$211.8bn (up 17% QoQ). Quanta guided a 20% QoQ NB shipments growth in 4Q09. However, due to the component constraint and labor shortage, the company revealed these are the potential swing factors for 4Q09 shipments Momentum. 15-20% shipments growth in 4Q09 will be more likely.
- Gigabyte outperformed the market, as investors welcome news that the company started introducing USB 3.0 on its mother board products, ahead of its competitors.

- TFT-LCD shares fell slightly. Taiwan Ministry of Economics announced that it will allow panel companies to establish plants in China and will not restrict investment by plant generation, but rather their Taiwan plants will have to be more advanced in technology and higher production capacity than that of China plants.
- AUO announced 3Q09 after-tax earnings of NT\$7.42bn, lower than expectation of NT\$10bn. For 4Q09 AUO indicated that panel prices are likely to fall and erode earnings but it is positive on the outlook for 1Q10. Market speculates AUO will enter the E-book business, its hardware would be produced by Qisda and the driver IC will be produced by Orise.
- Hannstar reported 3Q09 earnings of NT\$491mn, up 118% QoQ, putting the firm in the black.
- Innolux announced to acquire Toppoly from Compal, which triggered the re-rating on Compal on one of the non-core investment concern was out of the way.
- Epistar was weak in October despite the company reported record quarterly net earning of NT\$0.63bn in 3Q09, up 110% QoQ, the share price fell on profit-taking, as other LED group plays.
- DRAM contract prices, as widely expected, rose further during the 1H of October, up 7.2% to US\$1.78 for 1GB DDR2 and up 1.7% to US\$1.75 for DDR3. Since DRAM prices started picking up in July, the rates have topped 50%. Price growth has now slowed. Even prices of DDR2, the most popular product in the market, have risen more slowly than in the previous two months. Recent price movements of DDR3 have stagnated to the point that there is no price differential between DDR3 and DDR2. We think DRAM prices are now at high levels, as we see little justification for DDR2 prices moving higher than DDR3 prices. Taiwan DRAM makers, such as Inotera are likely to break even in terms of monthly operations. But the incoming slow season will not support to shares. Inotera is now trading at a P/B of over 2.0x, a historical high, implying limited price upside.
- Powertech announced solid consolidated 3Q09 sales of NT\$8.1bn, up 14% QoQ, as profit margin increased to 25.5% from 21.6%. Powertech will increase its 2009 capex to NT\$7.0bn from NT\$5.0bn.
- SPIL posted improved 3Q09 sales of NT\$16.7bn, +18.4% QoQ, EPS of NT\$0.8 and profit margin of 23.2%. SPIL will increase its 2010 capex to NT\$10bn as foundry industry to have strong growth for the next five years.
- Macronix posted 8-year high 3Q09 net profit of NT\$2.2bn, up 131% QoQ, for EPS of NT\$0.7. The company said its share of the NOR flash products market should be among the top three in two years.
- iPhone related shares continued to perform well as investors expect further orders for the popular handset. Companies such as Foxconn and Unimicron should benefit if Apple raises its iPhone sales guidance by again.
- Taiwan government will not extend tax deduction of \$30k on new cars under two-liters in engine, while automakers are hoping for another year extension into 2010.
- SK Life acquired a raw land in Taipei at \$4mn/ping, which was the 4th highest bidding in history.
- Financial sector was only down 1% (after 16.7% rally in Sept) amid continuing local buying interests, as MOU is just around the corner. Financials performed poorly during the 2H of the month on concerns that the MOU may not be signed before end-October, the date according to the previous schedule.
- Property sector, on the other hand, dropped after CBC's chairman Peng suggesting banks to impose restrictions on housing mortgage, as he believes property price over-heated.
- Taiwan Fertilizer property development project in eastern Taipei has been sold out. The co expects to recognize NT\$100mn in additional revenue each month for 24 months. This additional revenue should boost its 4Q09 EPS by NT\$0.3.
- China reported better-than-expected golden week holiday sales up 18% YoY, which trigger the buying interests in China harvest share earlier this year (like RT-Mat, FEDS, First Steamship, etc.).
- Uni-President announced January to September sales of NT\$33.9bn and after-tax earnings of NT\$7.2bn, or EPS of NT\$1.85, up 46% YoY.
- Far Eastern Textile(140 officially changed its name to Far Eastern New Century, to better reflect the earnings contributions, which is more similar to a holding company.
- Internet games companies shares like Chinese Gamer and Softworld fell in October on profit taking. There were news that China announced that foreign investors are prohibited from investing in online gaming operations through wholly owned enterprises, joint ventures or cooperatives. The move however, would leave Taiwanese operators largely unscathed as Taiwanese operators license games to Chinese counterparts, who are then responsible for applications of release numbers and actual operations.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
TW50	FOXCONN TECH	21.16	MEDIATEK	-13.25
	COMPAL ELEC	10.95	TAIWAN FERTILIZER	-10.43
	ASUSTEK COMP	10.51	EVERGREEN MARINE	-10.00

SINGAPORE

The FSSTI fell -0.8% in October as the positive mood seems to be tempered by increasing caution of late. Volume traded fell for the second consecutive month, down around 27% from September. By sector, financials and telcos underperformed. Singapore's manufacturing sector outperformed expectations in August for the second time in a row. Factories here produced 12.3% more YoY (August), the second straight double-digit monthly climb after July's 17%. Non-oil domestic exports rose a seasonally adjusted +3% MoM in September (the third straight MoM rise). PMI fell to 50.6 from August's 54.4, a sharper slowdown in manufacturing expansion than had been expected. Retail sales jumped +5.2% in August over July. CPI (Sep) fell by 0.4% from the same month last year, with dips in the prices of transport and communication, housing and recreation. Singapore's population continued to grow despite being in a recession, it reached 4.99 m as at end-June (+3.1% YoY). Visitor arrivals to Singapore reached 844,000 in August 2009, or -0.7% YoY. This represented the smallest YoY decline this year. Key markets, Malaysia (+40%) and Hong Kong (+34.7%) registered double-digit growth this month. Singapore's 3Q GDP grew 0.8% YoY, the first positive YoY showing in over a year and Singapore is out of recession. The Jobs Credit scheme has been given a six-month extension to help employers cope during the financial crisis. Budget 2010 will be aimed at more targeted government spending and is likely to be another deficit - reflecting the government's cautionary stance, new incentives to boost productivity. Temasek's bond issue of \$1.5bn has been sold out. 3M SIBOR stays flat at 69bp. The yield curve steepens slightly, 10YR SGS rises to 2.64% (from 2.39%), 20YR-SGS rises to 3.32% (from 3.2%). MAS warned that Singapore banks may need to raise more capital to strengthen the banking system. This was said in context to upcoming accounting rules on capital. Meanwhile, global regulators are considering minimum global liquidity standard to address liquidity concerns. Singapore plans to tighten regulations for hedge funds and other alternative fund managers. The property market saw strong sales of private homes (record 5,71 in 3Q. The full-year figure is expected to top 2007's record of 14,811 units. Private home prices rose sharply in 3Q over the preceding three months while prices of office, shop and flatted factory space fell at a slower pace in 3Q than in 2Q. The overall private home price index increased by 15.8% in 3Q over 2Q, a tad shy of the 15.9% jump reflected in its earlier flash estimate for the same period. The latest rise in the index reversed four preceding quarters of declines. Loan growth (Aug) grew by 1% to S\$274.6bn, total loans is +2.5% YoY. Corporate lending finally posted an uptick after nine months of declines, but was still 5.9% below the peak.

Corporate news:

- City Developments is selling the first phase of a large-scale 956-year leasehold Hundred Trees condo at an average price of \$895psf. Buyers can opt for the IAS scheme but have to pay 2.5% more. CDL sold 316 units and subsequently raised the average price to \$910psf. City Developments' hotel unit Millennium & Copthorne (M&C) plans to grow its presence in the Middle East and North Africa from 30 properties now to 100 by 2015.
- CDL will build the W Hotel chain in Sentosa Cove in 2011. The 250-room hotel will be part of the Quayside Isle Collection. Sentosa currently has about 1,200 hotel rooms spread across seven hotels and at least 1,800 more rooms to come within the next three years.
- Capitaland will spin off its \$20.3bn retail portfolio into a separate unit, which will be listed on the Singapore Exchange. The group's retail arm CapitaLand Retail will be renamed CapitaMalls Asia (CMA) and will have a Pan-Asian portfolio of 86 retail properties. The new company will take the lead on all future retail activities while CapitaLand will focus on nonretail businesses. Concerns have been raised about the impact it may have on CapitaLand's two listed retail property trusts – CMT and CRCT. Both trust might lose out if investor interest switches to CMA. CMA IPO is set for year-end.
- Genting Singapore's S\$6.2bn investment in Resorts World Sentosa includes a S\$1bn theme park, Universal Studio. The latter could reap around S\$315m a year in ticket sales alone and attract 4.5m visitors/yr. Genting Singapore is on track for a partial opening of its Singapore casino-resort by Christmas. Marina Sands is now almost certain to be opening later than RWS.
- The Ascott Group clinched a management contract for a property in the coastal city of Hai Phong. Another property (232 units) will open in Ho Chi Minh City in the 2H2011. Vietnam will be a significant market in future.
- Noble completed a US\$2.4bn three-tranche financing, the largest syndicated loan in Asia ex-Australia which involves 63 banks. The deal was oversubscribed to US\$2.5bn and the global commodities trader raised the final deal size from US\$1.8bn. Separately, Nobel also announced that it has successfully issued US\$850 m worth of 10yr-bonds, with a yield of 6.875%.

- Wilmar to spend S\$18.8m to buy a 16.6% stake in Malay-listed Three-A. As part of a private share placement, Wilmar will subscribe 61m shares of Three A. This is to enable Three A and Wilmar to collectively venture into any future overseas investment to explore the setting up of plants in China.
- Olam has made it to the Forbes Asia's Fabulous 50 list meeting tough performance criteria. Meanwhile, Olam has raised the issue size of its recently launched 6% convertible bonds due 2016 by US\$100m, taking it US\$500m.
- SIA has achieved a passenger load factor of 80.9% in September 2009, as a 12.5% cut in capacity more than offset a 7.9% fall in passenger carriage. This was a significant improvement on SIA's 76.9% load factor in September 2008 and up from 78.3% in August this year. Breakeven factor is probably around 80% now. SIA which cut staff salaries across the board has agreed to a union request to give back some of the money to lower-income workers.
- NOL's container shipping volume for the four weeks to 18th Sept 2009 increased 1% YoY to 205,700 forty-foot equivalent units (FEUs).
- SingTel outbid StarHub to scoop up the exclusive broadcast rights for the next three seasons of the English Premier League (EPL). SingTel also managed to wipe out the bulk of StarHub's sports programming by convincing anchor tenant ESPN Stars Sports to defect. SingTel aims to wire up to score with businesses of commercial pay-TV clients to tune in to the next season of the EPL. Field deployment of the networking technology to wire up this lucrative customer segment will begin in the coming months. Meanwhile, The Singapore government is looking into the thorny issue of content exclusivity amid growing concerns that such arrangements could be anti-competitive and detrimental to consumers in the light of the exclusive pay-TV content. In addition, SingTel has confirmed that it will be looking to add the World Cup event to its sports programming triumphs over StarHub. SingTel's Australian subsidiary Optus has issued US\$500 m of 10-year bonds with a semiannual coupon of 4.625%.
- Mobile One has finally been given the green light to sell the iPhone, which has been SingTel's exclusive deal for the past one year. With this deal, there is a possibility that iPhone prices could fall.
- SGX has added three new ETFs from Lyxor, including the first Russian ETF. The new additions bring the total number of Lyxor ETFs to 20. UOB Asset Management will list the Ashares ETF on SGX.
- DBS said it plans to more than double its Indonesian branch network over the next three years and will look for acquisitions as it targets expansion in Southeast Asia's biggest economy. DBS hopes to have about 100 branches in Indonesia, up from 40 currently. In Taiwan, DBS will replace more than 30 expatriate managers who helped integrate the acquisition of Bowa Communication Bank.
- OCBC is paying US\$1.463bn in cash for Dutch bank ING Group's private banking assets in Asia, propelling it into the ranks of the region's top wealth managers. This purchase will boost OCBC's private-banking assets under management (AUM) to US\$22.5bn, from US\$6.7bn. Also OCBC is poised to raise its stake in China's Bank of Ningbo from 10% to 15.1% at a cost of about Rmb2.2bn (S\$450.2 m).
- Rig-Repair and Shipbuilding. With companies having to venture into deeper waters and farther offshore to find oil, the way to produce this oil is with floating offshore installations (FOIs). The order Momentum for both Keppel Corp and SembMarine should pick up from end-2009 on the back of potential Petrobas orders, a revival of capex by oil majors on improving oil prices and credit availability.
- Cosco (Singapore) has agreed to defer progress payments on yet another vessel. Cosco had earlier rescheduled the delivery dates of give bulk carriers by between four and 13 months after their original delivery dates. The last of the deliveries will now be in 2012.
- KepCorp signed a letter of intent to build an oil platform for energy giants Petrobas and Chevron. The project is worth US\$1.1bn but Floatec has not officially clinched the contract.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
FSSTI	CAPITALAND	11.29	CAPITAMALL TRUST	-13.51
	OLAM INTL	10.00	STARHUB	-12.90
	HK LAND	9.89	NEPTUNE ORIENT LINES	-10.67

THAILAND

Thai market dropped 4.4% m-m to close at 685 point at the end of Oct 09 on concerns on the King's health (as he has been hospitalized since 19 Sep 0, Map Ta Phut's pollution case, and regional sell-offs. As the market had gone up by almost 60% in 9M09, it is quite healthy to have some profit-taking.

Foreign investors were still net buyers of US\$19m in Oct 09, down sharply from just US\$688m in Sep. Local institutions were still net sellers of US\$71m, down from US\$120m in Sep. Stock market was still active with US\$771m average daily turnover in Sep, up marginally from US\$768m in Sep. However, the turnover dropped to about US\$512m per day in the last week of Oct 09 as market sentiment turned sour.

On the political front, the concern on the King's health shocked the market in mid Oct 09, before the market bouncing back after clarification from the Royal Household Bureau. Then wars of words between Thai Prime Minister and his Cambodian counterparts, Hun Sen, heightened the tension between the two countries.

On the economic front, the central bank seems to be more upbeat about the economy on the back of good figures in Sep 09. The Bank of Thailand announces that Thailand is out of recession. It raises next year's GDP forecasts from 3-5% to 3.3-3.5% and also raises this year's GDP forecasts from -3- -4.5% to -2.5- -3.5%.

Macro figures were quite good as in many Asian markets, with Export contracting much less: -8% YoY in September, when -15% was foreseen, Exports having been -18% in August. Imports decreased 18% (-27% predicted; -33% in August). As a result, trade surplus was kept around \$2bn.

Bank of Thailand left rates unchanged, at 1.25%. September CPI stayed at -1%, same as August. Total car sales showed expansion MoM: 16649 in September versus 43250 in August.

Corporate News:

- Industrial Project Suspension: A few more companies affected by the suspension of the 76 industrial projects in Map Ta Phut by a court injunction will file appeals against the Central Administrative Court's decision. Meanwhile, fears rose that the suspension of the projects could lead a rise in non-performing loans
- Siam Cement Grp will soon lodge an appeal against the injunction suspending 76 industrial projects in Map Ta Phut, according to Roongrote Rangsiyopash, vice-president and chief financial officer of the industrial conglomerate. Siam Cement announced another good results for 3Q09 with core profit up 15% YoY and flat QoQ. 9M09 core profit was down only 5% YoY, which is 2% above market expectations on better-than-expected earnings from petrochemical and paper businesses.
- Thai Airways Intl says it will defend itself against allegations of price-fixing in the air cargo industry by Australia's competition regulator.
- Jay Mart the country's leading mobile handset distributor, will launch Thailand's first all-inclusive insurance service for mobile phones.
- Tot says it will use all means at its disposal to remove Article 78 from the draft law establishing a single broadcasting and telecom regulator. The company considers the article a risk to its revenue.
- 3g Auction date, in mid December, is now seems very unlikely as the final public hearing on the auction rules will not take place until Nov 12. Investors locked in profit from recent gains after better than expected earnings were largely priced in.
- PTTEP posted a 3Q09 net profit of Bt5.3bn, down 59.5% YoY and 19.0% QoQ. The result was in-line with the consensus forecast of Bt5.5bn. The company reported a loss (before tax) from the oil and gas leak at the Montara project of 5,2bn bahts.
- Preuksa Real Estate: company expect revenue growth of 25% next year and plan to launch another 32-37 projects this year. PS is still talking about their plan to launch project in Vietnam.
- Bangchak Petroleu: the majority state-owned oil refiner, is conducting a feasibility study into a solar power plant to ensure its leading role in alternative energy in Thailand, said president Anusorn Sangnimnuan.
- The solar power plant would have a capacity of 30 megawatts. The company has already requested a licence for small-scale power production from the Office of the Energy Regulatory Board but Dr Anusorn declined to reveal the company's investment.
- Thai Union Frozen Product revealed that its 2009 earnings should hit a new record thanks to lower material costs and strong demand. With the impressive earnings in 2009, TUF expects to pay more than Bt1.00 per share as dividend.
- Bank Of Ayudya 3Q09 results were 33% above consensus due to stronger-than-expected NIM and good cost control. BAY also booked THB308m of gains from asset disposals and THB142m of gains from the takeover of AIG Retail Bank and AIG Credit Card in 3Q09.
- Siam City Bank 3Q09 results were in line with market consensus. There were strong rebound in its NIM and a sharp rise in insurance premiums. Catalysts for SCIB could include possible fierce competition for the 48% block held by the FIDF, which is expected to be sold by mid-2010.
- Krung Thai Bank - Strong fee income and good cost control. 3Q09 results were well above market consensus, driven by stronger-than-expected fee income. NIM also improved in 3Q09, while there was good cost control. However, with low NPL coverage of 41%, we believe the bank is likely to set aside big provisions again in 4Q.

- Siam Commercial Bank: NIM rebounded in 3Q09, while asset quality remained stable with an NPL ratio of 4.4%. Strong fee income and good cost control also contributed nicely to its bottom line. With an improving economy, we expect SCB to continue to do well next year.
- Bangkok Bank 3Q09 results were in line with market consensus. Strong fee income offset smaller-than-expected net interest margins. With improving loan growth, we expect its NIM to improve in 4Q09. NPLs were stable at 5.2% of loans with NPL coverage higher at 113% as at end-3Q09. Costs were under control. CAR was strong at 15.5% with 12.7% Tier I, well above the minimum requirements of 8.5% and 4.2%, respectively.
- Kasikorn Bank 3Q09 results were in line with market consensus net profit Bt3.72bn, -3% YoY as a result of rising operation cost. Loan growth remains weak. The bank may have large expenses, especially from its K-Transformation programme again, in 4Q09.
- TMB Bank 3Q09 earnings review: Weaker than expected TMB reported a 3Q09 net profit of Bt526mn, up 33.9% QoQ but down 68.4% YoY.
- Despite weak net interest income and rising operating expenses, earnings still grew QoQ due to provision write back of Bt139mn versus provision of Bt3.7bn in 2Q09. The YoY decline was due mainly to a huge loan contraction (down 15.7% YoY), declining net interest margin (NIM) (down 46.6bps YoY), and declining fee income (down 6.2% YoY). Overall, the result was 20.0% below the consensus due to lower than expected provision write back. The operating result (pre-tax PPOP) was also weak, down 31.0% QoQ and 57.0% YoY.
- Phatra Securities is in talk with SCB Securities on a possible merger (Tan Hoon newspaper). Phatra is expected to benefit if the deal goes through from wider retail clients base from SCBS. The combined market share will be 5.8% which would move them into the top five in broker ranking.
- Nissan Motor Thailand is aiming for a double-digit market share in Thailand within four years under a business plan dubbed Revolution 2012.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
SET50	PREUKSA REAL EST	33.33	LAND&HOUSES	-15.67
	CHAROEN POK FOOD	21.38	PTT CHEMICAL	-14.68
	THANACHART CAP	13.22	ITALIAN-THAI DEVELOP	-14.05

MALAYSIA

Very impressive performance for Malaysia in October, as the market appreciated by more than 3% when the MSCi ended roughly flat, as Malaysia enjoyed foreign money flows. August Exports contracted by -20%, less than the -23% expected. Imports contracted more than anticipated: -19% (-13% anticipated; -16% in July). Also, the trade surplus was a pleasant surprise, rising to 9.6bn ringgit (7.8bn in July).

Industrial Production also showed improvement: -5.7% (-6% expected; -8.4% July). The Central Bank maintained rates at 2% as expected.

The 2010 budget announced on the 25th October, succeeded in disappointing expectations, with a 1% cut in tax rate for individuals to 26%, but the levying of a 5% real property gains tax and the absence of a corporate tax cut. Nevertheless, the new budget was considered as responsible and prudent. Also, no new 'sin taxes' were levied.

Construction sector was a winner, as several new infrastructure jobs worth more than 11bn ringgit were announced. One of the good points was the stronger than expected reduction of the budget deficit as % of GDP to 5.6% GDP instead of the 7.6% GDP consensus.

Corporate News:

- SapuraAcergy, a 50:50 JV between SapuraCrest and Norway's Acergy, has clinched a US\$170m contract from Apache Energy to transport and install pipes and platform facilities in western Australia.
- Proton is in talks with several parties to embark on contract assembly. Also, Proton is in talks with India's Hero Group to build small passenger cars for the Indian market.
- In other news, the company's chairman has indicated his willingness to participate in a management buyout of the national carmaker.
- Tenaga and Argentina's giant energy firm Impsa have forged an alliance to create an IPP run by wind generated turbines.

- The company is also planning to build two new hydroelectric dams in Hulu Terengganu and Hulu Jelai in Pahang with a cumulative capacity of 622MW. Tenaga has proposed that the government consider providing incentives for the renewable energy (RE) industry in the upcoming Budget 2010.
- Maxis hopes to raise at least RM11bn in an IPO based on the lower end of its price valuations of slightly under RM5 a share.
- Astro has won the bid for the rights to broadcast the British Premier League (BPL) for the next three seasons for about RM800m.
- AirAsia has been granted landing rights in Paris by the French government and with this opportunity, AirAsia X will now reconsider its earlier plans to fly from Kuala Lumpur to Nice, France next year.
- Genting has proposed to establish a RM1.6bn nominal value guaranteed medium term notes (MTN programme).
- Genting Malaysia has completed the subscription to US\$15m (RM50.5m) 7.875% first mortgage notes issued by Wynn Las Vegas.
- DRB-Hicom has put in a bid to buy 32% of Proton Holdings in hopes that ownership of the national carmaker in the hands of the private sector would help improve the entire industry.
- Sime Darby has started talking to investors on the sale of its RM4.5bn Islamic bond to raise money for working capital and acquisitions.
- Nestle aims to double its share of Malaysia's out-of-home market worth RM11.2bn to 70% in the next five years.
- Media Prima is making a conditional takeover offer of The New Straits Times Press (M) via a one-for-one share swap together with one free Media Prima warrant for every five shares of the latter.
- In separate news, the company sold its 70% stake in Philippine-based MPB Primedia Inc to Mediaquest Holdings Inc for US\$16m (RM54m).
- DiG.com Bhd 3Q09 results- 3Q09 net profit was Rb244.1m. This was 9.6% lower than last year, and 4.1% up QoQ. 3Q revenue only climbed 3% QoQ though 3Q is a seasonally strong quarter due to Ramadan festivities. The topline was driven by a growth in subscriber base and an uptick in postpaid ARPUs.
- New Straits Times Press (M) 3Q09 results- 3Q09 net profit was Rp18.5m, up 14.9% YoY and 74.8% QoQ. The 9M results were above expectations as the double-festivity effect in Jul-Aug 09 was stronger than expected.
- Tenaga Nasional Bhd 4Q09 results- Tenaga's FY8/09 core net profit of RM2.16bn, which excludes RM1.2bn net forex losses, was 12% below our projection but 3% above consensus. FY09 topline rose 16% YoY, led by the 20% uptick in average tariffs, which was partially offset by a 2.6% contraction in Peninsula Malaysia's power demand.
- Public Bank Bhd 3Q09 results- 9M09 net profit slipped 4.6% to RM1.84bn, which is within expectations. The decline in net profit resulted mainly from the non-recurrence of 1QFY08's RM200m goodwill payment from ING. Other factors were a drop in net interest margin and a rise in overheads.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
FBMKLCI	HONG LEONG BANK	14.00	AXIATA GRP	-5.48
	CIMB GRP	12.43	ASTRO ALL ASIA	-5.14
	AMMB HLDG	11.03	BERJAYA SPORTS	-2.48

INDONESIA

Not a good month for Indonesia, as the market underperformed the MSCI Asia ex Japan by a few %.

On the macro side, September CPI was roughly in line at +2.83% YoY (2.75% in August) and as in many markets, Exports contracted far less than was expected -15% versus -22%; -23% in July. Therefore there was a better than anticipated trade surplus: US\$1.24bn (US\$1bn expected; US\$ 1bn in July). Imports contracted more than expected by -24%, pushing the trade surplus even further.

Bank Indonesia kept reference rate at 6.5% as expected. Danesaksa Consumer Confidence abated somewhat to 87.5 in September (94 in August). Foreign Reserves reached \$62bn at the start of October. M2 rose 17% in August (16.4% in July).

Cement consumption, local auto sales and local motorcycle sales decreased MoM to 2.8mn tonnes, 37209 units and 421660 units respectively.

Corporate news:

- Pembangunan Perumahan, an Indonesian state-owned construction company, may sell shares in November to raise Rp1.5tr (US\$156m) in an initial public offering. Pembangunan Perumahan may sell a 30% stake to the public
- Bank Negara Indonesia shareholders approved the company's plan to separate its Islamic banking division early next year. Bank Negara will turn the Shariah-based division into an Islamic banking unit with paid-up capital of Rp1tr (US\$105m).
- Tambang Batubara Bukit Asam and Medco Energi Internasional are among companies that may bid to buy a BHP Billiton Ltd. coal project in Indonesia. Bukit Asam, a state-controlled coal producer that's conducting due diligence on the mine, may invite other companies to jointly bid for the project.
- In other news, the Bukit Asam has obtained a license for a special railway project which involves the building of a 300km railway from Bukit Asam's Banko coal concession in South Sumatra to Srengsem Port in Lampung, from the Ministry of Transportation. The project involves a joint venture of Bukit Asam (10%), Transpacific Railway Infrastructure (80%) and China Railway Engineering (10%), formed on 6 Aug 08.
- The company has also completed the purchase of 51% of Indonesia Prima Coal from Rajawali Corp. Bukit Asam, which bought the stake for US\$17.5m, expects the newly acquired unit to produce 1.2m metric tons of coal next year.
- Bhakti Energi Persada, owner of four coal mines in Indonesia, may delay its initial share sale to the second quarter from Dec 09. Bhakti Energy may sell 20% of its shares in an initial public offering in Dec 09. The company, controlled by Triputra Investindo Arya and Persada Capital Investama, plans to use the proceeds to increase production.
- Berlian Laju Tanker may issue US\$368m of mandatory exchangeable bonds to acquire Camillo Eitzen & Co. ASA and to fund expansion plans. Bondholders may exchange the debt with Berlian shares in 1H10.
- Bakrie & Brothers, an Indonesian investment company, said it has bought back 324m shares of Bumi Resources for Rp551.2bn (US\$58.3m) from a unit of Ancora Group. The buyback agreement was signed on 8 Oct 09.
- Adaro Energy, Indonesia's second-biggest coal producer, will sell about US\$500m of bonds with an expected 8% yield. Adaro said on 2 Oct 09 it had hired Credit Suisse Securities (Europe) Ltd., DBS Bank Ltd., and UBS AG to help arrange the debt sale.
- Perusahaan Listrik Negara, Indonesia's state utility, said it posted a Rp6.26tr (US\$666m) profit in 1H09 as the currency strengthened reducing energy cost. In other news, the company plans to sell US\$1.25bn of bonds to help fund the government's project of adding 10,000 megawatt of power-generating capacity.
- Bakrieland Development set to divest 30% stake in Bakrie Toll Road and several property subsidiaries next year. Given the size, Bakrieland expects the stake will be sold to more than one strategic partner. The divestment is expected to raise Rp2tr which will be used for further investment in toll road and property development. In total, Bakrie Toll Road will develop 300km road in length with investment of Rp15tr.
- Medco Energi Internasional, Indonesia's biggest publicly traded oil company, plans to sell US\$300m of bonds soon. The company has invited investment banks to bid to manage the bond sale.
- Honda Motor Co. plans to increase its annual production capacity for motorcycles and scooters in Indonesia by 20% to 3.6m units by way of a joint venture with Astra International to build a facility at one of its three existing plants.
- Perusahaan Gas Negara, Indonesia's biggest gas distributor, said 9M09 profit doubled after the company completed a pipeline project last year to meet rising demand. Net income rose to Rp4.4tr (US\$463m) in Jan through Sep 09, from Rp1.79tr in the same period a year ago. The company completed a pipeline linking South Sumatra and Java in Aug 08.
- Astra Agro Lestari's profit dropped for a fifth straight quarter as lower palm oil prices reduced sales at Indonesia's largest publicly traded plantation company. Net income in 3Q09 ended 30 Sep 09, fell 10% to Rp478.2bn (US\$49.5m) from Rp532.4bn.
- International Nickel Indonesia (Inco), the country's biggest nickel producer, posted its first quarterly profit gain in two years as cost reductions more than offset a drop in sales. The company had a net profit of US\$75.88m on sales of US\$249.84m in the three months to Sep 09.
- Bank Mandiri, Indonesia's largest financial-services company by assets, posted a 26% increase in 3Q09 profit as loan demand increased in Indonesia's economy. Net income rose to Rp1.69tr (US\$175.8m) from Rp1.34tr year earlier.
- Tambang Batubara Bukit Asam's net income rose 69% from a year ago to Rp2.23tr in the nine months to Sep 09. Sales climbed 32% to Rp6.55tr.
- Semen Gresik 3Q09 results- 9M09 net profit was Rp2.4tr, up 34.4% YoY, slightly ahead of consensus and our estimate. Net profit was boosted by cost efficiency and higher interest income, which resulted in better margins. Sales volume declined 1.5% to 12.9mt but ASP grew 20% to Rp798k/tonne.

- Indosat 3Q09 results- 3Q09 net profit of Rp443bn was 6.2% up YoY and 50.1% down QoQ. Revenue was down due to a plunge in multimedia and Internet, IDD and fixed line revenue, while mobile revenue climbed 6% QoQ. Operating expenses jumped due to higher direct costs, labour and marketing expenses.
- Bank Danamon 3Q09 results- 3Q09 net profit was 495Rpbn, which was 18.1% down from a year ago, but up 3.8% QoQ. The results suggest that the NPL cycle is ending for the bank, mainly in its core mass-market business where asset quality has been improving. Its flat loan growth was covered by rising net interest margin.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
LQ 45	HOLCIM INDO	21.80	ENERGI MEGA PERS	-27.27
	SAMPOERNA AGRO	10.84	BUMI RESOURCES	-26.36
	SEMEN GRESIK	8.73	TRUBA ALAM ENG	-26.32

PHILIPPINES

The PSE index rose 4% in October, seemingly overlooking the severe damage to consumers and infrastructure in the main island of Luzon caused by two deadly typhoons earlier this month. The market was buoyed by a number of factors including: A commitment from government that they will sustain spending to help offset the adverse impact of the typhoons and a slowing economy. A stream of reasonably positive economic numbers that mostly suggest that the economy continued to recover in 3Q09. Anticipation of a strong 3Q09 reporting season which will unfold in early November.

On the macro side:

Exports fell 21% in Aug-09. The rate of decline continues to slow although exports are still down 30% YTD. Exports of electronics and exports to the US – two of the worst-hit areas, showed visible improvement.

Remittances from overseas Filipinos rose 2.8% YoY in Aug-09, slowing from 9.3% in July. YTD, remittances are up 3.7% and easily on-pace with expectations of 4% growth for 2009. Though this growth target appears modest, it is remarkable in the context of a global economic downturn. The growth in remittances will help keep the current account in surplus despite weak exports.

The government warned that the 2009 deficit may reach Php300bn or 20% more than programmed. The Finance Department explained that the bigger gap is a result of (failure to privatize government assets; (added spending needed for reconstruction; and (shortfalls in tax collection due to the weak economy. However, such a Php300bn deficit (4% of GDP) should be less of a concern if confined only to 2009 as this widened gap has already been funded with the recent US\$1bn bond issue completed by the sovereign.

Congress failed to vote on the Law governing REITs. This may be taken up in mid-November, when Congress re-convenes.

A couple of banks reported that 9M09 profits more than doubled. However, it appears much of the growth in income was driven by trading gains, though loan growth was also a positive earnings driver.

The Exchange announced changes to the composition of the 30-stock PSE index that will take effect beginning Nov 3. To be included in the PSEi are Security Bank, DMCI, and the Philippine Stock Exchange. To be removed are Vista Land, ABS-CBN, and RCBC.

Corporate News

- Manila Electric Company reported a four-fold increase in 3Q09 profit and a 67% rise in 9M09 earnings. The profit jump stems from higher distribution rates beginning Jun-09, a 4% increase in electricity volume sales in 3Q, and reduced systems loss. MER also declared a 1.50 DPS, ex-date Nov 10. Our now seemingly conservative earnings forecasts and Sell rating for MER is under review.
- RLC commenced its Php1bn share buy-back plan in late October. Although the buy-back is mildly accretive to EPS, we wonder why buy-back only now after the stock has doubled over a 4-month period. We reckon RLC raised too much cash after completing Php10bn worth of 5-year bonds in 3Q09.
- FPH said they will likely sell half of their remaining 13.4% share in MER. The sale is expected to be completed by end-Nov-09.
- MPI said they are the likely buyer of the MER shares FPH is selling. MPI said they would use a mix of debt from parent FirstPac and commercial sources. If we assume the purchase is entirely debt-funded at 9% p.a., it cuts EPS by 6c/sh while the incremental income from MER amounts to 4c/sh. The net reduction of 2c/sh in EPS for MER is roughly 10% of 2010E earnings. Purchase is mildly dilutive in 2010E but finally ends speculation that the PLDT-MPI group may be at risk of losing control of MER to SMC.

- FGEN is expected to secure shareholder approval for a proposed US\$300mn rights issue which will be put to a shareholder vote in Nov-09.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
PCOMP	PHILEX MINING	32.18	VISTA LAND & LIF	-14.66
	FIRST PHILIP HLDG	25.00	ALLIANCE GLOBAL	-10.42
	ABOITIZ POWER	17.19	AYALA LAND	-8.70

PAKISTAN

Despite go ahead with Kerry Lugar Bill (US\$7.5bn aid for Pakistan) and improved macroeconomic indicators, markets sentiments remained weakened due to deteriorating security, law and order situation across the country. As a result, benchmark KSE-100 index dropped 1.05% from previous month's closing. This drop however came after a much awaited market correction of 594 points during the month of October. October also witnessed the biggest weekly drop (7%) of 2009. The military operation by the Pakistan army in South Waziristan has caused an array of terrorist activities throughout the country. As a result, investors opted for a selling strategy.

Foreign interest in the market also subsided as offshore investors' net buying amounted to just US\$35.6mn as compared to US\$128.1mn last month. Amongst the local investors, companies and mutual funds were seen to be the most bearish as they sold net shares worth US\$21.1mn and US\$9.6mn, respectively. Amongst the sectors textile (weaving), auto assembler and fertilizer stocks performed well as their market capitalization grew by 41.7%, 24.3% and 14.8%, respectively. Moreover, average daily volumes were recorded at 216mn shares (US\$133.1mn), compared to 258mn shares (US\$162.7mn) in Sept 2009, down 16.3%.

During the month of October foreign remittances were recorded at US\$806mn in September as against US\$660mn in the same period last year, a rise of 22%. This was the third consecutive record amount remitted in the first three months of the fiscal year. With release of the September data, first quarter remittances rose to US\$2.3bn as against US\$1.9bn in the corresponding period last year, up 21%. Higher remittances for the month of September can be linked to the seasonal jump in the period leading up to the Eid holiday season.

Oil import bill numbers for the first quarter (Jul-Sep) FY10 were released in the month of October which came in at US\$2.2bn as compared to US\$3.9bn in FY09, down 43%YoY. Lower oil prices which averaged at US\$69 per barrel in 1QFY10 as against US\$115 per barrel in 1QFY09 were the major reason behind the decline. Resultantly, the country's current account balance has narrowed down to US\$462mn for the 1QFY10.

Large Scale Manufacturing (LSM) data came in at 0.9%YoY growth for August. The performance for the first two months of the fiscal year depicted a meagre increase 0.17%YoY. We believe the low-base from last year and revival in domestic demand halted the persistent contraction in LSM. However, looming power crisis and higher interest rates will continue to undermine the growth in manufacturing sector, in our view. Kerry Lugar Bill (KLB) signed in as US law: After a lot of criticism in the cabinet and by the top military personnel in the country, KLB was finally signed in as US law. According to the Bill Pakistan is to receive US\$1.5bn each year through till 2014. With the approval of this aid Pakistan's foreign reserves would strengthen further which currently stand at US\$14.5bn.

With car sales posting strong numbers in the past 7 months, we believe recovery in the sector is inevitable. However for recovery, we believe, monetary easing is the key factor. Persistent yen appreciation and rise in steel prices remain a cause of concern for the industry. We believe, improving sector fundamentals are already priced in with INDU trading at FY10E PE of 10.2x, therefore we maintain our 'Sell' recommendation on the scrip.

Fertilizer sector also picked up pace as fertilizer off take continued upward Momentum. Banking sector on the back of some above market expectation results also performed well postings returns of 14.5% so far in the ongoing month of October.

Corporate News:

- Some major companies announced their respective quarterly results in the month of October. Most the banks such as Allied, Habib and Askari Bank all surpassed market expectations posting an increase of 34%, 24%, 237%YoY on the 9M2009 results. On the other hand fertilizer sector reported mixed results with Engro, against market expectations, announced earning of Rs8.7 per share.
- Indus Motor Company announced its 1QFY10 results posting profits of Rs759mn (EPS: Rs9. as against earnings of Rs48mn (EPS: Rs0.6. Nishat Mills Limited at the back of higher net sales reported profits of

Rs513mn (EPS: Rs2.1 in 1QFY10 versus earnings of Rs707mn (EPS: Rs2.9 in the same quarter last year.

- Auto assemblers' stocks, especially INDU at the back of strong top line in the first quarter posted positives returns for the investors. As a result, the sector market capitalization grew to 24.3% from 16.7% in the previous month.
- State Bank of Pakistan ended speculation this month, further relaxation of the forced sale value, deciding instead to amend prudential regulations relating to the forced sale value (FSV). Banks would be allowed to take 40% benefit of FSV for pledged stocks and mortgaged residential, commercial and industrial properties held as collateral against non-performing loans. These new amendments should boost 2009 earnings by between 11-12%, with the availability of FSV benefit perhaps triggering a short term rally in banking stocks.
- Local cement prices have seen a further decline of Rs30-40 per bag since EID (September 21, 2009). The 50kg cement bag is currently available in the band of Rs230-240 in the Northern region whereas Rs250-260 in the Southern region. Our sources suggest that some cement companies have disagreements with the APCMA regarding unfair quota allocation which has barred cement prices to escalate from here.
- PPL expect net sales of the company to register sharp decline of 25% to Rs11.9bn. This is primarily due to approx. 33% decline in oil prices and 14% decline in weighted average wellhead gas prices. Last year, oil prices were abnormally high at appx.US\$115 per barrel where as average oil prices during 1QFY10 stood at US\$69 per barrel. Moreover, well head gas price of Sui/Kandhkot which contribute to 70% of the overall revenues, have dropped by 17%. Since PPL revenues are predominantly gas based, oil prices during the period 2009 would be relevant for FY10 given the six month lag well head gas price mechanism. During 2009, average crude oil price stood at US\$60 per barrel where as we expect oil prices to revert back to average US\$57 per barrel by the end of year 2009 (also inline with Reuters oil poll).
- Pak Suzuki Motor co - Following the price increases by Indus Motor Company (INDU) and Honda Atlas (HCAR), Pak Suzuki Motor Company (PSMC) has also increased its car prices by Rs5,000-15,000 effective November 1, 2009. The increase in prices has come in order to account for higher cost pressures and rupee depreciation against Yen.
- Attock Petroleum are expected to announce 1QFY10 earnings of Rs491mn (EPS Rs8. compared to profit of Rs785mn (EPS Rs13. last year, down 37%YoY. Decline in earnings is primarily attributed to fall in furnace oil (FO) sales and lower other income. During 1QFY10, FO sales stood at 65k tons compared to 118k tons last year, down 45%YoY. Moreover, other income is expected to decline due to lower markup earned on bank deposits. This is mainly due to reduction in interest rates and higher receivables from Wapda. Slight pre-tax inventory gains of 70-80mn in this quarter amid increase in product prices by an average 20-22% on major oil products are also expected. We do not expect any cash payout with the result.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KSE100	COLGATE PALM PAK	37.15	JS GLOBAL CAPITAL	-29.66
	PAK PTA	28.39	ATTOCK REFINERY	-22.52
	ALLIED BANK	23.77	SILKBANK	-21.84