

ORIENT FINANCE

SUMMARY OF ASIAN MARKETS

SEPTEMBER 2009

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INDICES	31/08/2009	30/09/2009	% CHANGE
MSCI AC FAR EAST EX JAPAN	390.84	421.87	7.94%
HK & CHINA <i>(Page 2)</i>			
Hang Seng	19724.19	20955.25	6.24%
Red Chips	3843.85	3893.75	1.30%
H-Shares	11278.26	11858.15	5.14%
Shanghai A-Shares	2799.48	2916.73	4.19%
KOREA <i>(Page 4)</i>			
Kospi	1591.85	1673.14	5.11%
Kosdaq	514.70	505.94	-1.70%
TAIWAN <i>(Page 6)</i>			
Taiex	6825.95	7509.17	10.01%
SINGAPORE <i>(Page 8)</i>			
Straits Times	2592.90	2672.57	3.07%
THAILAND <i>(Page 9)</i>			
SET Index	653.25	717.07	9.77%
INDONESIA <i>(Page 11)</i>			
Jakarta Composite	2341.54	2467.59	5.38%
MALAYSIA <i>(Page 12)</i>			
Kuala Lumpur Composite	1174.27	1202.08	2.37%
PHILIPPINES <i>(Page 13)</i>			
Philippines Composite	2884.18	2800.82	-2.89%
INDIA			
Sensex 30	15666.64	17126.84	9.32%
PAKISTAN <i>(Page 14)</i>			
Karachi 100	8675.67	9349.67	7.77%
AUSTRALIA			
S&P/ASX 200	4479.10	4743.60	5.91%

CURRENCIES

VS EURO	31/08/2009	30/09/2009	%
HK \$	11.11	11.32	-1.88%
CHINESE RENMINBI	9.79	9.97	-1.82%
KOREAN WON	1791.89	1719.27	4.05%
TAIWANESE \$	47.00	46.95	0.12%
SINGAPORE \$	2.07	2.06	0.35%
THAI BAHT	48.76	48.86	-0.21%
MALAYSIAN RINGGIT	5.03	5.06	-0.64%
INDONESIAN RUPIAH	14449.15	14092.38	2.47%
PHILIPPINES PESO	69.95	69.13	1.17%
INDIAN RUPEE	70.11	70.25	-0.20%
PAKISTANI RUPEE	118.88	121.50	-2.20%
AUSTRALIAN \$	1.70	1.66	2.46%

VS US\$	31/08/2009	30/09/2009	%
HK \$	7.75	7.75	0.01%
CHINESE RENMINBI	6.83	6.83	0.06%
KOREAN WON	1248.95	1178.05	5.68%
TAIWANESE \$	32.92	32.15	2.33%
SINGAPORE \$	1.44	1.41	2.21%
THAI BAHT	34.01	33.45	1.65%
MALAYSIAN RINGGIT	3.52	3.46	1.70%
INDONESIAN RUPIAH	10105.00	9665.00	4.35%
PHILIPPINES PESO	48.80	47.34	3.00%
INDIAN RUPEE	46.95	48.11	-2.47%
PAKISTANI RUPEE	83.04	83.15	-0.14%
AUSTRALIAN \$	0.84	0.88	-4.46%

GENERAL FACTORS AFFECTING ASIA AS A WHOLE

September was a good month for Asian markets as most countries showed signs of some economic recovery. Year to date rallies are genuinely impressive, as Indonesia, India, Taiwan and others rose more than 60%. Some profit taking looks likely as many stocks are reaching valuations that are not that attractive anymore, even if prospects for 2010 are good. However, the markets continued to charge ahead and some action has spilled over to the second-tier stocks this month.

Chinese economy is likely to have expanded around 9% YoY in 3Q, as domestic-demand boosting measures are paying off and industrial production is rising. 4Q might be even higher. China has emphasized the country is merely shifting from extreme to moderate monetary easing, and is not tightening. However, it remains to be seen whether China will sustain its monetary easing policy following the 60th anniversary of the Chinese revolution, if it deems the economy will continue expanding. Leading economic indicators in countries as China and Korea are near their respective highs in 2003. Chinese stocks rose underperformed other Asian markets as too many Chinese IPOs have weighed on sentiment; actually most of recent IPOs have fallen well below listing price on their debut in the market.

The economic turnaround is slower in the US. However, US retail sales rose 2.7% in August, boosted by the government's cash-for-clunkers program, higher energy prices and robust sales of non-durable goods. Federal Reserve comments following its 24th Sep FOMC meeting suggest that the Fed is more confident in an economic recovery, than it had in August. However, the Fed delayed the end of quantitative easing from 4Q09 until 1Q10. In August, the Fed said it would extend its purchases of Treasury securities, but this time it only mentioned it would extend the purchases of mortgage-backed and agency-backed securities to 1Q10.

The US approved raising tariffs on tire imports from China by 35% the first year (30% the second year and 25% the third year). This is in addition to the existing 4% tariff. China filed a World Trade Organization complaint over the countervailing duties.

Another G20 has been held in Pittsburgh, the outcome was mostly irrelevant. G20 will become the new permanent council for international economic cooperation, replacing the G8. In December 2009 the United Nations Climate Change Conference will take place in Copenhagen and has generated high expectations. Environment, green energy and batteries remained a market theme.

In other news: Mr Hatoyama (DPJ) is the new prime minister of Japan. Taiwanese Premier resigned due to mismanaging of the typhoon in August. A tropical storm killed almost 250 people in Philippines. A tsunami hit Samoa. On the 30th Sept Indonesia was struck by a 7.6-magnitude earthquake. The Baltic Dry Index posted another big drop on plunging rentals for iron-ore carriers. Tensions with Iran on nuclear issue rose after the discovery of a hidden enrichment site.

And to celebrate the 60th anniversary of the Chinese revolution a huge military parade, artistic performances and fireworks will surely impress everyone tomorrow (1st October); ... one wonders why all communist regimes love these things.

HONG KONG / CHINA

The HSI rebounded 6.2% in September to 20,955 after the 4% retreat in August, led by Banking and Property sector in the index. The Shanghai Composite Index rebounded 4.2% after a 21.8% decline in the previous month, while the H share index was up 5.1% MoM in Aug. YTD, the HSI has gone up 45.6% while A share index has surged 52.6%.

On the macro side in Hong Kong:

July retail sales were surprisingly on the upside: -5.5 YoY (-6 expected), as well as industrial production for Q2: -9.5%. Unemployment rate stayed in tune at 5.4% in August, same as July. But August's Export, Import and trade balance figures disappointed at -14%; -10% and -\$HK22bn respectively, (-12.6%; -9.4% and -\$HK20bn expected).

As for China, all macro figures were surprisingly positive to a large extent.

August PPI almost in line at -7.9%. CPI at -1.2%. Retail sales delivered the usual 15.4% growth. Industrial production at +12.3%, more than the 11.8% expected. Fixed Asset Urban Investment +33% (same as July). M2 at +28% also remained at the same high level as July.

New Loans were the big surprise, 410bn, showing much better figures than the 200bn talked about in early September. Export and Import were worse than expected at -23%/-17% when -19%/-10% were forecast, but thanks to much weaker import figures, trade balance exceeded expectations of \$13.6bn: +\$15.7bn.

Industrial profits ytd up to August were -10.6%, a much weaker contraction than -23% for 5 months. Last but not least, Foreign Direct Investment, which was quite violent in July (-20%), calmed somewhat to -17% in August.

As for general news on China: the State Administration of Foreign Exchange said it plans to raise the limit on foreign currency quotas for investors under the QFII program to US\$1bn from US \$800m. It will also shorten the lockup period for some medium and long-term QFII funds such as pension funds and insurance funds to 3 months.

In early September, the NDRC unexpectedly announced to raise gasoline and diesel prices by Rmb300/ton to Rmb6,810/ton and Rmb6,070/ton respectively, or the lower end of market expectations, which suggested that Mainland wants to keep the inflation under control ahead of National Day. Jet fuel prices was to go up by 6.3% to Rmb5070 per ton. But on the 29th news came china was about to decrease gasoline and diesel prices by 190rmb/ton as soon as 30th Sept. End of the month, Chinese IPPs rose on news that China may increase retail power tariffs by Rmb0.024 per kWh as early as October, and that the sector would benefit from fuel price decrease, of course. Mainland banks also rebounded on rumours that China's Sept loan growth could exceed Rmb600bn vs previous expectation of Rmb500bn. Also, to reassure and boost the market ahead of the NATIONAL DAY, the CBRC said it will take years to implement measures to force banks to deduct holdings of other lenders' subordinated debt from their capital. Also, Liu Mingkang, chairman of CBRC said Chinese banks are facing rising risks as lending in the nation surged this year. He urged banks to comply with regulations for their operations. bCIC's head of special investments Zhou Yuan said the country's US\$200bn sovereign fund is looking to invest in infrastructure, green energy, and other forms of innovative energy transmission. Some mainland reports say China plans to build the third phase of its emergency crude reserve with a capacity of 26.8m cubic meters or 169m barrels, costing more than Rmb100bn and to be completed by 2020. On Iron Ore, imports in August by dropped 15% MoM from 58.1m tonnes to 49.7m tonnes, to the lowest level in 6 months as mills and traders cut purchases on declining steel prices. For the first 8 months of the year, iron ore imports rose 32% YoY to 400m tonnes. In HK, the HKMA warned lenders in the city that their "intense price competition" on mortgages isn't sustainable and may erode industry profit margins and increase

Corporate News:

- Metallurgical Corp. of China Ltd. raised as much as HK\$19.6bn in HK's biggest IPO since CRCC's \$20.2bn offering in March 2008. MCC will offered 2.87bn shares at HK\$6.16-HK\$6.81 each, representing 17x forward earnings. the stock lost 12% and 5% the 1st and 2d day of trading.
- Sinopharm was a success and raised as much as HK\$8.73bn in a HK IPO by selling 545.7m new shares at HK\$12.25-HK\$16 each. The top of the range values Sinopharm at 25x forward earnings.
- China Lilang Ltd may raised HK\$1.2bn from a HK IPO by selling 300m new shares at HK\$3.2-HK\$4 apiece
- Chinese airlines have made a combined Rmb8bn profit this year as of Sept. 12, citing Li Jiexiang, head of the Civil Aviation Administration of China.
- Cathay Combined Aug passenger numbers for Cathay and Dragonair rose 3.8% YoY while YTD passengers traffic fell 4% YoY. Load factor in Aug rose 5.7pt.
- Comba 1H results with net profit more than doubled year on year to HK\$232m.
- Inspur issued disappointing 1H09 earnings.
- Shun Tak Interim net income rose to HK\$1.69bn from HK\$84.1m a year earlier while sales reached HK\$1.66bn due to property revaluation and the sale of a hotel stake. Interim dividend of HK\$0.038 was declared.
- Nine Dragon FY net income fell to Rmb1.66bn from Rmb1.88bn a year earlier while sales also declined to Rmb13.1bn from Rmb14.1bn. Final dividend of HK\$0.035 was declared.
- Angang New Steel It will cut the prices of its steel products by Rmb200-Rmb480 per tonne for October.
- Skyworth will halt production of cathode ray tube (CRT) televisions in China by the end of next year due to shrinking demand. It will gradually convert the existing CRT production lines into LCD production line.
- Gome said it had repurchased Rmb1.33bn worth of convertible bonds through an over-the-counter purchase, reducing the amount of convertible bonds outstanding to Rmb3.27bn.
- CNOOC is in talks to acquire about 6bn barrels of oil in Nigeria according to a letter from the office of Nigerian President Umaru Yar'Adua obtained by FT.
- Galaxy Posted interim net profit of HK\$1.06bn compared with a net loss of HK\$7.43bn a year earlier amid gains from debt buybacks and income from VIP gamblers. Sales fell to HK\$5.33bn from HK\$5.41bn. No interim dividend.
- Swire will buy a 12.5% stake in HAECO (44) +0.4% from Cathay Pacific for HK\$1.9bn. Cathay is expected to book a profit of HK\$1.27bn from the sale.
- Hutchison's minority shareholders have approved the company's plan to sell its Israeli unit, Partners Communications to Scailex Corp for US \$1.38bn.
- Dongfeng Nissan Motor said its sales in China this year will beat its previous forecast as government stimulus measures spur demand. Nissan raised its full-year sales target in China by 100,000 vehicles to 670,000.
- Geely Suspended, pending a statement about plans to issue CBs and warrants. Also, Geely's parent has disavowed earlier statement that it was considering a possible bid for Ford Motor's Volvo unit.
- CRE jumped 5.3%. Interim net profit fell 22% YoY to HK\$1.16bn from HK \$1.49bn as an exports slump hurt its distribution business and slowing consumer spending hurt retail sales. Sales rose 10% YoY to HK\$35bn.

- Singamas rose 2.8% after posted an interim net loss of US\$27.4m compared with a profit of US\$13.6m a year earlier as slumping world trade damped demand. Sales plunged 87% YoY to US\$99.5m. It built 18,243 TEUs in 1H09 and sold at an average price of US\$2,131 apiece.
- Yurun Food Interim net profit rose 36.7% YoY to HK\$841m while sales fell slightly to HK\$5.83bn from HK\$6.04bn. Interim dividend of HK\$0.15 was declared.
- Petrochina may double natural gas supplies to 12bn cubic meters by 2015 to Beijing to cut pollution and boost energy efficiency.
- Citic Pacific is “very interested” in selling shares in China pending new regulations.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCEI	BYD CO LTD	31.38	CHINA RAIL	-10.12
	ZIJIN MINING GRP	17.44	ZHEJIANG EXPRESS	-7.87
	BEIJING CAP	11.83	CHINA TELECOM	-7.81

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSI	CHINA RES ENT	24.04	CHINA RES POWER	-4.76
	LI+FUNG	21.36	COSCO PAC LTD	-4.63
	WHARF HLDGS	18.42	HONG KG ELEC	-1.85

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCCI	CHINA AGRI-INDUS	33.09	SHENZ INTL HLDGS	-10.34
	CHINA RES ENT	24.04	TIANJIN DEV HLDGS	-9.91
	BYD ELEC	20.95	SINOTRNS SHIPPING	-7.96

KOREA

The Kospi posted a 5% gain in September, with daily average turnover at W6.3tn. Banking +12% and utilities +11.7% were the biggest gainers this month as they moved up with NIM outlook improving for the banks and rotational buying continuing in the utilities sector. Retail stocks also outperformed the market rising 8.4% this month as domestic plays have been one of the major themes for Korea this month due to the strong Won now at 1178.05. Electronics have underperformed this month only rising 3.2% as Momentum looks to ease with securities brokers being the worst performer this month falling 5.1%. MSCI Korea saw its 12-month-forward P/E multiple increase to 11.6x this month. However, it remains at a 23.4% discount to the MSCI World Index (which remains close to its historical high of 15.1x) and 11.6% below the MSCI Emerging Market Index. Korean manufacturer's confidence rises to a 2 year high rising to 94 from 93 in Sep along with the news that the government will increase spending 2.5% in 2010. In addition it was noted that the National Pension Fund will increase their stock weightings by adjusting current weighting of 82% in bond, >20% in equity to >30% in equity, 60% in bond and 10% in alternative investment by 2014 assuming that it will grow to W400tr by 2014, investment in equity of current W30tr will grow to W80~100tr by 2014. The Kospi's rally may gradually lose Momentum, however, with terms of trade now at a nine-year high (thus, perhaps at a peak) and oil prices and import demand likely to decline. The won has appreciated against the US dollar on foreign net buying of Korean equities; following the FTSE upgrading Korea to developed status on 21st Sep. Fitch raised outlook from “Negative” to “Stable” and maintained “A+” rating. Korea's current account balance has improved, signaling an inflow of overseas liquidity. In particular, the capital account balance has perked up amid continued foreign investment in Korean equities. The Kospi rally may gradually lose Momentum, as it trades now at a nine-year high, thus, perhaps at a peak. The won has appreciated against the US dollar on foreign net buying of Korean equities; if the Kospi sputters, the currency likely to stop strengthening.

The Bank of Korea is keeping close watch on the pace of economic recovery, speculative investments in property markets, and rising housing prices. We believe the central bank will raise policy rates in 4Q, such a move would demonstrate a more hawkish attitude than other major economies, which have yet to send any signal of rate hikes. We predict appreciation pressure on the won in 4Q, as dollar inflows should accelerate.

Inflation, as measured by growth in the CPI, came in at 0.35% MoM and edged up to 2.2% YoY (vs 1.6% in July). Surges in service and agricultural product prices triggered higher MoM growth. While cost-push factors appear to be pushing up headline inflation slightly, demand-push inflation remains benign.

Korea's exports -20.6% and imports -32.2% YoY in August (- 21.8% and -35.7% in July). The trade surplus declined to USD1.67b from USD4.4b. We attribute the YoY export decline to: 2 fewer working days YoY; corporations urging employees to take more time off; and delays in vessel deliveries. Exports of LCD panels and semiconductors remained the leading export-growth drivers; other sectors remain sluggish, and

shipbuilders' exports continued to slow. August Industrial Production fell -1.3% MoM, +1.2% YoY (in July it was +2.1% MoM and +0.9% YoY).

We believe labor demand in Korea is emerging from its trough and expect full-time employment to continue growing YoY in 4Q, despite improvements deriving part time positions through the government's job sharing program. The seasonally-adjusted unemployment rate remained at 3.8% in August, unchanged MoM. Those in the 20-29 year-old age bracket still showed the highest level of unemployment.

Corporate news:

- Samsung Electronics rose slightly. DRAM/ NAND prices rose in Sept and will remain strong in October, these 2 months are the peak of the seasonal build in PCs, etc to await the Christmas selling season. But we should begin to see some visible signs of weakening by the end of the year, excess supply in 1H10 very likely. Apart from that Samsung Elec is considering merging Samsung Digital Imaging into the company's DMC division as early as early next year.
- Hynix fell in a very volatile month of Sept. Local press reporting that the creditors considering to even sell just half of their stake of 15% (out of 28.1% stake owned) to Hyosung due to capital burden. As a 15% stake + 20% premium will cost about W2tr (vs. earlier expectation of W3tr), it may be possible for Hyosung to acquire the Hynix then as Hyosung already secured W2tr from foreign investors, according to press report last week.
- LG Elec fell in September on profit taking. LGE will sell its 50%-1 shr stake in LG-Nortel, a JV with Canada's Nortel Networks at around W2tr; potential investors include Sony-Ericsson, Alcatel-Lucent, One equity Partners & Skylake Incuvest. The domestic sales of handsets were poor in August and competition is expected to increase with iPod and other smart phones entering the Korean market.
- Samsung SDI our analyst downgraded the stock to hold after a great performance. SDI plans to supply BMW with hybrid batteries by 2012. There were rumours about Volkswagen buying batteries from SB LiMotive (the JV between Bosch and SDI) for its first electric cars to be made in 2013.
- LG Chemical rallied on broker comments on rechargeable battery orders expected from Volkswagen and Ford. LG Chem has confirmed that they are in the very beginning stages of talks with both companies. LG Chem main clients on batteries are GM and HMC.
- SK Energy rose sharply in September on market interest about batteries division, where there was talk about orders coming from Mercedes, Mitsubishi and partnership with Fiat. There were mkt rumours that the company may do rights issuance, however, consensus is that it is very unlikely as the company will be able to lower debt ratio to below 150% by asset revaluation alone.
- Mobile telco operators including SKT, KTF and LGT have accepted the government proposal to cut fees; decided to lower subscription fees by 25% & start charging users per second instead of rounding up to 10 second time units. These negative news were announced and digested by the market.
- SKT rallied at the end of the month on bargain hunting after a very long underperformance vs Kospi. SKT decided to sell stake in China Unicom for W1.5tn (14.14% of capital), equivalent to HK\$11.105/shr, as part of adjustment to investment and future growth portfolio.
- NC Soft outperformed on some positive comments from more brokers, regarding EU & US "Aion" game sales, which will beat expectations of 520K units CD sales. Game commercialized on 25 Oct.
- Daum rose a lot on M&A possibility as the major shareholder sent out Request For Proposal to sell its stake to 8 potential buyers including KT, NCSoft, Google, Yahoo & MSN.
- Financial authorities are pushing banks to reduce their nonperforming loans; thus, banks appear to be focusing more on household loans (particularly mortgage-backed ones) to lower their risk profile. Housing delinquency ratios have declined as a result. Several banks unveiled recapitalization plans in the wake of an announcement that capital-adequacy rules might change from a BIS to TCE basis. Lending at most banks is overextended (particularly in terms of SME loans) leaving little room for further expansion. That said, loan-to-deposit ratios are declining after peaking in 1Q08, and growth in assets-to-liabilities ratios is slowing. Banks need to reduce the SME portion of loans, while expanding exposure to less risky mortgage-backed loans. That said, a stricter debt-to-income ratio should moderate mortgage loan growth.
- KEB to get W215bn worth tax refund, which is much higher than W163.3bn worth of Net profit for 1H09, as the national tax jury ruled that the govt should refund tax levied on KEB regarding merger with KEB Credit Card. All eyes on KB FIN due to this ruling as Kookmin Bank also paid W442bn tax for similar case before...
- Shipbuilders fell at the end of the month, coming off on press report that shipbuilders may face more order cancellations as the global #3 shipping company CMA CMG announced moratorium.
- Hyundai Heavy may set up a private equity fund by this year to invest in makers of ship engine parts, shipbuilding & other power generation equipment.
- Doosan Heavy made a disclosure that the co. will participate in rights issuance of 51% owned subsidiary Doosan Engine (51% owned) by purchasing another 3.57m shrs for W151.7bn (4.2% of cap), equivalent to W42,500/shr. After the rights issuance, Doosan Heavy will own the same 51% stake in Doosan Engine.
- KOGAS fell on dilution concerns as the company is considering issuing W2tn in new shares and doubling capital to W8tn by 2013.
- Daewoo Intl, Korea Asset Mgmt said it will select arrangers soon for the sale of its controlling stake. Hanhwa and POSCO most likely to participate in bidding.

- POSCO rose on talk of better 3Q OP of W1.3tn vs consensus W979bn while co. to also gain W1tr from sub POSCO E&C listing on Oct 29. Hankook Tire finished the month at around the same level as at the end of August. Lots of volatility in September. It rebounded on news that US tire makers started raising tire ASP following US government's decision to levy punitive tariff on tires imported from China. Stock strength also due to crude oil prices stabilizing recently expected to lower raw material price for tire makers. However future upside looks limited.
- Mobis rallied during more than half of the month on record high W2.5tr module order from Chrysler, and on talk that Mobis may win sizable module order from BMW and Volkswagen.
- HMC was very strong all month as the company reported very good overseas sales (especially so in India, China and also in the US thanks to cash-for-clunkers). HMC aims to sell 17.2% more vehicles in 2009 in the EU (336k units in 2009 vs. 287k units in 2008) than last yr, thanks to rising demand for smaller vehicles.
- KIA strong on talk of higher 3Q OP of W400bn vs current consensus of W141bn due normalization as dispute with labor union resolved. Factory utilization rose from 84% in 2Q to 87% in 3Q as it rebounded to 100% in Sept.
- Wind power & forging names were weak as of late due to concerns that new orders from wind power sector might be delayed as inventory levels at global wind power cos (GE, Vestas) is currently high and will take more than 6 months to resolve. Also 3Q outlook is poor as the sector is still suppressed. Related names are Taewoong, Hunjin Materials, PSM...
- Shinsegae outperformed this month. August numbers: Rev W863.6b (+4.3%MoM, +11.2%YoY), OP W72b (-13.4%MoM, +5.3%YoY). Operating profit was a bit lower due to cost from merger with Shinsegae Mart.
- KCC rose on rotational buying and expectations that 3Q earnings will beat consensus on energy efficient window sales and silicon sales turnaround. Eco-friendly construction materials will help future growth.
- JINRO: its IPO was delayed until 19th Oct, when it will be listed. Very low interest by our clients in Europe; however local interest in Korea was ok.
- KT&G was strong on attractive div expectations & better 3Q earnings thanks to solid ginseng sales. Local consensus: rev W724.2bn, OP W259.6bn.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KOSPI50	SK ENERGY CO LTD	25.37	DAEWOO SHIPBLDG	-14.00
	HYUNDAI MOBIS	24.91	SAMSUNG HEAVY	-12.78
	KOREA EXCHNG BANK	24.22	LG ELEC	-12.24

TAIWAN

The Taiex outperformed all other Asian markets and posted an impressive +10% gain in September to finish the month at 7,509 points on expanding average daily turnover worth \$121.1bn, up from \$105.7bn in Aug, and broke through the major 7,000 resistant level. The bourse touched a YTD high of 7,558 points in Sept on active buying interest from both local and foreign investors. Margin long positions edged up to \$216.2bn, from \$200bn at the end of Aug, which is a further indication of increasing local participation. The resignation of former Premier Liu didn't seem to affect the Taiex, given his rather disappointing performance and multiple missteps in handling the Typhoon relief efforts. Ironically, local expectation towards the new Premier Wu is also somewhat indifferent, as everyone knows that the key in moving forward with China-friendly strategy remains in the hands of President Ma. A referendum failed to pass on the island of Penghu, which would have opened the doors to the establishment of a casino industry in Taiwan as residents rejected the plan, fearing that it would open a flood gate of unforeseen problems and vices associated with gambling. Financials +16.7% outperformed as the financial MOU with China may be signed in October. Other outperforming sectors were automobile +16% and construction +18%. Textiles rose 12%. Recovery of domestic consumption, China deregulation, MOU/ECFA talks and 3Q09 results will potentially be drivers for further gains in 4Q09. The Taiex has surged 90% from the bottom in Nov08, outperforming most other markets. We think near-term risks are increasing given the index's strong rally since late August, having largely priced in strong tech seasonality and the likely signing of an MOU with China by year-end.

The Central Bank decided to hold the discount rate at an all-time low of 1.25%, the economy is picking up slowly and prices are stable. The central bank says the policy rate and money supply growth are both appropriate, current interest rates will help boost the recovery without forming inflationary pressure. It says the continued sluggish job market and rising unemployment rate remain key concerns. The central bank notes that monetary aggregate M2 rose 7.3% YoY in Jan-Aug – higher than the target range. This suggests the bank is unlikely to raise the M2 target range in order to create a more lax monetary environment. We expect them to keep policy rates unchanged until 1H10 at least, given that the economic recovery remains slow, core inflation should remain near zero, and US Fed is unlikely to reverse its monetary policy soon. However, as the market is flooded with excess liquidity, the central bank will use open market operations as the main tool to keep liquidity at bay.

Taiwan's exports fell 24.6% YoY in August to US\$19.0bn, largely unchanged from the 24.4% decline reported in July. On a sequential basis, exports rose for the fourth straight month in August due to stronger demand for electronics and optical equipment. Imports fell at a slower pace of 32.3% YoY in August, compared to 34.1% YoY in July. Taiwan's export orders contracted by an unexpected 12% YoY in August to US\$28.29bn, marking their steepest decline in three months – and marking an end to the recent months' trend of slow declines. This is attributable in part to fewer working days. By region, orders from China remained robust, up 7.7% YoY, hitting a 14-month high. The main orders came from the electronics and precision instruments. Orders from the US, Europe and Japan fell by nearly 20% YoY. Given the components shortage in the electronics sector and that the Windows 7 operating system will not debut until October, orders for electronic products may be delayed. Due to typhoon Morakot in August, Industrial production fell by a higher 9.6% YoY in August, ending six months of slow declines. Taiwan's unemployment rate rose by 0.06 ppts MoM in August to 6.13%, a historical high. August was the 14th straight month that the rate rose. With new graduates entering the job market, unemployment hit a record high of 672k in August, up by a slower 9k MoM. On an annual basis, the decline in CPI in August narrowed to 0.8%, from the record decline of 2.3% in July, as food prices increased 1.4% on decreased supply in the aftermath of Typhoon Morakot. Meanwhile, import-driven inflation remains not much of a threat, so we remain of the view that headline CPI YoY will go from negative to positive in 4Q09, partially because comparison bases will no longer be that low. For full-year 2009, we project CPI YoY at -0.6%.

Corporate news:

- Hon Hai bought Sony's LCD-TV factory in Mexico, market speculates that SONY has placed 4mn units of LCD-TV orders for 2010. Market estimates Hon Hai's overall 2010 LCD-TV shipments will challenge 5-6mn units, and become the top three OEM makers. Hon Hai posted excellent 1H09 consolidated sales of NT\$812bn, and its after-tax earnings reached NT\$28.4bn, up 1.3% YoY, an EPS of NT\$3.32.
- Quanta 3Q09 NB shipments will increase by nearly 30% QoQ, beating its previous estimations of 20% QoQ growth, and 4Q09 shipments will grow by another 20% QoQ.
- TSMC reported that ATI and NVIDIA will launch their new graphic cards with 40 nano technology in September for the upcoming Christmas season. Market speculates that TSMC's order visibility in 40 nano products will last until 1Q10. TSMC will start making microprocessors for Sun Microsystems, it will produce Sun's next generation Rainbow Falls CPUs.
- The Ministry of Economics is proposing to allow panel and foundries to invest in China by three methods, direct investment, partnership or merger with foreign entities.
- LCD panel makers were mixed this month, as LCD prices are flattish and expected to decrease soon. AUO, CMO and the others might be negatively impacted.
- CPT: the China government has agreed to allow them to list on the market through Mindong Elec (China).
- Innolux rose after announcing plans to team up with Nichia (Japan) by obtaining LED supply and will push LED panels. Innolux has obtained LED panel orders from HP and DELL which is expected to boost sales starting in 3Q09, this may push Innolux to be the biggest LCD monitor maker in the world.
- Epistar announced that it has settled a patent lawsuit with PHILIPS (NR) and will obtain LED technology of AlinGap from PHILIPS. The transfer of this new LED technology will help EPISTAR to further expand its ultra-high bright LED market used on automobiles. The chairman indicated that epitaxy will be in shortage until 2012, and the chairman also indicated that LED TV penetration rate will be reaching above 10% in 2010.
- Nokia unveils small-sized NB product to officially enter the PC industry. Market believes several Taiwanese OEM manufacturers such as Compal, Catcher and Shin Zu Shing will benefit as they are part of the Nokia supply chain.
- DRAM contract for 1H September rose on higher demand. The mainstream DDR2 2GB module rose 7.5% while the DDR3 module hiked 3.4%. At these levels even Taiwanese makers could make some money, but we remain very worried about their survival once that DRAM prices fall again in 2010.
- Nanya Tech said that it can only satisfy 60% of clients' orders recently due to strong demand. The company's contract price of 1GB DDR2 has increased to US\$2, and the average price of 1GB DDR2, according to DRAMeXchange, has increased to US\$1.7 from US\$0.82 in March.
- Solar related stocks: some German companies filed anti-dumping accusations against China solar cell companies to the Germany government and the EU, related shares will be affected.
- Casino referendum failed to pass as Penghu residents reject plans to build a casino on the island. Gaming and casino related shares came under pressure as the market has long expected the referendum to pass.
- Bulk freighters: according to a recent survey, fees may drop more than 50% by the end of this year because China will decrease import amount, and because new ships will be available to the market in 2H09.
- China Airlines returned to trading on Taiex after the company underwent a capital reduction, which boosted its book value per share from NT\$6.35 to NT\$9.5.
- China Steel decided to increase its product prices for October and November by an average of 8.6%, better than market expectation, and to target to turn profitable in 3Q09 and earn NT\$12bn for 2009. The company lost NT\$8.8bn in 1H09.
- Financials +16.7% outperformed amid active foreigner buying and the government's indication that a financial MOU with China could be signed as soon as mid-October.

- Fubon FH decides to cancel its NT\$30bn GDR fund raising plan. The original purpose of this fund raising was for the acquisition of AIG's Taiwan insurance unit. Since the company has abandoned the acquisition, therefore it cancels the GDR fund raising.
- Taiwan Mobile announced plans to acquire Kbro, a cable TV operator. The company will use cash of NT\$0.44bn and 15.5% shares of Tw Mobile or 589mn shares, and assume Kbro's liability of NT\$32.8bn to complete the deal.
- Cement sector to benefit from Chinese government's policy to force more than 3,000 Chinese cement makers out of businesses in order to control the over supply issue. Taiwan Cement and Asia Cement are likely to benefit most from this new policy.
- Taiwan High Speed Rail surged sharply as the government is likely to take more controlling role in the company. The chairwoman Yin Chi will be stepped down while Ou Chin-Te will be taking over as chairman.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
TW50	SINOPAC FINANC	33.74	EVERGREEN MARINE	-7.04
	MEGA FINANCIAL	24.09	WISTRON CORP	-6.27
	TAIWAN FERTILIZER	20.55	AU OPTRONICS	-5.87

SINGAPORE

FSSTI tested the 2,700 resistance level for much of September but failed to breach it. Investor sentiment remained positive but trading activity has shifted to the smaller caps. Volume traded fell slightly MoM. REITs, conglomerates, technology and transport stocks outperformed. Financials, telcos, and property underperformed; though Genting significantly outperformed in the property sector, while resources, media and services were mixed.

July's visitor arrivals, though 4.5% fewer in the same period last year, was the smallest decline seen so far this year. The average hotel room occupancy also hit 80%, a figure not seen since November 2008, after seeing lows of 67%. Singapore's service sector shrank 4.6% YoY in the 2Q09. Factory output expanded 12.4% YoY last month, thanks to surge in production. The MoM index was up 23% on a seasonally adjusted basis. The August reading of the PMI indicated that the manufacturing economy has expanded for the fourth time after having contracted over 8 consecutive months. The PMI posted a reading of 54.4 which was an increase of 2.9 points over the previous months. The construction industry continued to grow in 2Q. The sector grew nearly 19% YoY in 2Q09, it is the sole bright spot amidst an overall 3.5% decline in GDP in the quarter. After declining by 6,200 in 1Q09, total employment fell for the second consecutive quarter in 2Q09 by 7,700. Manufacturing shed workers for the third straight quarter. The overall unemployment rate stood at a seasonally adjusted 3.3% in June, unchanged from the first quarter. Singapore's electricity demand grew almost 3% YoY in August. Container throughput continued to rise by 2.5% MoM to 2.28m twenty-foot equivalent units (TEUs) in August, although the slower rate of increase from the 5.6% rise the preceding month seems to suggest that the sector's recovery is reaching a plateau. The retail sector in Singapore was still weak, sales fell 1.6% MoM on a seasonally adjusted basis. YoY, retail sales fell 9.8%. On a MoM seasonally adjusted basis, NODX increased by 1.3% in August 2009, after the previous month's 5.9% increase, due to higher sales of electronic NODX. CPI in August 2009 rose by 0.4% over July 2009.

3M SIBOR stays flat at 65-70bp. The yield curve flattens slightly. 10YR SGS falls to 2.39% (from 2.5%), 20YR-SGS stays at about 3.2%. Bank lending eased in July, as the drop in building and construction loans ate into a continued rise in consumer housing loans. Loans to businesses fell for a ninth straight month, to \$151.8bn at end-July, 1.1% lower than at end-June. Banks have decided to change a long-standing policy which made credit card holders liable for all charges incurred on lost or stolen card before they are reported missing, from Nov 1, cardholders' liability will be capped at \$100. Credit-card billing in July was down 3.5% from June.

Corporate news:

- Chartered Semiconductor has been wooed by Abu Dhabi's Advanced Technology Investment Corporation with a \$2.5bn bid. The offer excludes about S\$3.1bn in Chartered's debt and convertible redeemable preference shares that ATIC will have to take on, bringing the total bid value to S\$5.6bn. Temasek has also signed an 'irrevocable undertaking' to sell its 62.3% stake that is valued at S\$1.5bn. Chartered's independent directors also endorsed the adviser's recommendation.
- STX Pan Ocean Co wins a record deal worth US\$5.84bn with Vale SA to transport the iron ore, the largest ever contract of its kind. The company may haul about 300m metric tons of ore for Vale, the world's biggest producer of the commodity, over 25 years.
- SIA's load factors were relatively stable in August as capacity cuts were largely matched by sluggish traffic. SIA filled 78.3% of its seats, down slightly from Aug08's 79.4% as system-wide passenger carriage declined YoY by 14.1%, outpacing the reduction in capacity of 12.9%. In July passenger load factor was 79.7%.

- Midas Holdings said it has plans to apply for a secondary listing in Hong Kong to tap into a wider investor base, to increase its liquidity and to enhance its stock value.
- Genting Singapore announced that it planned to raise 'up to \$1.63bn' through a one-for-five rights issue to build up a war chest for acquisitions and to strengthen its balance sheet.
- SingTel maintains a 25% stake in the combined entity as a result of a potential merger between India's Bharti Airtel and South Africa's MTN. SingTel owns about 30.4% stake in Bharti Airtel,
- Wilmar is launching the roadshow for its China listing, Wilmar China Limited.
- Noble Group is building a global oil trading team in a bid to become a major trading house across energy and commodities. China's sovereign wealth fund is buying a 15% stake in Noble Group for US\$850m. Noble will place out 438m newly issued shares and 135m shares from trusts associated with the interests of Noble founder and CEO Richard Elman to CIC at \$2.1137 per share. The deal will also allow CIC and Noble to jointly invest in infrastructure assets and supply-chain management related to agricultural commodities.
- Olam has bought a 14.35% stake in New Zealand-listed farming company for S\$14.16m cash.
- Construction of Singapore's \$1-1.5bn liquefied natural gas (LNG) terminal on Jurong Island is set to kick off in Jan2010. The terminal will help to diversify gas supplies, now piped here from Malaysia and Indonesia.
- DBS Bank has appointed Piyush Gupta, Citigroup's former top man in Singapore, as chief executive. DBS is among the potential buyers of ING Groep NV's private banking operations.
- OCBC has fixed the price of each new share issued under its scrip dividend scheme at \$7.02. The issue price is based on a 10% discount to the average of the volume weight average prices of OCBC shares for each of the market days from Aug 31 to Sept 2, 2009. OCBC Bank's push into the SME segment has paid off when the bank is awarded the Innovation Class (I-Class) certification by Spring Singapore. It is the first unit of a commercial bank to attain the certification. OCBC's outlay in engaging the SME comes to more than \$10m and it has reported a five-fold increase in clientele over the past four years. The business is seeing healthy growth despite the downturn.
- UOB is selling its life insurance unit in an effort to shed a non-core division and raise up to US\$500m (S\$714m) in the process. UOB Life, a wholly owned subsidiary was incorporated in Singapore in 1990. It had more than S\$2bn in assets as of November last year.
- Capitaland is set to roll out two more residential launches this year – the 1,040-unit The Interlace on the site of former Gillman Heights and a 165-apartment luxury project in Cairnhill Road on the site of former Char Yong Gardens. In spite of the government's ban on IAS, The Interlace managed to sell 233 units of the 360 units released.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
FSSTI	GENTING SINGAPORE	15.90	GOLDEN AGRI-RESO	-9.47
	NOBLE GROUP	15.57	COSCO CORP	-4.00
	CAPITAMALL TRUST	13.50	WILMAR INTL	-3.36

THAILAND

Thai market closed up further 9.8% m-m in Sep 09 to close at 717 points on the back of stronger foreign inflows. However, profit-taking set in during the last two weeks of the month, following corrections in other regional markets. But then investors seemed to calm down on the back of good economic numbers not just in Thailand but in most other countries. Foreign investors were still net buyers of US\$688m in Sep 09, up sharply from just US\$88m in Aug. Local institutions were still net sellers of US\$120m, up from US\$43m in Aug. Stock market was very active with US\$768m average daily turnover in Sep, up 25% from US\$610m in Aug.

On the political front, the appointment of the new police chief to replace the retiring Pol Gen Patcharawat has not been finalised yet as each party/faction wants its people to head this powerful post. But with the recent cabinet approval of the Bhum Jai Thai Party's (BJT) 4000 NGV bus project worth US\$1.8bn, it seems that the working relationship between the Democrat and the BJT has improved. Thus, the BJT may yield to the Prime Minister's choice of the new police chief.

Also, the King's illness during the weekend of the 21st September quietened political unrest during a 20,000 red shirt demonstration which ended peacefully.

On the economic front, the August macro numbers showed that it is still a slow and patchy recovery. That is, capacity utilization dropped to 60% in Aug 09 from 61.6% in Jul 09. Manufacturing Production Index dipped 10.3% in Aug from -7.1% in Jul. On the external front, the pace of the decline in exports improved to -17.9% in Aug from -25.7% in Jul. But imports still declined at a rapid pace, eg, -33.7% in Aug vs -31.7% in Jul. The decline in imports was due to sharp fall in oil prices and in imports of raw material goods. However, bank loans went up 0.2% MoM, but in terms of YoY, it slowed from +2.3% in Jul to 1.3% in Aug. The overall outlook is still very much guided by the gov/politics and global outlook.

Corporate News :

- Advanced Info Service has consulted the national telecom regulator in a bid to clear up uncertainty over whether it will be eligible to bid for a 3G-2.1GHz licence if it provides the 3G service via another telecom operator's network on a mobile virtual network operator (MVNO) basis. Almost 1,000 people - private and state mobile phone operators as well as their financial advisers and suppliers - turned out yesterday for the first public hearing on long-awaited third-generation (3G) mobile broadband licences. The National Telecommunications Communications (NTC) hopes to auction 3G spectrum rights in mid-December and award four licences by year-end. The country's two biggest mobile operators, Advanced Info Service and DTAC, said they agreed with the 3G auction rules but made some recommendations. Third-ranked True Move was strongly opposed to them and wanted more changes. The auction rules require a bid winner to obtain only one licence, and to pay for it in full within 14 days of the auction.
- Asian Property Development Plc (AP) plans to launch at least 11 projects worth a total of 19 bn baht by the end of 2010, said chief executive Anuphong Assavabhokhin. The company will generate at least 7 bn baht from condominium unit transfers by the fourth quarter and the first quarter next year, he said. During the first eight months, AP recorded sales of 9.5 bn baht. It had a total sales backlog of 14 bn baht and inventory of 8 bn. It has targeted 13 bn baht in sales and 10 bn in revenue this year, an increase of 10-15% on 2008.
- BEC World Plc the operator of TV Channel 3, projects its second-half revenue will improve over the first six months as advertising spending increases as the economy improves. A stronger economy will result in higher customer confidence, prompting advertisers to spend more, said vice president Chatchai Thiamthong.
- Bangkok Express expects its 2009 revenue will beat its 5.4% growth forecast, citing higher-than-expected traffic this year. Traffic on BECL's expressways rose about 1% year-on-year in the first 8 months, beating the company's original estimate of flat growth when compared with the same period of 2008.
- DTAC yesterday started a 100-mnbaht third-generation (3G) wireless broadband trial on its analogue 850 Megahertz frequency in inner Bangkok. After years of waiting, DTAC has finally launched its 3G service on a limited trial basis in Bangkok on the 850 MHz frequency. But behind the cheers and promise of a revolution in broadband access, the future of 3G - and indeed 4G - remains as cloudy today as it ever was.
- Kasikornbank believes it will meet its 2009 loan growth target, thanks to rising loan demand in the second half in line with the economic recovery, said president Prasarn Trairatvorakul. The bank expected to book loan growth of around 4% by the end of this year, in line with its 2009 target of 4-5%. Loan demand has picked up in the second half, buoyed by the demand of power plant projects in the energy sector. But recently, loan withdrawals by the projects have slowed down pending a clearer economic climate. Loan demand has improved in all business areas including the corporate sector, small and medium-sized enterprises and consumer finance. For commercial loans, however, the demand is mainly for working capital rather than long-term loans.
- The film-exhibition industry as a whole is expected to see solid growth this year, but individual firms are predicting mixed results, executives said. Cinema multiplex operator Major Cineplex Group expects consolidated income from ticket sales and cinema advertising will be flat this year, said Anavach Ongvasith, chief cinema and bowling officer.
- Rojana Industrial Park Plc is poised to develop more condominiums in Changzhou, one of China's fastest-growing cities, after meeting an overwhelming response from its residents.
- Siam Cement Group Thailand's top industrial conglomerate, is ramping up its coal trading business overseas by opening processing and distributing hubs in Southeast Asia, China and India. The expansion is expected to lift coal trading by 40-50% in value and turnover next year, said Kalin Sarasin, managing director of SCT Co, a trading arm of SCG. By the third quarter of 2010, SCT will open hubs in south China, India, Malaysia and the Philippines, each at an investment of 20-30 mn baht, he said.
- The listed developer Supalai Plc will launch eight new projects worth 8 bn baht earlier than planned due to improving market sentiment, says its president. The company previously launched two other projects earlier this year as it believed second-half performance be much stronger than in the first six months, said president Prateep Tangmatitham. "This year will be better than last year, when oil and steel prices soared and there was a lack of labour, but there have been no problems this year," he said.
- Siam City Bank has said its major shareholder, the Financial Institutions Development Fund, will be able to decide the bank's share price for potential buyers of its stake by early next year. The FIDF, which holds about 47 % of SCIB's shares, has been engaged in the process of selling its stake for years and is expected to conclude the sale once the price is set. The share sale is therefore now likely to be concluded by the middle of next year.
- Sansiri Plc has joined Siam Commercial Bank in launching a credit card as a customer relationship management (CRM) activity and a channel to build brand awareness of its property-management subsidiary Touch Property.
- Thai Airways International has failed in its most recent attempt to sell four long-range jets after the bidder low-balled the flag carrier, sources say. A THAI Airbus A340-500, the type of jet for which the airline has struggled to find buyers, takes off from Suvarnabhumi Airport. The bidder, believed to be a US aircraft dismantler, offered only \$50 mn apiece for the Airbus A340-500 jetliners, roughly a quarter the price THAI paid for them and significantly lower than the current \$230-240 mn price new. The price offer left senior

THAI executives dumbfounded, prompting them to consider abandoning any further bids to sell the aircraft, said THAI insiders. Despite a number of verbal offers the only repeat bidder was the US aircraft dismantler, which reportedly wanted the aircraft to sell the parts. The only sensible option left for THAI is to keep the A340-500s and do a better job of utilising the planes for long-haul flights. To make the aircraft more economical THAI is considering re-configuring the seat layout by removing business class and premium economy class seats to make room for about 50 more economy class seats.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
SET50	CHAROEN POK FOOD	32.50	BIG C SUPERCENTE	-4.37
	ITALIAN-THAI DVL	30.28	HANA MICROELEC	-3.54
	TOTAL ACCESS COM	24.82	KHON KAEN SUGAR	-2.80

INDONESIA

The JCI Index rose +5.4% another good performance. JCI outperformed (in euro) most other regional markets. August CPI came out in line at +2.75% YoY. Bank Indonesia also kept rates unchanged at 6.5%. Export and Import were roughly in line at -23% and -32% for the month of July. Trade balance less than expected \$961mn (vs \$1.3bn). Danezaksa Consumer Confidence continued to climb, and reached 93.8 (92.4 in July). Foreign reserves were firm at \$58bn. Cement consumption, motorcycles and local auto sales continued to grow MoM (4mn tonnes; 626353; 48180).

Corporate News

- Palm oil producer Bakrie Sumatera Plantations may buy oleochemical and oil palm processing plants owned by the Domba Mas Group.
- Astra Agro Lestari, Indonesia's largest publicly traded plantation company, failed to sell 7,250 metric tons of palm oil in an auction today because of low bids. The highest bid of Rp7,388 (US¢73) per kg from Inti Benua Perkasatama for shipments from Dumai port in Riau province was less than the target price of Rp7,525
- Adaro Energy is in talks with about 15 banks to borrow US\$500m, according to two people familiar with the matter. Adaro's profit rose 16-fold to Rp2.25tr (US\$223m) in 1H09 from a year earlier. Sales jumped 64%.
- State gas distributor Perusahaan Gas Negara (PGN) signed on Monday an initial agreement to purchase up to 5m metric tons of liquefied natural gas (LNG) per annum from Energy Equity Epic Sengkang Pty Ltd (EEES). PGN will receive between 1.5 and 5m metric tons of LNG per annum from EEES. The LNG is expected to be delivered from 2012 as part of a five-year contract
- Medco Energi Internasional's production unit plans to spend about US\$250m in capital expenditure next year, partly for its Donggi-Senoro gas project on the Sulawesi Island. The Donggi-Senoro project may require US\$50m in investment. In other news, the company may also delay production at its Libyan oil block to 2013 from an initial target of 2011 after China National Petroleum Corp. canceled its bid to buy Medco's partner in the block
- Indocement Tunggal Prakarsa, Indonesia's second-biggest cement maker, expects profit to climb about 50% in 2H09 from a year ago. Profit growth may match the pace in 1H09, said director Christian Kartawijaya. Indocement's profit rose 52% in the six months to end-Jun 09 from a year ago to Rp1.17tr (US\$115m)
- Aneka Tambang is interested in buying a coal mine project run by BHP Billiton Ltd. The company is studying the option
- Matahari Putra Prima, Indonesia's biggest department store operator, will increase its capital expenditure allocation next year as it prepares to open new stores. Matahari may spend Rp1tr (US\$98m) in 2010, mostly to open 19 to 22 shops, compared with an estimated Rp600bn to Rp700bn this year
- Bakrieland Development may sell bonds and a 30% stake in its toll-road unit next year to fund infrastructure investments. Bakrieland may also sell part of its stake in Bakrie Toll Road in the second or third quarter of next year. Bakrieland is Indonesia's second-biggest property developer by assets.
- Tambang Batubara Bukit Asam expects to complete the US\$150m acquisition of two mining companies on the Indonesian side of Borneo Island this year. The takeovers will help Bukit Asam increase its coal output capacity to 20m tons within three to four years. The company expects to produce 11m tons of coal this year
- Bank Tabungan Negara, an Indonesian state-owned financial services company, said it hired Mandiri Sekuritas and CIMB Securities to help arrange an initial public offering in 4Q09. The bank plans to sell 30% of its outstanding equity and may raise Rp3tr from the share sale. That would make the bank the first state-owned lender to tap Indonesia's stock market this year, and the third to ever sell shares in an IPO.
- China Investment Corp (China Sovereign Fund) invested \$2bn in BUMi debt instrument.
- Pembangunan Perumahan, an Indonesian state-owned construction company, plans to raise Rp1.4tr (US\$141m) from an initial public offering in Dec 09. PP may sell 21.5% of its stake to the public. The company has appointed Mandiri Sekuritas, Danareksa Sekuritas and DBS Securities Indonesia to help

arrange the sale. Proceeds from the share sale will be used to fund PP's expansion and for working capital, the report said.

- China Investment Corp. bought US\$1.9bn of debt from Bumi Resources. A day earlier, CIC paid US\$850m for a 15% stake in Noble Group Ltd., a Hong Kong-based commodity supplier. After losing money on Blackstone Group LP and Morgan Stanley, CIC is increasing investments in resources firms to gain access to the raw materials it needs to fuel growth.
- Bakrie Telecom, said it posted first-half net income of Rp72.8bn (US\$7.3m), a 16.7% rise from Rp62.4bn a year earlier. Diluted earnings were Rp2.56 per share.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
LQ 45	INDOFOOD SUKSES	21.00	MITRA RAJASA	-4.17
	BANK PAN INDO	17.81	BAKRIE TELECOM	-4.08
	UNITED TRACTORS	15.56	ASTRA AGRO LEST	-2.09

MALAYSIA

Malaysia succeeded for once to perform in line with the Asian benchmark (in euro) as the latter corrected in the final week of the month. As for Macro figures: August Foreign reserves increased to \$93.3bn (\$91bn in July). July Export and Imports resisted better than expected -23 and -16 versus -24 and -21 expected. Trade surplus reached 8bn ringgit. Industrial production was also a pleasant surprise, -8.4% instead of -10.5% consensus (-10% in June). Manufacturing sales value for July beat consensus too, -22%. Also, the Government intends to decrease budget deficit to 7.6 GDP for 2010.

Corporate News:

- EPF bought 9.17m shares of DiGi on Aug 26 when its shares fell to its lowest in more than two months.
- Kencana's unit Kencana Torsco Sdn Bhd, has secured two contracts worth RM134.5m to build a manufacturing plant for Sunpower Malaysia Manufacturing Sdn Bhd.
- Clarifying on the news that the information, communications and culture ministry was reviewing its exclusive 20-year operating licence, and had wanted it to include more government-friendly programmes, Astro said it has regular and ongoing discussions with regulators with regard to the development of the local media industry, and these talks include issues pertaining to the migration of its operating licence.
- UMW Toyota is upbeat on prospects in 2H09 and aims to sell more than 80,000 Toyota cars by December.
- Prime Minister Datuk Seri Najib Razak says news reports that the government is planning to sell up to 10% of Sime Darby's equity to China is a "pure speculation" at the MoMent.
- Genting Bhd's Singapore unit said it plans to raise as much as S\$1.63bn through a rights offer to fund future acquisitions and investments, as well as for working capital.
- Proton Holdings is in talks with Volkswagen (VW) that could lead to a strategic partnership and the assembly of vehicles at the national carmaker's plant in Tanjung Malim.
- DRB-Hicom has maintained that its Chevrolet distribution pact is still intact, but says it is looking at "rephrasing" the deal with principal General Motors Corp (GM).
- EON Capital said its unit EON Bank has raised RM500m from the sale of Innovative Tier-1 Capital Securities, the first tranche of the RM1bn programme.
- Khazanah Nasional Bhd has reduced its stake in Malaysia Airports to 67.7% from 72.7% following the successful placement of 55m shares, or 5% stake, to institutional investors for RM181.5m last Thursday.
- AirAsia has successfully placed out 380m new shares at RM1.33 per share, raising gross proceeds of RM505.4m.
- The major shareholders of both The New Straits Times (M) (NSTP) and Media Prima have agreed to the privatisation of the former, sources said.
- Bursa Malaysia has entered into a strategic partnership with CME Group Inc, the world's largest and most diverse derivatives exchange operator.
- Biotechnology Corp Sdn Bhd (BiotechCorp) has signed a 60:40 JV agreement with UEM Land to jointly set up a biotechnology park dubbed "Bio-XCell" at the Southern Industrial and Logistics Clusters (SiLC) in Nusajaya, with an initial investment of RM550m.
- YTL Power International (YTLP) has been short-listed as one of the four bidders for a 450-MW gas-fired power plant project in Bangladesh estimated to cost some Tk2,700 crore (RM1.36bn).
- Kencana Petroleum has been awarded a RM90m contract to provide offshore construction services by an undisclosed oil company.
- The much-anticipated IPO of Maxis will likely be priced at RM5 to RM6, say sources.

- Guinness Anchor 4QFY09 Results- 4Q revenue 12% qoq after a strong 3Q, led by the Chinese New Year. But FY6/09 revenue climbed 8% YoY, thanks to improved sales volume and higher selling prices.
- Wah Seong 2QFY09 Results- Net profit of RM 30m took 1H bottomline to RM56m. 2Q revenue fell 8% YoY but managed to expand net profit by 33% because contracts in hand carry higher margins.
- SP Setia 3QFY09 Results- Net profit rose 4.5% qoq and 5.3% YoY to RM42.7m despite relatively high raw material costs and the indirect discounts in the 5/95 campaign. This is largely due to the strong sales from the 5/95 campaign.
- Gamuda Q earning -38% as all divisions' contributions declined YoY.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KLCI	AMMB HLDGS	11.56	YTL POWER	-5.40
	ASTRO ALL ASIA	9.50	YTL CORP	-4.13
	AXIATA GROUP	7.19	UMW HLDG	-4.03

PHILIPPINES

The PSE index was down 2.9% MoM, posting its first monthly loss in 8 months, albeit mild.

The stock market was already beginning to weaken in the second half of September mainly due to a stream of corporate and government bond issues that drained liquidity. An estimated US\$3bn worth of bond issues went through the money market, which equated to nearly 5% of money supply (M3). Sentiment was further battered in the last week of September when a typhoon dumped 1-month worth of rainfall in just a single-day on September 26, causing severe flood damage to Metro Manila, Central and Southern Luzon – areas that combine for 56% of GDP. This disaster would likely blunt economic growth and corporate profits in 4Q09. Value turnover on the Exchange was ominously thin in the two trading days following the disaster as companies and investors begin to count the cost to business, apart from the personal tragedies. Equity investing by domestic retail and institutional investors is likely to take a back seat for weeks until the process of rebuilding lives get underway.

Government completes a US\$2.1bn retail bond issue – the single biggest ever. With it, they complete their deficit funding requirements for 2009 and may have already pre-funded part of 2010 expenditures. By securing funds early, the government need not borrow further as to exert upward pressure on domestic interest rates. Remittances from overseas Filipinos rose 9.3% in July and continue to defy doomsday predictions of a collapse in remittances. YTD, remittances grew 3.8% YTD and remains a major driver of consumption and property demand. Loan growth slowed sharply in July to just 2.9% YoY, from the mid-teens rate of growth in much of 1H09. Bank lending to the property sector however, remained strong, rising 11%. Loan growth to trade and manufacturing were poor. The House of Representatives recalled the controversial bill seeking to impose a specific tax on the widely popular SMS service of telcos. With the recall, we now believe this bill is dead and should no longer threaten to cap the growth in the fastest growing revenue segment of wireless mobile companies. We are told that the law governing real estate investment trusts (REIT) may be passed by mid-October. If true, it may allow some property developers to spin off REIT-able assets and avail of certain tax breaks embedded in the REIT law.

Corporate News:

- Aboitiz Power won the IPP administration contract for the 700MW Pagbilao coal-fired plant. However, because of the complexity in accounting for the income of concessions, we estimate it to be positive to cash flow but neutral to EPS. AP will also participate in auctions for 3 more IPPA contracts for 345MW of hydroelectric power generating capacity in Nov-09.
- Energy Development Corp acquired the 305MW Palinpinon-Tongonan geothermal plant for US\$220mn. This adds 40% to the company's generation capacity
- Megaworld won the bid for the 8.4-hectare North Bonifacio property sold by government. This will be developed within a 20-year period. MEG will pay government Php3.15bn and spend Php15.7bn more to develop this mixed-use project over the 20-year period
- Pldt repurchased its own stock in mid-September for the first time since Mar-09. Although they only managed to buy a token sum of 13,000 shares to add to some 2.7mn worth of treasury shares, the resumption of the buy-back came at the heels of a 1-week 5% drop in the stock. The buy-back underscores management's view that the stock is undervalued. PLDT is trading around 10x 2010 PER with a 9% cash yield
- SM Prime Holdings sees its net '09 income growing 8-9%. This was confirmed in an interview with the President of the company. Consolidated net income of SM Prime rose by 7% to P6.4bn last year.
- FilinVest Land is optimistic that net profit will rise by 7% this year. Guidance translates to a net income target of P1.65bn in 2009, up from the 2008 level of P1.55bn. We surmise that growth will partly come from the expected 10% rise in sales and the decline in the corporate income tax.

- San Miguel Corp reported a net income of P55.6bn un 1H09, a 192% increase YoY. That income was boosted by the sale of SMC's 43.25% in San Miguel Brewery to Kirin Holdings. 4.479bn shares were sold to Kirin at P8.841/share last may.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
PCOMP	FIRST GEN CORP	11.63	VISTA LAND	-17.14
	AYALA LAND	6.98	MANILA ELEC	-15.42
	GMA NETWORK	6.49	PHILEX MINING	-13.00

PAKISTAN

Improved macro indicators, assurance of continuous funding by IMF & USA and some big oil discoveries boosted market sentiments in September. Moreover, foreign interest at the bourse remained elevated, as they spent over US\$205mn on purchasing shares and divested only US\$90mn, resulting in net buying of US\$115mn. Pakistani market posted an 11.4% impressive return during September and gained the top performing market slot amongst its peers. Currently the market is trading at a 13 month high level. Though, a broad based rally witnessed in the market, investors' interest was skewed towards textile, fertilizers, banking and oil stocks. Among major sectors, textile sector grew by 29.3% followed by fertilizer (21%), banking sector (14.5%) and oil & gas sector (7%). Moreover, average daily volumes in the current month stood at 242mn shares, highest since April 2009.

During September, SBP released Balance of Payments data which attracted investors' attention. As per the data released by SBP, Pakistan's balance of payments surged by a handsome US\$2.1bn during the month of August, primarily on the back of C/A surplus worth US\$82mn and exceptional surge in financial account worth US\$2.18bn. Rising dollar inflows have also helped stabilize rupee dollar parity during the month, despite the fact SBP transferred diesel payments to the market. This boosted overseas investors' confidence, which can be reflected from overseas foreign portfolio investments.

Importantly, the recently held Friends of Democratic Pakistan meeting at the sidelines of the UNO conference has failed to recognize the immediate relieve from forum to address its short-term structural issues. In the meeting nothing significant was announced except for US President Barak Obama committing to triple the non-military aid to Pakistan of US\$1.5bn/ annum from 2010 till 2014.

Major oil and gas discovery at Nashpa attracted investors' interest in the E&P stocks such as OGDC, PPL and POL. This was the biggest oil discovery in NWFP province with total production estimated at 7200 barrels per day (10% of the country's existing production) and 25mmcf/d of gas. The earnings impact is significant for OGDC and PPL as their annualized earnings are estimated to improve by 6-10%. As result market capitalization of the E&P sector (26.5% weight in the index) grew by 7%. PPL, with 14% return, remained the outperformer in the E&P stocks followed by OGDC with 7% and POL (3%).

Corporate News:

- Few major companies announced their financial results in September.
- Kot Addu Power Company Limited announced its full year results for FY09, posting better than expected profit after tax of Rs5, 672mn (EPS Rs6.44) versus profits of Rs7, 966mn in the same period last year. The company announced a final cash dividend of Rs4.2 in addition to Rs2.25 paid earlier in the year which was surprising for the market.
- Fauji Cement posted results slightly below expected, with an EPS of Rs1.45 in FY09 against EPS Rs0.85 last year.
- Dg Khan Cement posted similar results, recording EPS of Rs1.68 in FY09 versus EPS of Rs0.12 in FY08.
- Textiles: Following the formal announcement of the textile policy in late August, huge interest was witnessed in Textile sector specially scrips like NISHAT MILLS and AZGARD NINE. As a result, the sector market capitalization grew by 29.3%. There were strong signals that the new policy would herald fresh investment in the sector. Moreover, incentives like reduced markup rates and abolition of import duties are expected to improve future earnings of the sector specially export oriented companies. Fertilizer sector also picked up pace (posted return of 21%) as fertilizer off take continued upward Momentum. Banking sector fared well with return of 14.5% so far in the ongoing month of September on the back of relative underperformance and expected relaxation of regulations from the State Bank. E&P sector continued its bullish Momentum on the back of improved production data and oil discoveries in a few fields.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KSE100	PAKISTAN INTL	62.41	PAK SERVICES	-16.19
	ASKARI LEASING	52.77	COLONY SUGAR MIL	-9.23
	BANK PUNJAB	51.14	PIAC-A	-8.60