



MONTHLY MORNING MEETING APRIL 2009. PRESENTED BY iFAST FINANCIAL INDIA PVT LTD ©

ASIA EXCLUDING JAPAN (5.0 STARS – VERY ATTRACTIVE)

- 1) Asia ex-Japan's estimated PE ratio is at 11.2X and 8.2X based on 2009 and 2010 earnings. At this level, the estimated PE is significantly below the average of 14X over the past five years (March 2003 to March 2009). Asian equities were hurt the most during the recent crash in financial markets, and are priced the most attractively (next to emerging markets) at this point.
- 2) Earnings growth for 2009 is expected to decline sharply by 17.5%, led by sharp declines in Taiwan and Korea's earnings. The Asian technology sector, in particular Taiwan, has been impacted by slower demand for consumer electronics and poor demand for electronic components.
- 3) However, more recently, in a statement issued on 27 March, Taiwan Semi-conductor Manufacturing mentioned that the outlook for global semiconductor industry looked better than it was in February. Early March, TSMC raised its first quarter sales and margin forecasts due to rush orders from China. These could be initial signs of recovery from the Asian technology sector.
- 4) Various Asian economies have come out with stimulus packages to help to sustain economic growth or to alleviate the pressure that the global financial crisis on businesses in Asia. For Singapore, a stimulus package of \$20.5 billion is being introduced. Malaysia introduced a MYR 60 billion stimulus package on 10 March, to add on to the MYR 7 billion stimulus package on 4 November 2008.
- 5) However, it would take time for these stimulus packages to seep through to the general economy. In the meantime, Malaysia's fiscal deficit is slated to reach 7.6% in 2009 and Singapore's fiscal deficit would be 3.5% of GDP (a record high). Although the governments have put in quite a bit of effort in stimulating the economy, a lot would still have to depend on an improvement in external demand for Asian goods.
- 6) Inflation has slowed down in Asia, certain economies such as Thailand, China and Taiwan are even going through deflation with inflation year-on-year as at end February at -0.1%, -1.6% and -1.31%. This provides space for economies to take up an expansionary monetary policy to spur on growth.
- 7) The issue with Asian economies now is that most of them are still rather reliant on the west, in particular U.S and Europe for export demand. Although there has been growth in intra-Asian trade, it is not sufficient to have continued growth in exports for various Asian countries.
- 8) With Asia ex-Japan equities trading at the lowest levels in the past 5 years and at a significant discount relative to the five-year average, we have given the market a 5 stars or 'Very Attractive' rating.