



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

CHINA (5.0 STARS – VERY ATTRACTIVE)

- 1) Estimated PE for Chinese equity represented by HSMLCI index is 10.6X for 2009 and 9.5X for 2010
- 2) Expected earnings growth is 3.8% and 11.2% for 2009 and 2010 respectively.
- 3) China GDP grew at 9% in 2008, the slowest pace in 7 years. The government targets to achieve an 8% economic growth in 2009.
- 4) The 4 trillion Yuan stimulus package is starting to show its impact to the economy. We saw some signs of recovery in China. New local currency loan more than quadrupled from a year earlier in February to 1.07 trillion yuan. Vehicle sales raised 25% y-o-y in February.
- 5) Power generation raised 5.9% y-o-y in February after declining for the previous 4 months.
- 6) Property sales in Beijing increased 32% week-on-week to the week of 3rd March 2009. These indicators show that the Chinese economy is stabilizing and may be ready to take off again.
- 7) The People Bank of China reduced the one-year lending rate to 5.31% and we expect there is a further rate cut in 2009. RMB is not likely to depreciate against the USD in 2009.
- 8) Retail sales, a proxy for private consumption has growth 15.2% YTD as of February. Although the sales growth slowed from above 20% in 2008 to around 15%, we believe that private consumption remains robust and could become the main driver for the economic growth.
- 9) Exports contracted since November 2008. It contracted by a record of 25.7% y-o-y in February. Exports will remain weak in 2009 as global demand is weakening.
- 10) China is our favourite market in 2009. The estimated PE for 2009 is 10.6X. China is showing extremely attractive valuations and strong economic growth therefore we rate China equity market as very attractive – 5 stars over the 3-year horizon.