CIMB

ASEAN REVIEW

Monthly Report

Market Commentary

February 2010

The month of February began on weak sentiments, as investors all across the globe were still in shock after news of debt worries emerged from Europe. Markets continued to underperform as investors’ confidence was further shaken by concerns related to US job data. As the month progressed, global markets received a booster as European Union leaders began talks on the possible solution to Europe’s deficit issues, specifically Greece. Confidence was partially restored, as markets took the news positively and remained hopeful on a solution from the EU. However, the news was short lived when leaders were less than willing to bailout Greece. Investors were disappointed with the nonchalant attitude from EU leaders and consequently, the outcome led to a slump in markets. Regional markets, on the other hand, remained lacklustre as investors were preparing for the long weekend in commemoration of the Chinese Lunar Year holidays. Globally, markets began to move higher as a solution was signed by EU leaders to help solve Greece’s debt issues. Thereon, markets began to move in tandem to news flow and took no particular direction. The announcement by Bernanke to start fiscal tightening led markets lower but as he reassured the public that he would keep interest rates low, markets moved northbound instead. Into the final leg of the month, US released their consumer confidence data, which came in weaker-than-expected at 46.0 as compared to 55.0 in the previous month. This led to a slight decline in markets but was quickly offset when Japan and Britain announced solid economic data. After a month of see-sawing, the Asean40 Index hardly moved in any direction and closed the month of February a mere 0.2% higher m-m, with minimal gains of 19.66 points to end trading at 8,029.09. All bourses closed in positive territory, with the exception of the JCI, which was down 2.0% m-m. SET moved the most for the month, gaining 4.0% m-m. Major gainers were Axiata (14.1%), Singapore Airlines (7.7%) and Sembcorp (6.8%), while major losers were Telekomunikasi TBK (-11.2%), Genting (-10.5%) and Bank Rakyat Indonesia (-6.5%).

Corporate News

February 2010

Indonesia

Unilever Indonesia’s FY09 revenue rose 20% from a year earlier to Rp18.68tr and the consumer goods company expects the same growth this year. Unilever also plans a number of acquisitions.

Bank Mandiri, Indonesia’s largest financial company by assets, may sell dollar denominated subordinated bonds this year as an alternative to a share sale. The bank plans to sell shares in a rights offer or through a divestment to boost public ownership of the bank to 40% from about 33%. Bank Mandiri expects loan growth of 15% to 20% this year and next year.

Corporate News

February 2010

Malaysia

CIMB Group expects a higher net profit this year after a stellar 2009, to be driven by stronger earnings from its regional operations, a more vibrant capital market and a better economy. CIMB is aiming for a higher 16% ROE this year, up from 2009's 15%.

DiGi will spend at least RM350m to expand its mobile broadband coverage. The company, which launched its mobile broadband services in April, last year has invested about RM400m to expand its high speed wireless Internet network. So far, 29% of the population has access to its third generation (3G) and mobile broadband services. It wants to cover more than 60% in five years.

Maybank's subsidiary Bank Internasional Indonesia (BII) has proposed a rights issue amounting to Rp1.4tr (RM513m) to strengthen its balance sheet and to enable it to meet its investment and longer-term growth goals in Indonesia. The fund-raising exercise will involve the issue of 6.2bn new shares on a one-for-eight basis at 225 rupiah apiece, or at a discount of nearly 23%.

Sime Darby's 2QFY10 numbers to be released this week may show more losses in the oil and gas sub-segment of its energy and utilities division, arising from one of its Qatar projects. The sub-segment is expected to make a provision of more than RM100m for the Qatar Petroleum project.

Philippines

Philippine Long Distance Telephone, the nation's largest phone company, has completed the expansion phase of its digital fiber optic network. The expansion which increased the facility's operating capacity by 320 gigabits per second to more than 1,000 gigabits per second is estimated to cost a total of 600 million pesos ($13 million).

Singapore

CapitaLand, **City Developments** and **Keppel Land** were affected as the government announced that it will impose a levy on homes sold within a year of purchase to discourage short-term speculation in the market. The city-state is also lowering the loan-to-value limit to 80 percent from 90 percent for all housing loans provided by financial institutions.

Keppel Corp., the world's biggest oil rig builder, won a contract to build a jack-up drilling rig for a unit of Saudi Aramco. The contract is subject to confirmation by May this year.

SembCorp Industries and partner Qinzhou Economic Development Zone will invest 62 million yuan ($9.1 million) to build a water treatment facility in Guangxi Province in southern China.

SingTel's Indian associate, Zain and Bharti Airtel are expected to sign a letter of intent for the US$9bn of African assets deal. The letter will include the official offer and the schedule of payment. Meanwhile, Bharti does not need any regulatory approvals from the country to acquire the African assets of Zain and expressed the hope that the deal will be concluded by the end of April.

Thailand

PTT Pcl plans to increase annual revenue from its overseas coal business to as much as $600 million by 2014. The Thai company is studying opportunities in Madagascar and Brunei in addition to its existing coal business in Indonesia. PTT borrowed $380 million from banks including Bangkok Bank Pcl, Siam Commercial Bank Pcl, Standard Chartered Bank Plc and Krung Thai Bank Pcl to expand its production in Indonesia.

Siam Cement, Thailand's third- largest publicly traded company, received good news as the country's administrative court allowed seven projects in the Map Ta Phut industrial area to resume construction. The projects include petrochemical plants operated by Siam Cement.

Economic News

February 2010

Indonesia

The Indonesian government and central bank are urging lenders to reduce borrowing costs to boost growth. Policy makers want Indonesia's 121 commercial lenders to cut loan rates by between 1-2%.

Indonesia expects to raise its 2010 budget deficit target, capitalizing on foreign appetite for emerging-market bonds in order to borrow more and boost economic growth. The government would submit a proposal to parliament to raise the deficit target to 2.2% of GDP this year, from a previous target of 1.6%.

Malaysia

Malaysia emerged from its first recession in a decade in 4Q09. Gross domestic product (GDP) increased 4.5% yoy in 4Q, after contracting 1.2% in 3Q. That was better than the median forecast of 3.2% in a survey.

Malaysia expects to attract at least three more big investments from foreign companies involved in the solar energy industry this year. The three foreign direct investments (FDIs), averaging RM1bn each, are expected to come from the US, Japan and Europe. So far, Malaysia has managed to attract a few large firms like solar panel makers First Solar, Q-Cells and Sunpower.

The international reserves of Bank Negara Malaysia amounted to RM332.1bn (US$96.9bn) as at 12 Feb 2010, from RM332.2bn (US$97.0bn) as at end-Jan. The reserves position is sufficient to finance 9 months of retained imports and is 4.1 times the short-term external debt.

Philippines

The Philippines' budget deficit widened to a record in 2009 as tax revenue faltered and public spending rose. The shortfall of PHP26bn (US$564m) in Dec 09 widened the full-year deficit to PHP298.5bn. Spending increased 3.9% yoy and revenue dropped 16.3% yoy, after falling 11.7% in November.

Singapore

Singapore's consumer prices climbed 0.2% yoy in January (-0.5% in Dec 09) as transportation and healthcare costs rose. The index this month reflects a change in the base year to 2009 from 2004. Prices climbed 0.7% mom in January (-0.6% in Dec 09), without adjusting for seasonal factors. Economist s projected it would increase by 0.7% yoy.

The Singapore government incurred an overall budget deficit of S$2.9bn (1.1% of GDP) for financial year 2009 (-S$8.7bn in FY2008). This year, it is expecting a deficit of S$3bn (1.1% of GDP), as it spends on areas to boost productivity. This will allow Singapore to maintain a healthy rate of economic growth of 3-5% a year, even with a slower growth in the labor force.

Singapore's government has introduced a slew of tax reliefs to support families, especially the middle-income and those with elderly and handicapped dependants. Singapore will pump in S$5.5bn over the next five years to improve productivity among workers and companies.

Singapore raised its economic growth forecast for 2010, adding to evidence of a regional recovery that has prompted policy makers to end some stimulus measures. Real GDP will increase by as much as 6.5% in 2010 compared with a previous prediction for growth of as much as 5%. The economy contracted 2% last year.

Economic News

February 2010

Thailand

Thailand's economy emerged from a yearlong recession last quarter on increased exports and government spending. Gross domestic product rose 5.8% yoy in 4Q09 (-2.7% in 3Q09), beating the 4.3% median estimate. For the full year of 2009, the economy contracted 2.3% (+2.5% in 2008).

Thailand's exports increased 30.8% yoy to US$13.7bn in January (+26.1% in Dec 09), the most in 18 months as the economies of key markets gained momentum, helping to boost demand. Imports jumped 44.8% yoy in January (+28.2% in Dec 09), the second consecutive month of gains after a year of contraction. The trade surplus widened to US$516m from US$204m in Dec 09. Economists forecast the exports and imports would increase by 32.8% and 52.0% respectively in January.

	28 February 2010	YTD (USD) %	M-M (USD) %
INDU Index	10,325.26	-1.0	2.6
MXAPJ Index	394.07	-5.4	1.0
Asean40 Index	8,029.09	-2.7	0.2
Hang Seng Index	20,608.70	-5.9	2.5
HSCEI Index	11,543.73	-9.8	0.4
JCI Index	2,549.03	1.3	-2.0
KLCI Index	1,270.78	0.1	1.5
KOSPI Index	1,594.58	-4.4	-0.1
PSEi Index	3,043.75	-0.4	3.8
SENSEX Index	16,429.55	-5.0	0.6
SET Index	721.37	-0.8	4.0
STI Index	2,750.86	-5.1	0.3
TWSE Index	7,436.10	-9.4	-3.1

Risk Reward Trade-off Charts: 6 Months Risk vs Returns

February 2010

The Asean40 Index has a superior risk return profile over a 6-month period compared to other major indices. The Asean40 Index clearly lies above the "Efficient frontier" as shown in the below charts except for comparisons to ASEAN country indices as it falls slightly lower from the "Efficient frontier".

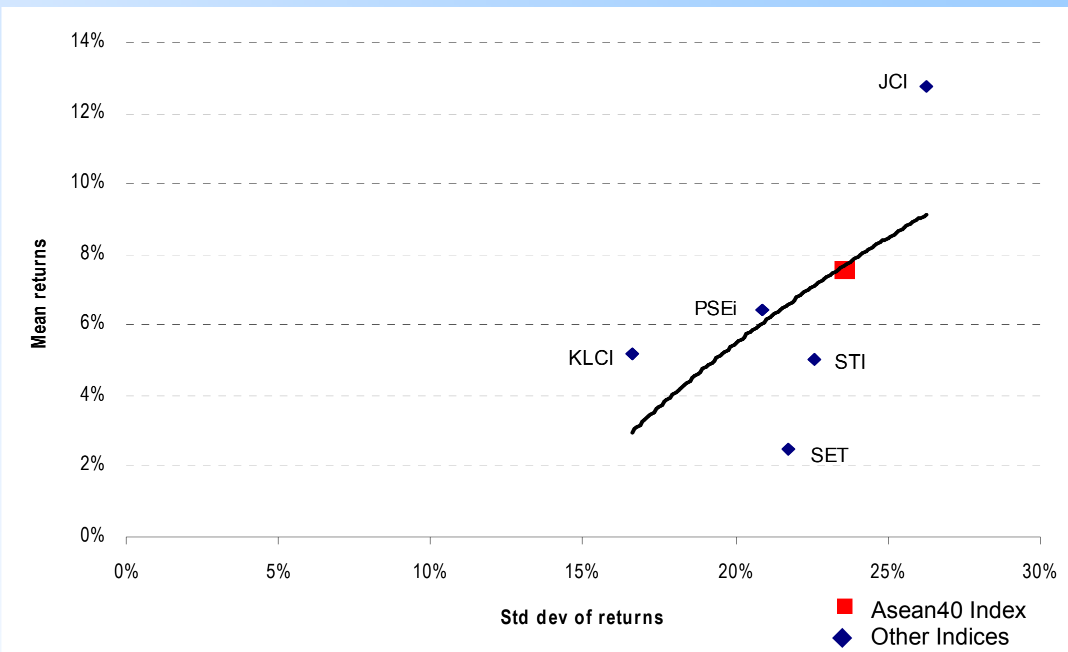

Figure 1: Asean40 Index compared to ASEAN country indices of KLCI, FSSTI, JCI, SET and PSEi

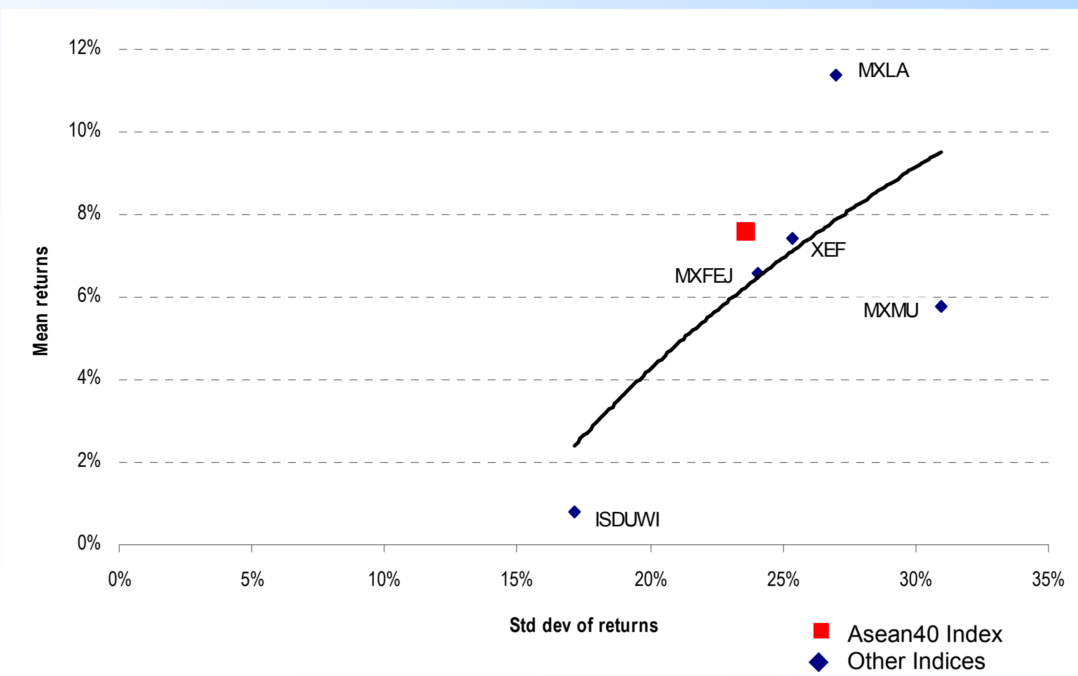

Figure 2: Asean40 Index compared to MSCI country and global indices

Risk Reward Trade-off Charts: 6 Months Risk vs Returns

February 2010

Figure 3: Asean40 Index compared to MSCI country, regional and global indices

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