



building
shock resistant
portfolios

HAS ASIA EX-JAPAN WITHSTOOD THE GLOBAL FINANCIAL CRISIS?

Catherine Yeung

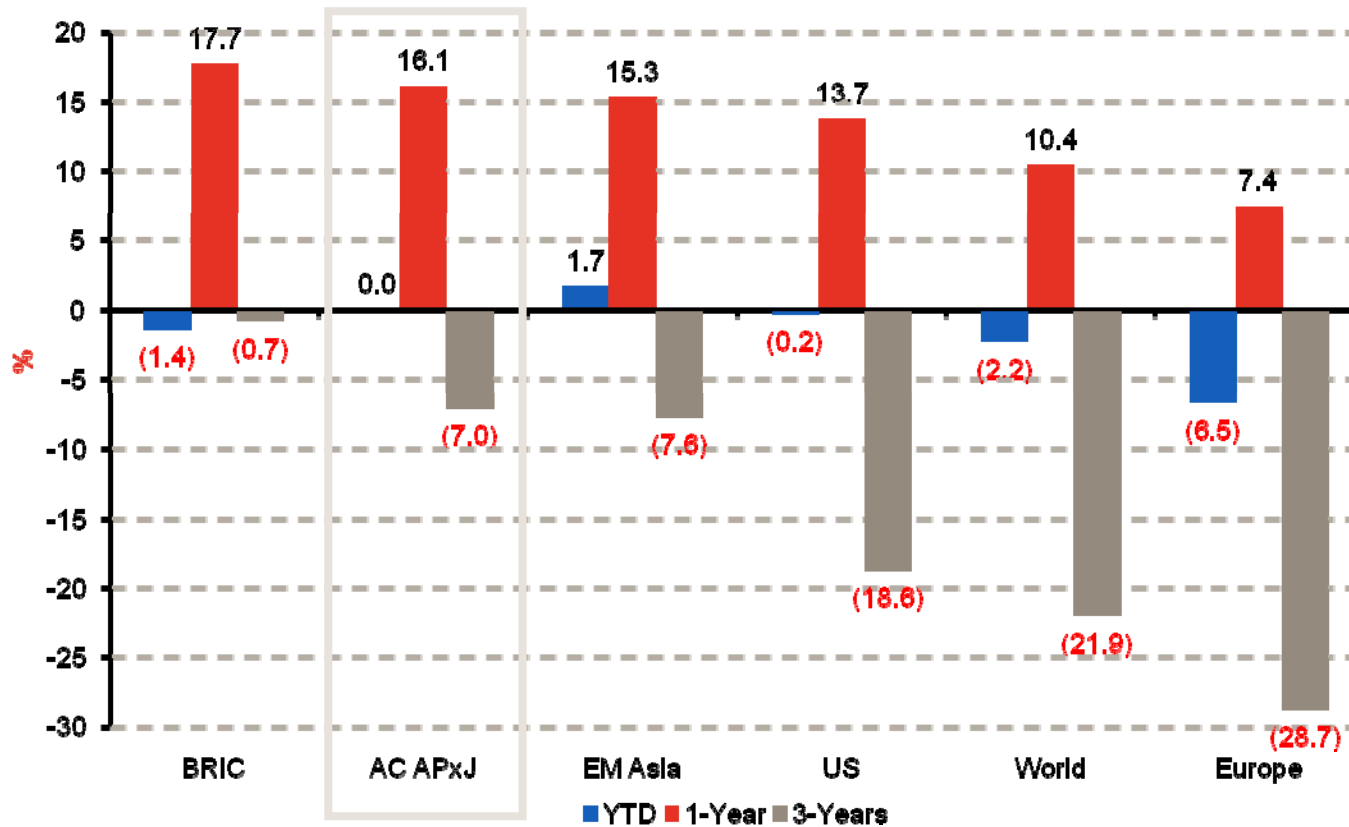
Investment Director

August 2010



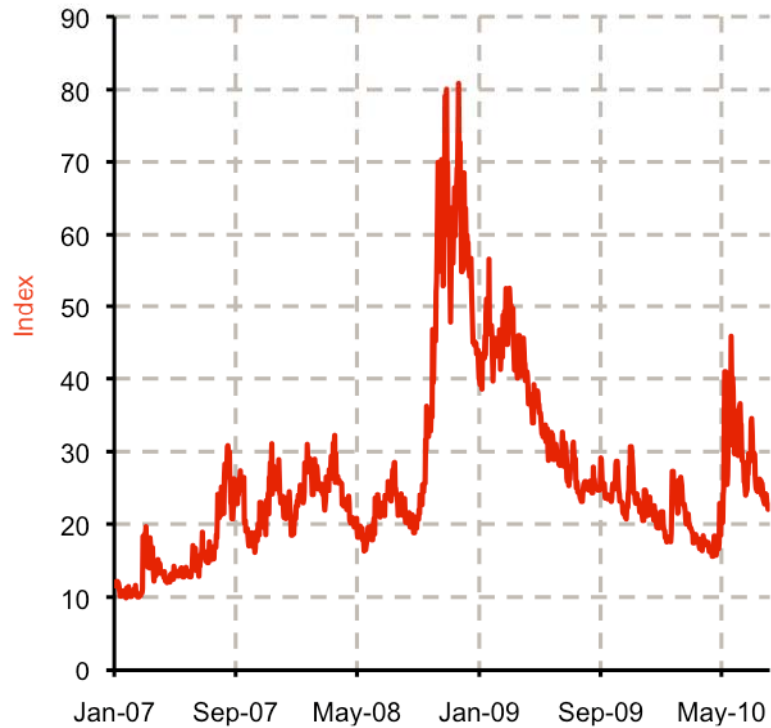
SETTING THE SCENE – MARKET PERFORMANCE

Asian equities versus other markets

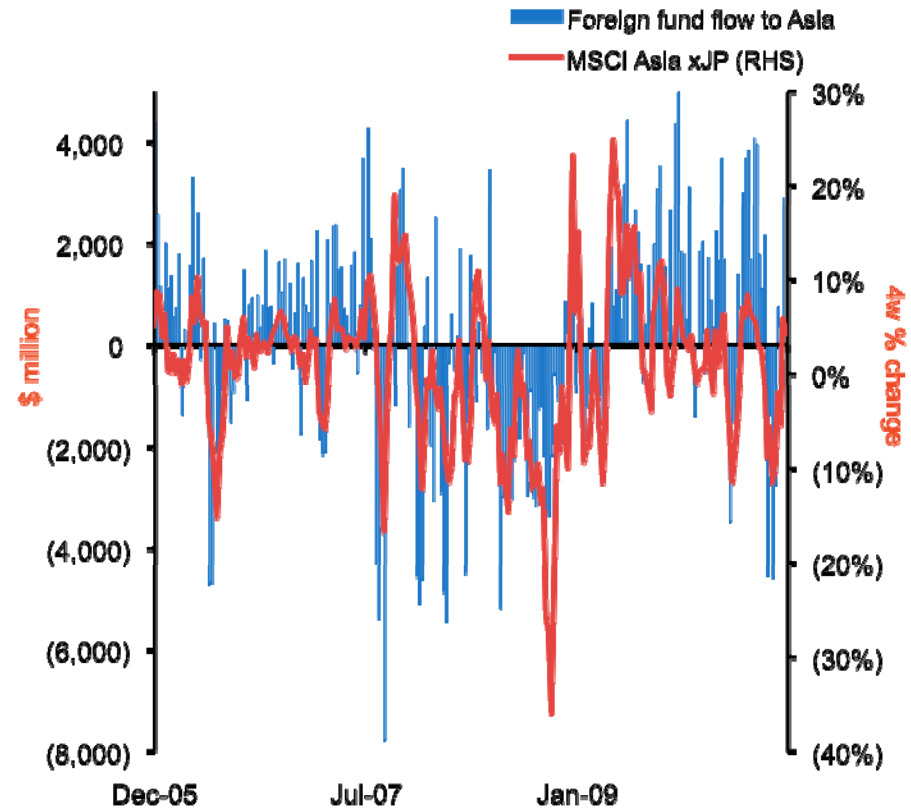


WHEN GLOBAL INVESTOR RISK APPETITE RETURNS...

VIX Index

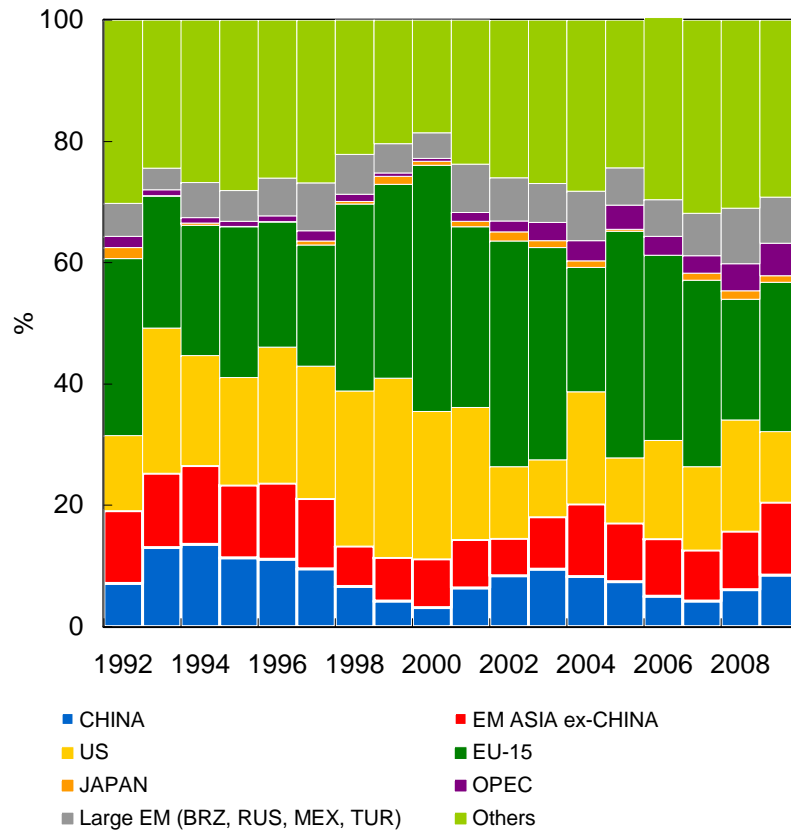


Fund flows to Asia



GLOBAL CAPITAL FLOWS ARE LIKELY TO FLOW THROUGH TO ASIA

Comparing global FDI (% of flows)



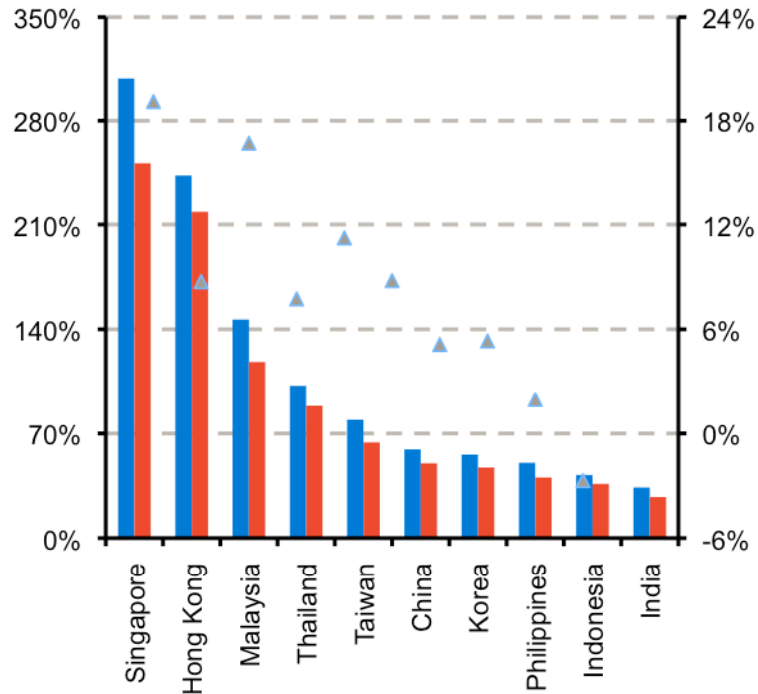
Equity market cap & bond market size (% of GDP)



DOES ASIA STILL DEPEND ON THE WEST?

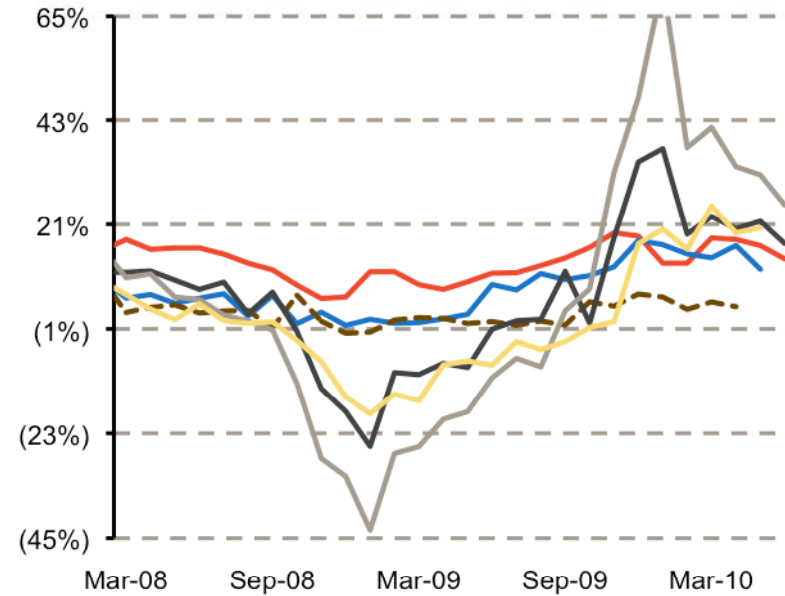
External dependence

- Goods and Services Exports (as % of GDP), 2008
- Goods and Services Exports (as % of GDP), 2009
- ▲ Current Account Balance (as % of GDP), 2009 (RHS)



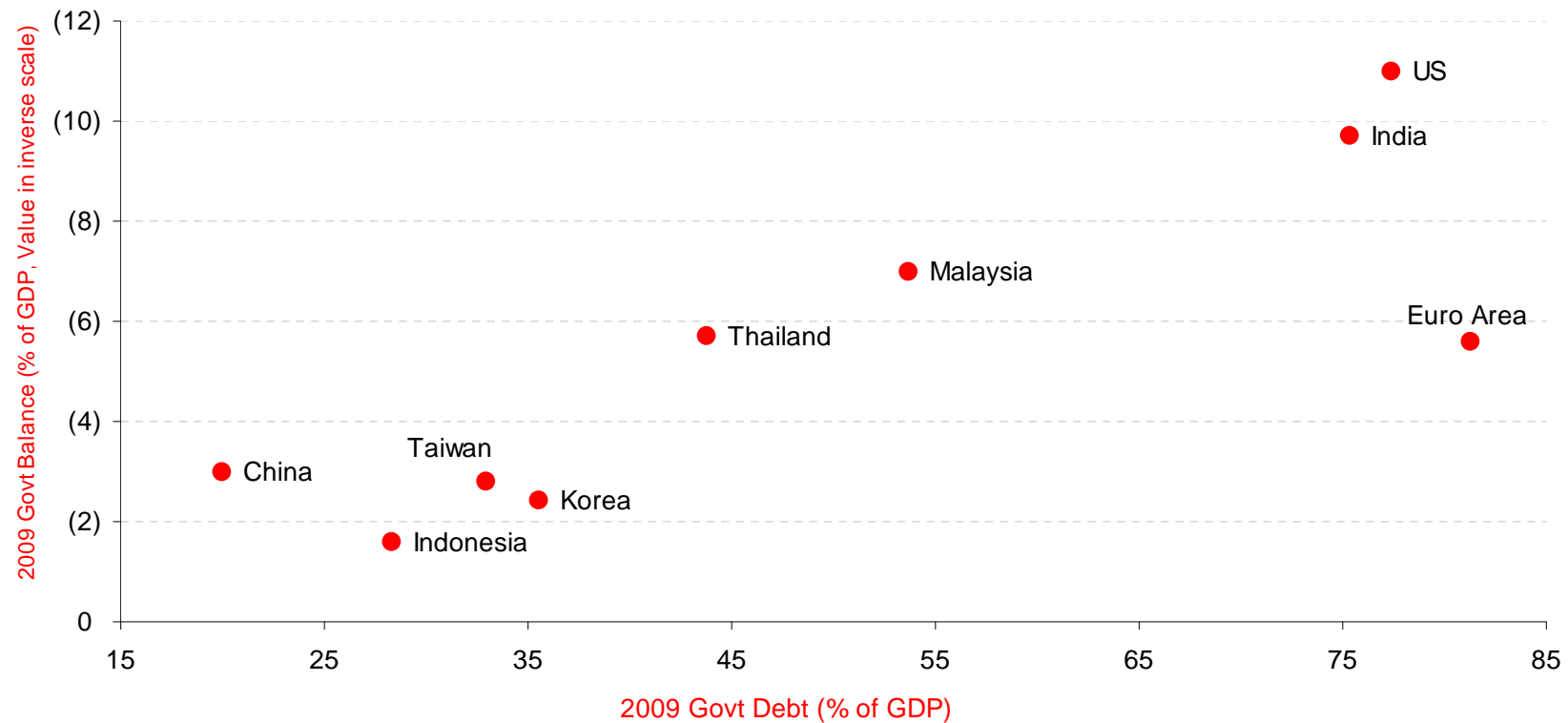
Industrial production growth in AxJ

- China
- India
- - - Indonesia
- Korea
- Taiwan
- Rest of AxJ



KEY FOCUS - POLICYMAKERS' ACTIONS

Comparing government balance sheets*



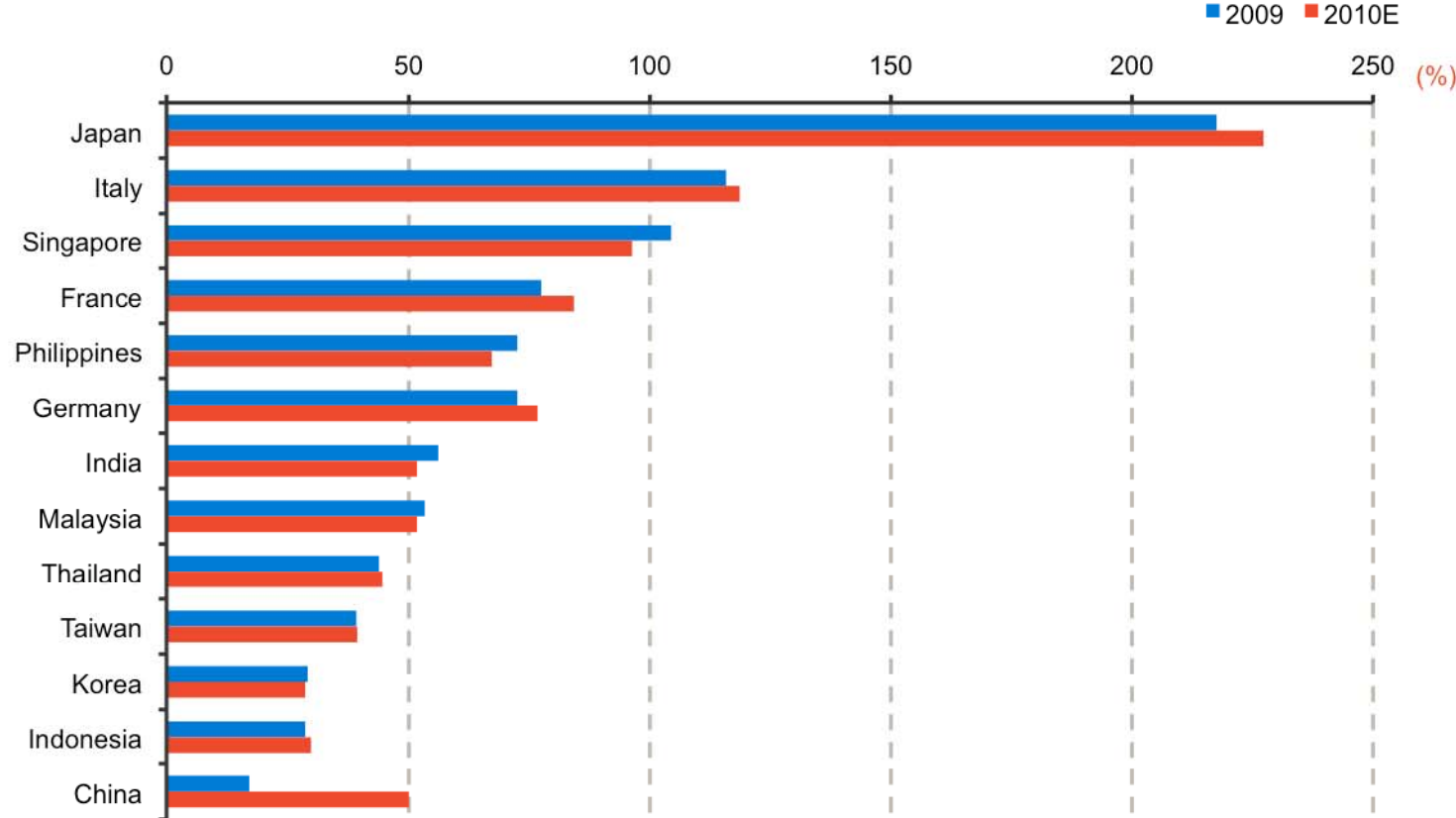
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Source: CEIC, Morgan Stanley, May 2010

*Fiscal balances for AxJ economies are as per financial year basis, which differs from country to country

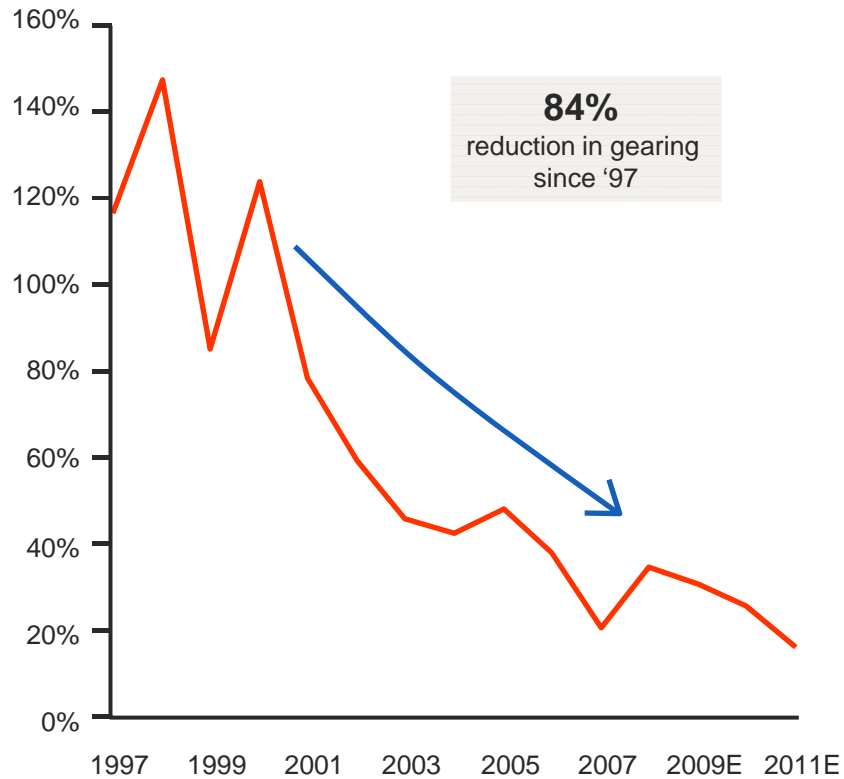
ASIA EX-JAPAN GOVERNMENT DEBT AT MANAGEABLE LEVELS

Public debt/ GDP

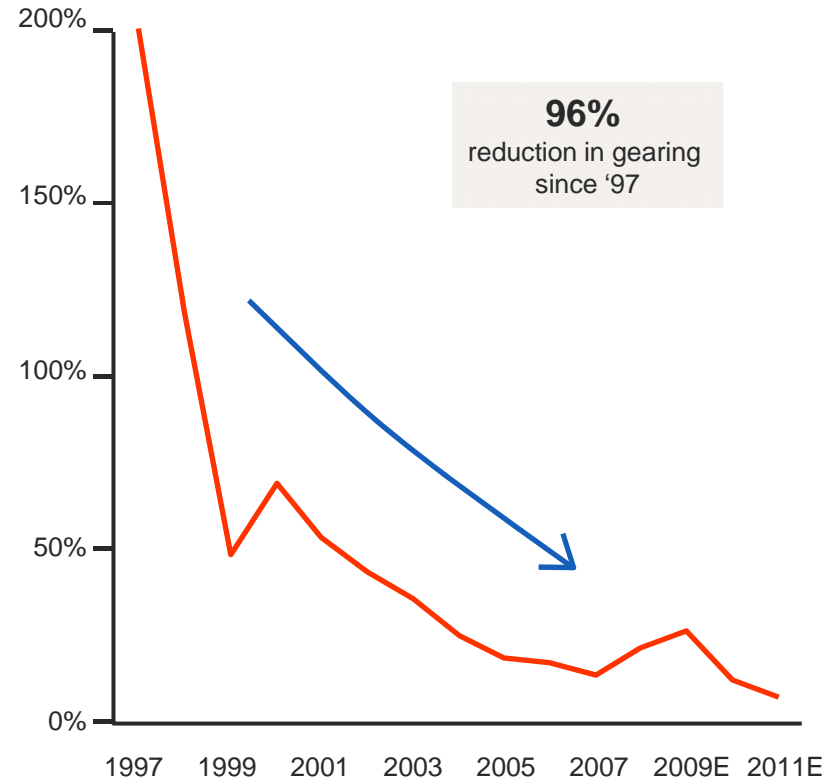


ASIAN CORPORATES ARE IN A FAVOURABLE POSITION

Indonesia

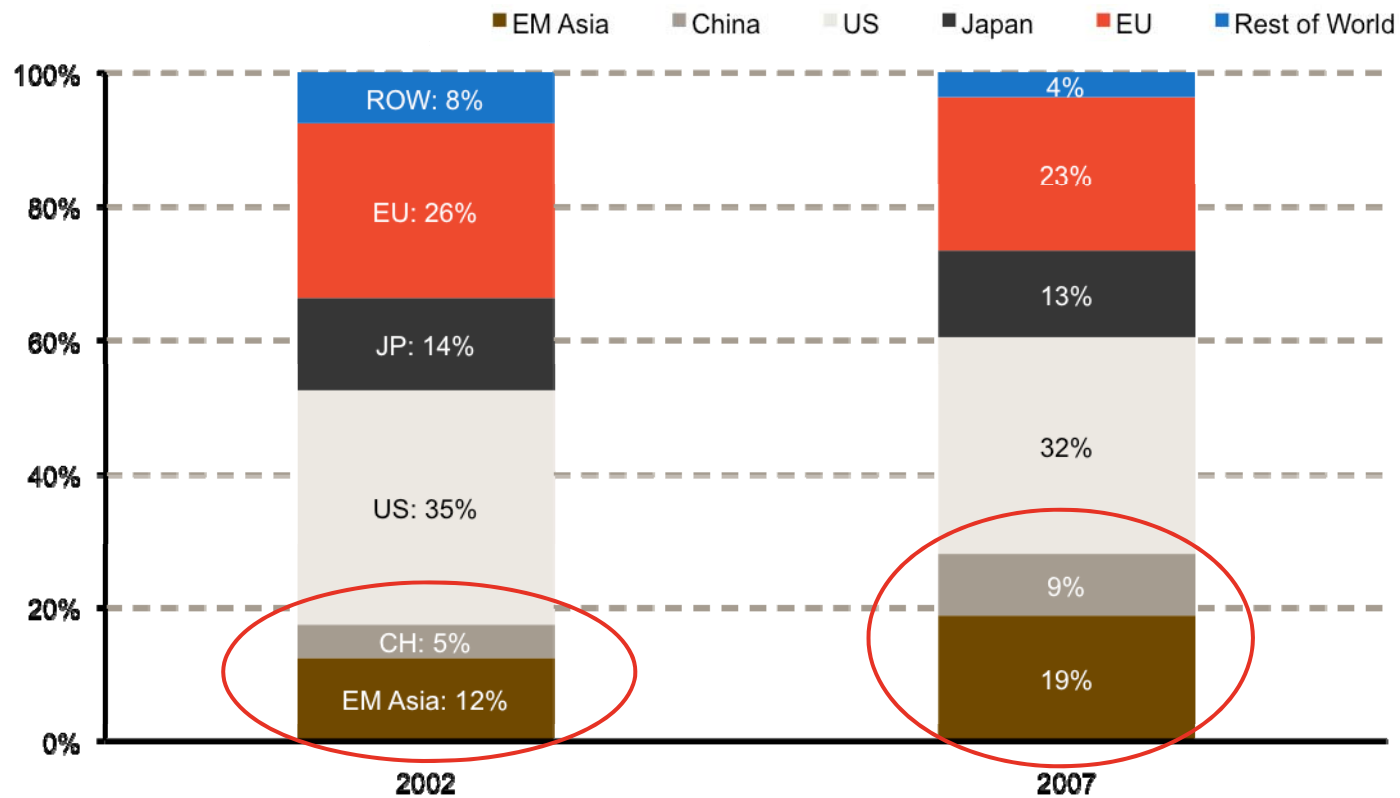


Korea



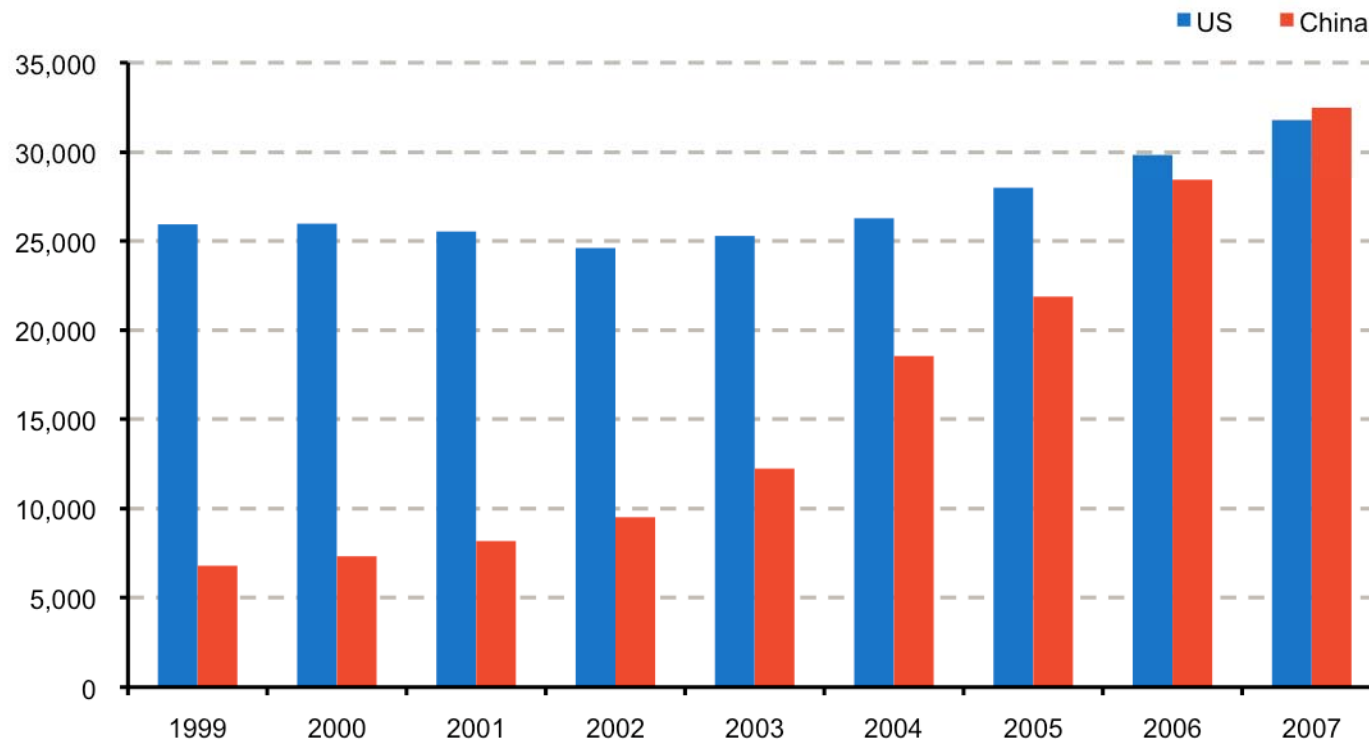
ASIA CLIMBS UP THE VALUE CHAIN

Share in global R&D spending



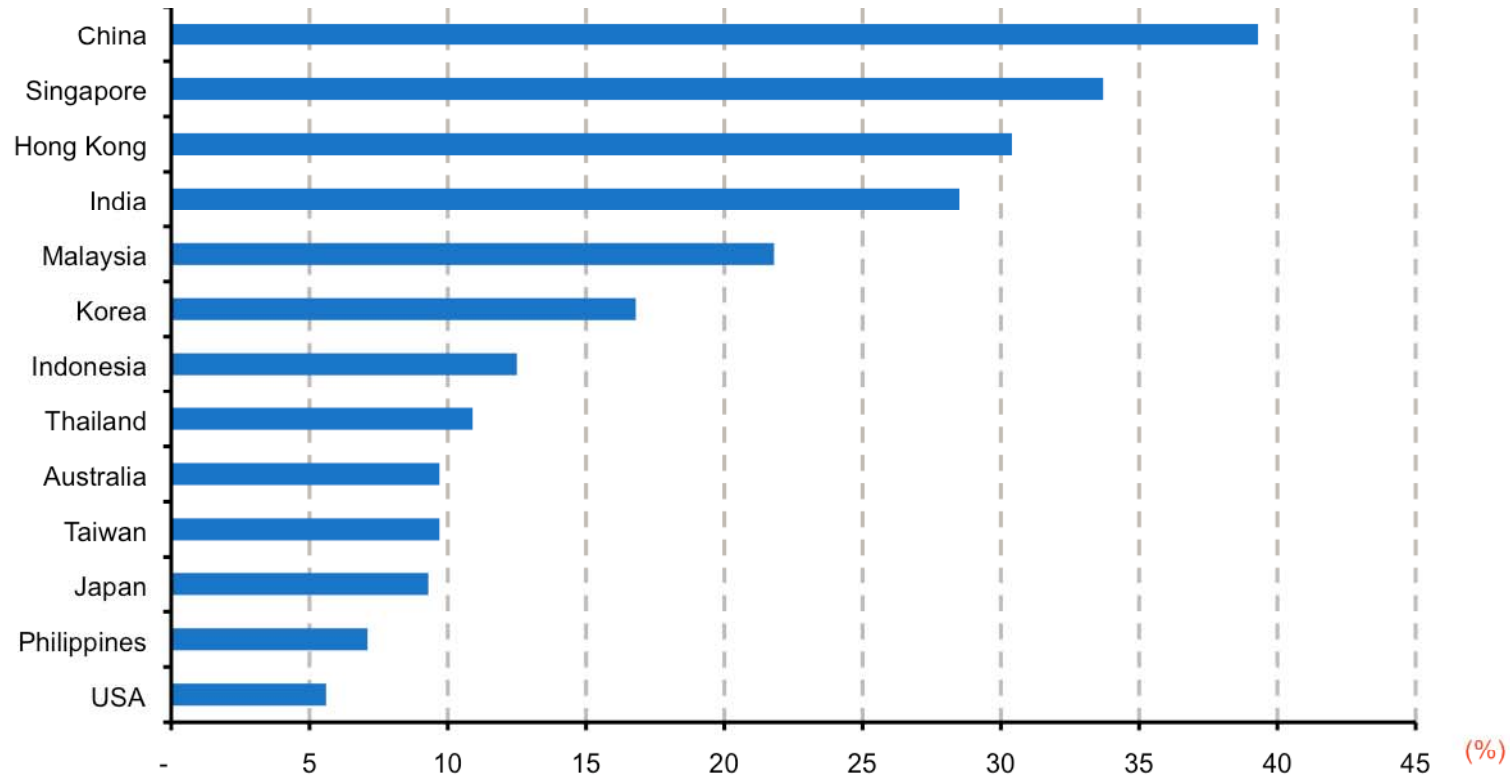
ATTRACTING TALENT

Number of science and engineering doctorates

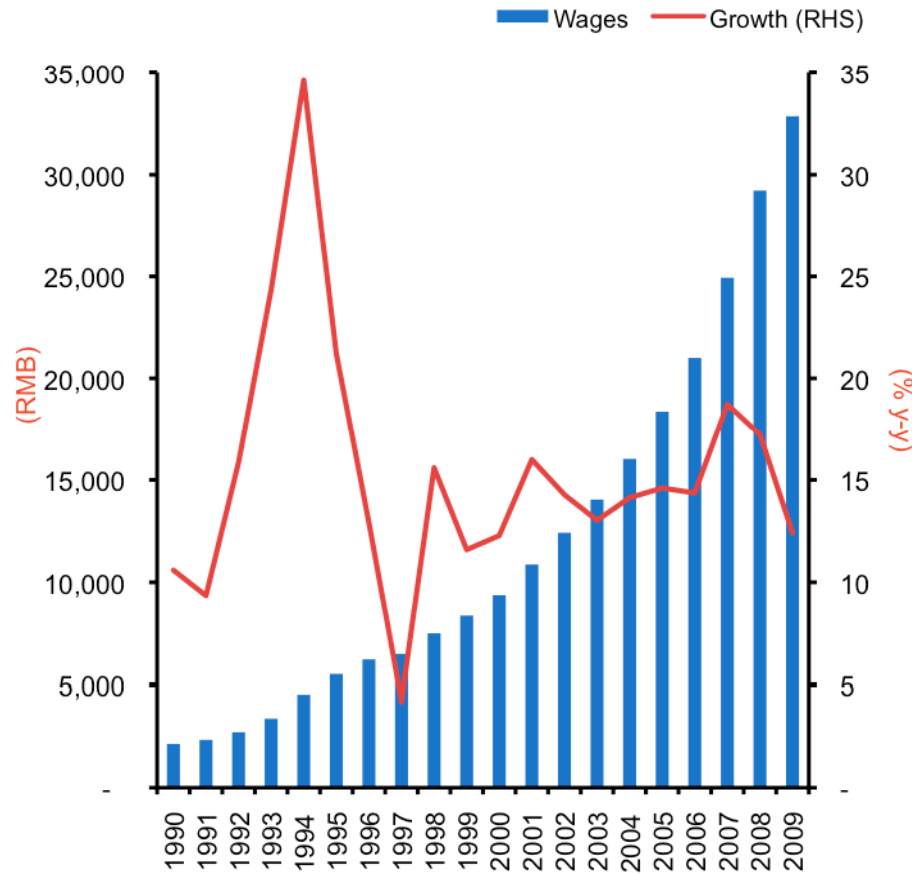


ASIAN HOUSEHOLD SAVINGS REMAIN HIGH

Household savings/disposable income



CHINA'S WAGE GROWTH STORY

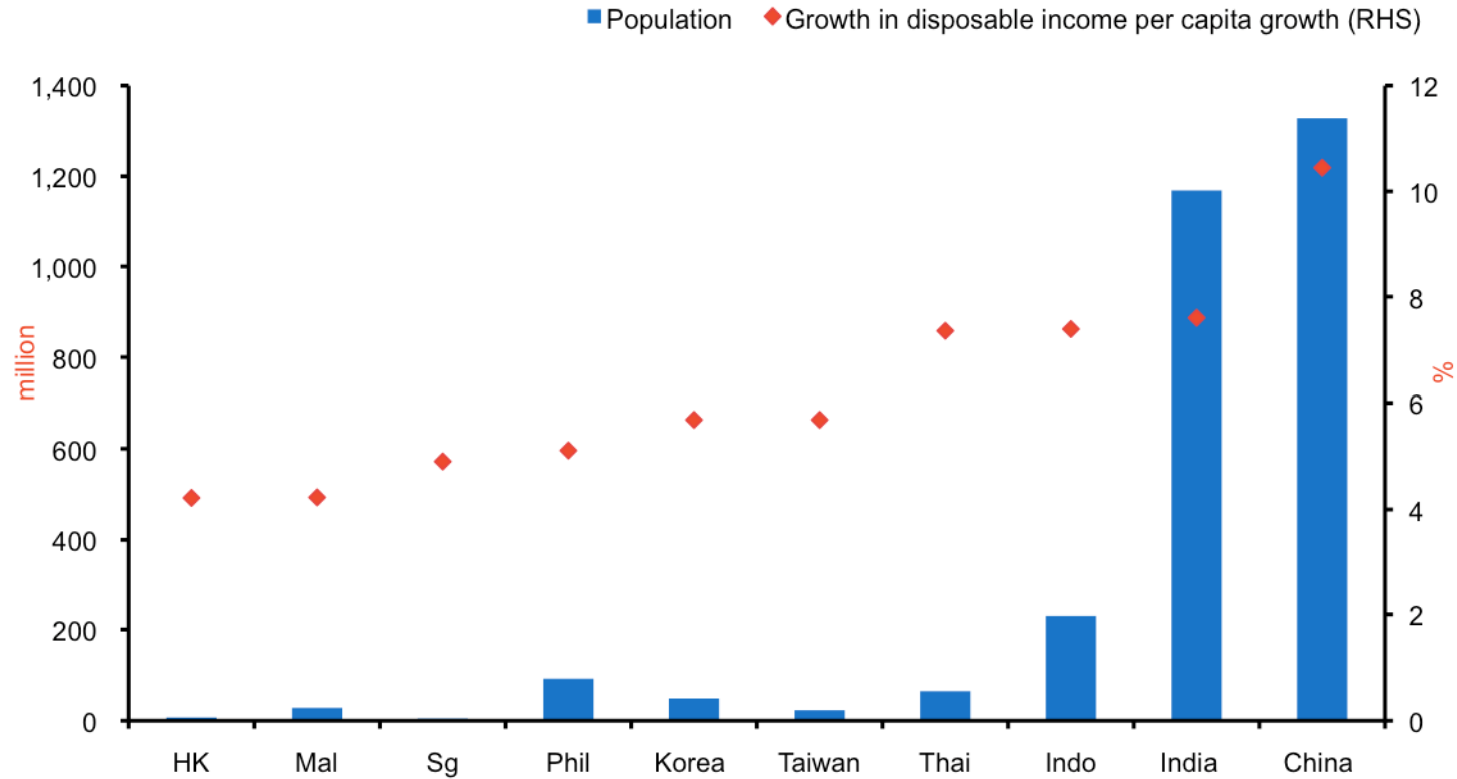


•Foxconn to raise wages after suicides ... raises pay by 30% in China...
28 May 2010, FT

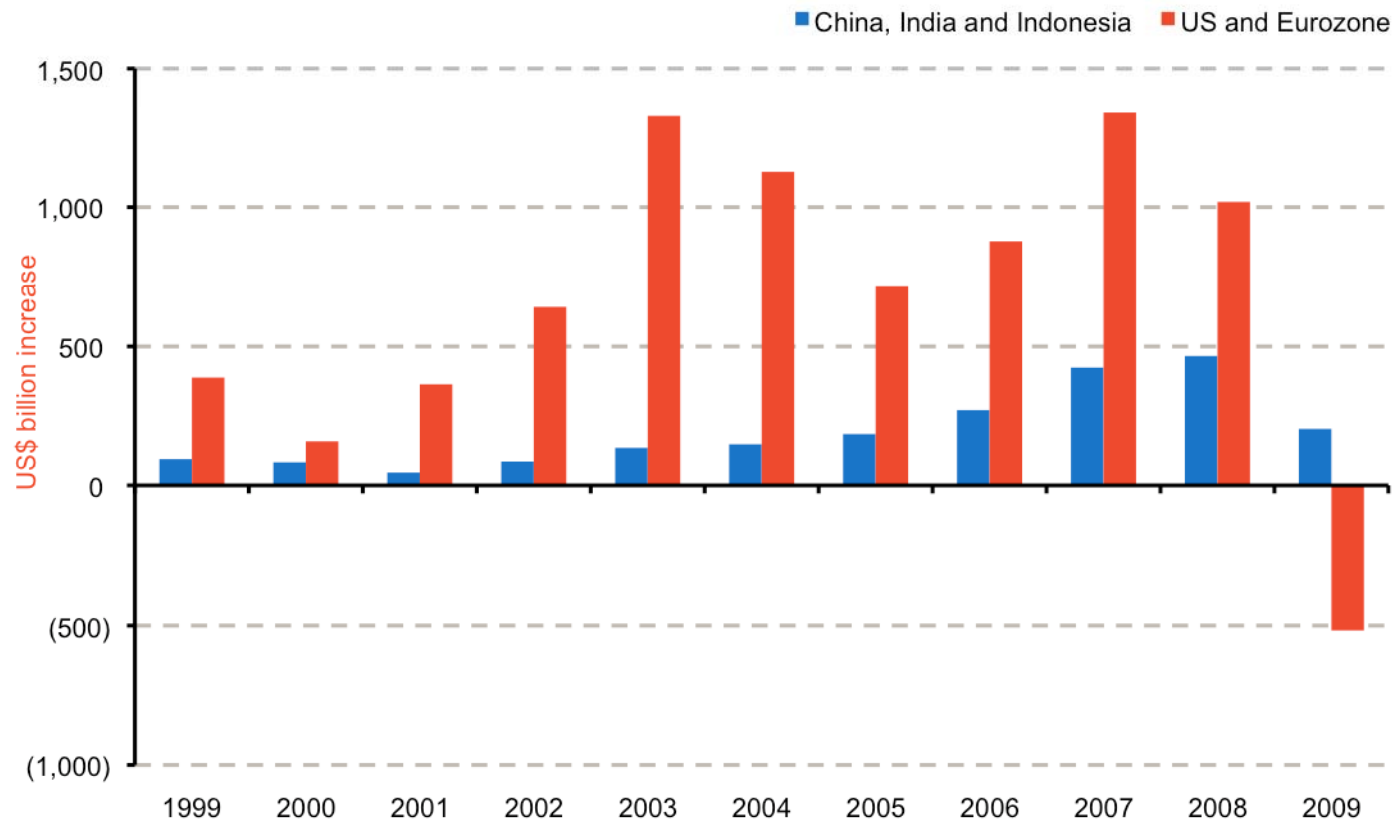
•Strikes hitting Japanese carmakers ...China proves tough road for Japanese carmakers... Honda transmission secured 25% rise
27 June 2010, FT

MORE MONEY, MORE SPENDING

Disposable income per capita growth vs. population (2009)

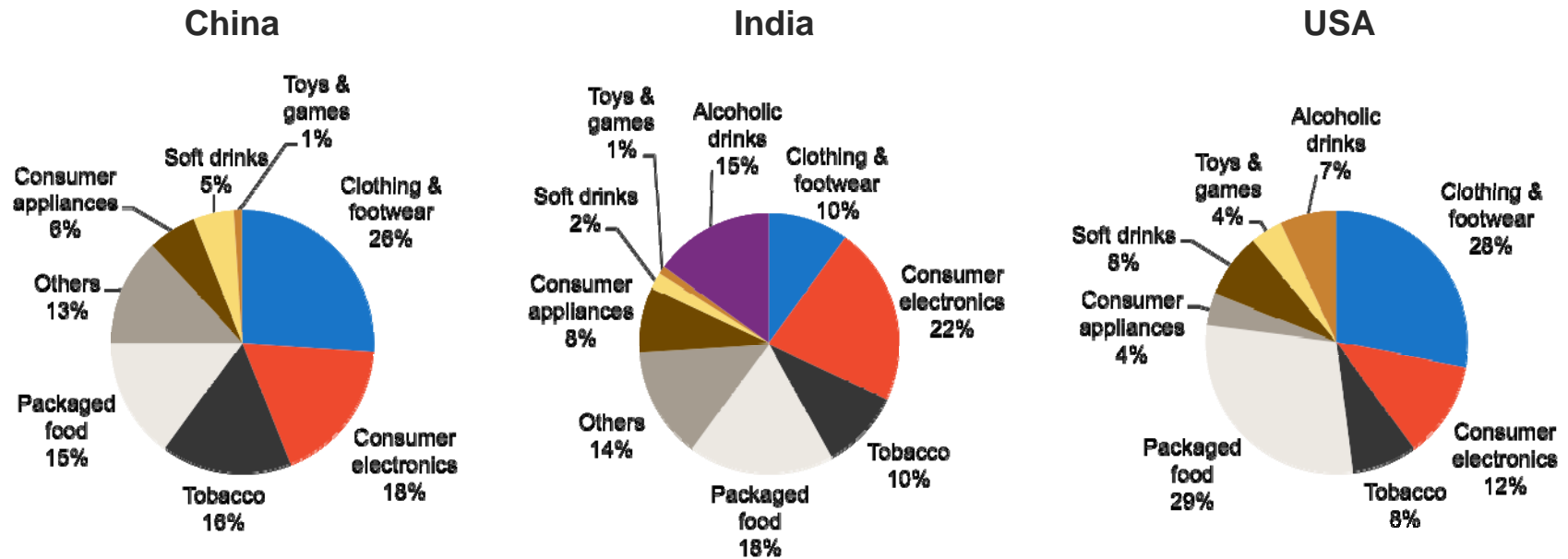


CONSUMPTION DELTA SHIFTS FROM WEST TO EAST



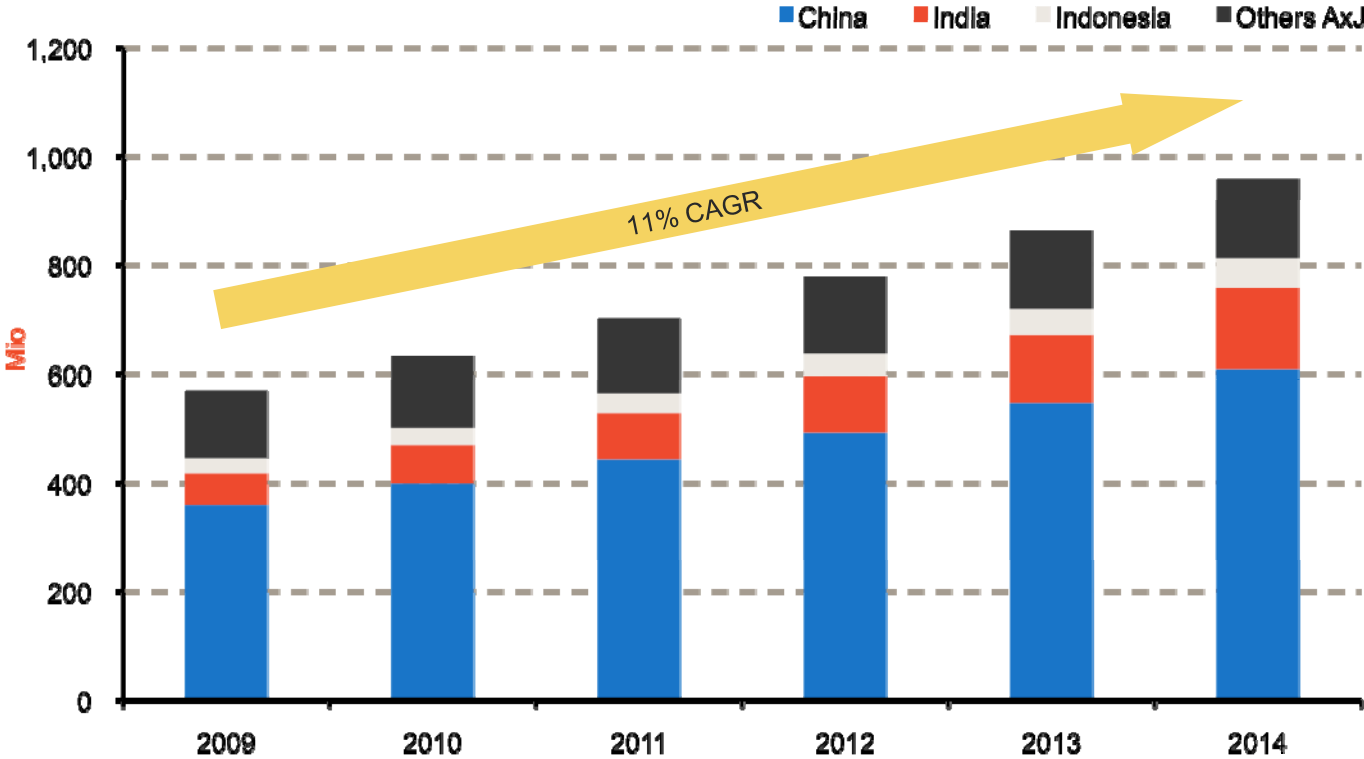
UNDERSTANDING THE CONSUMER

Consumer expenditure



GROWTH OF THE MIDDLE CLASS

Asia ex-Japan middle class 2009-2014



URBANISATION TRENDS

Urban population/total population

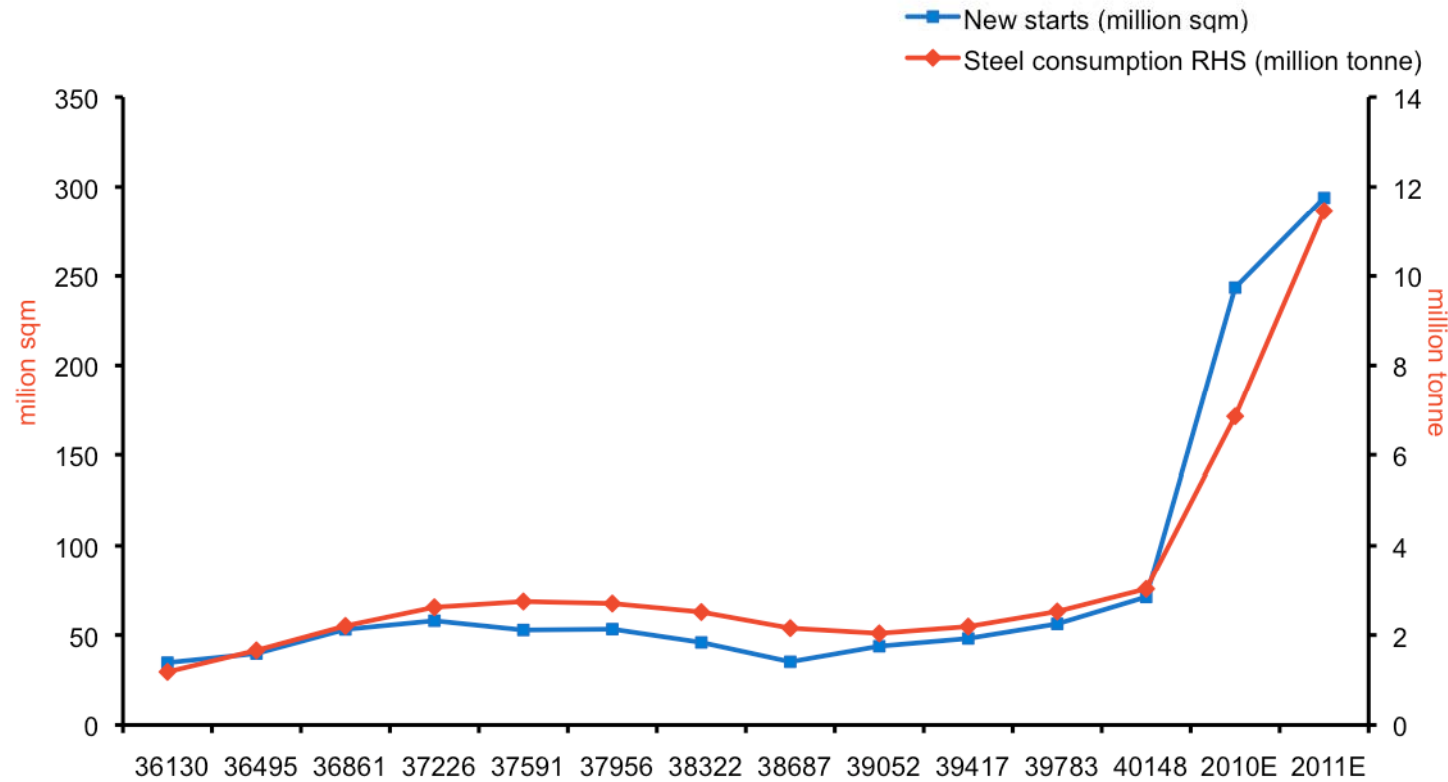
(%)	2000	2010	2020	2030
Australia	87.2	89.1	90.6	91.9
China	35.8	44.9	53.2	60.3
Hong Kong	100	100	100	100
India	27.7	30.1	34.3	40.6
Indonesia	42.0	53.7	62.6	68.9
Korea	79.6	81.9	84.2	86.3
Malaysia	62.0	72.2	78.5	82.2
USA	79.1	82.3	84.9	87.0
Western Europe	75.3	77.0	79.1	81.7

THE NEED FOR SOCIAL HOUSING



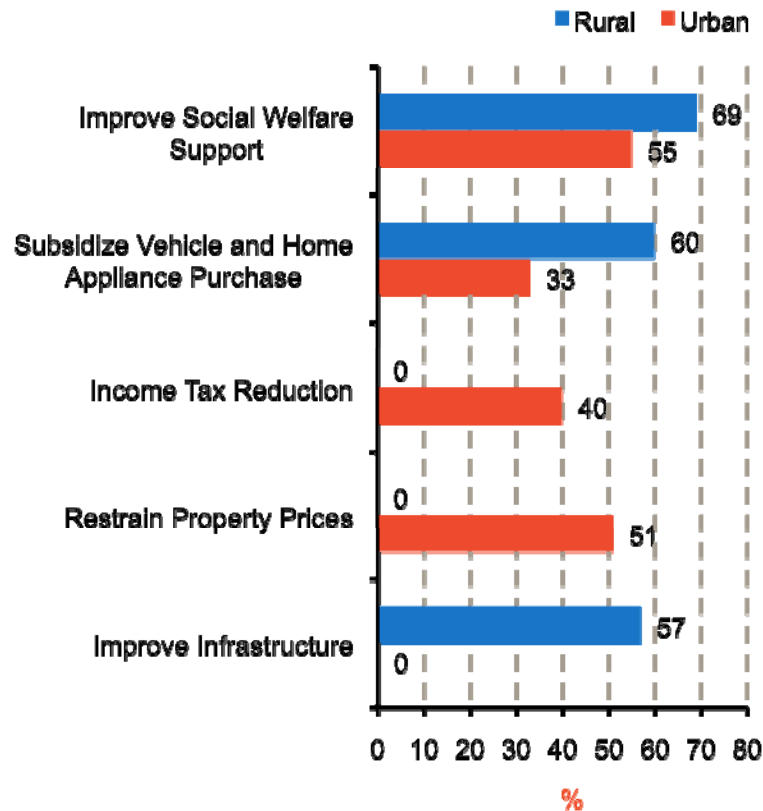
THE CORRELATION BETWEEN HOUSING AND STEEL CONSUMPTION

Social housing starts and related steel consumption

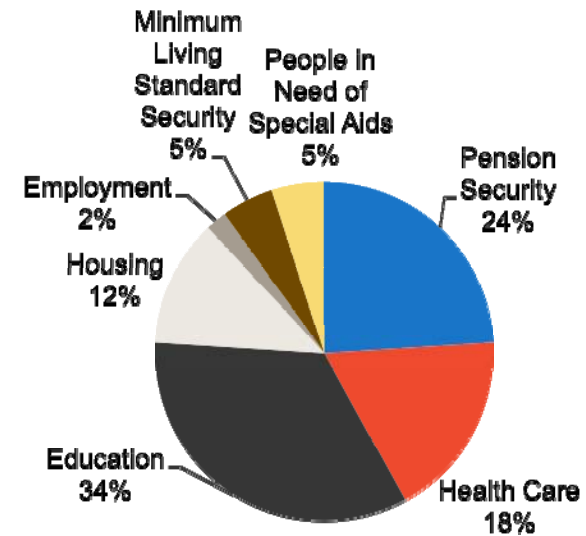


IMPROVING SOCIAL WELFARE SUPPORT IS CRITICAL

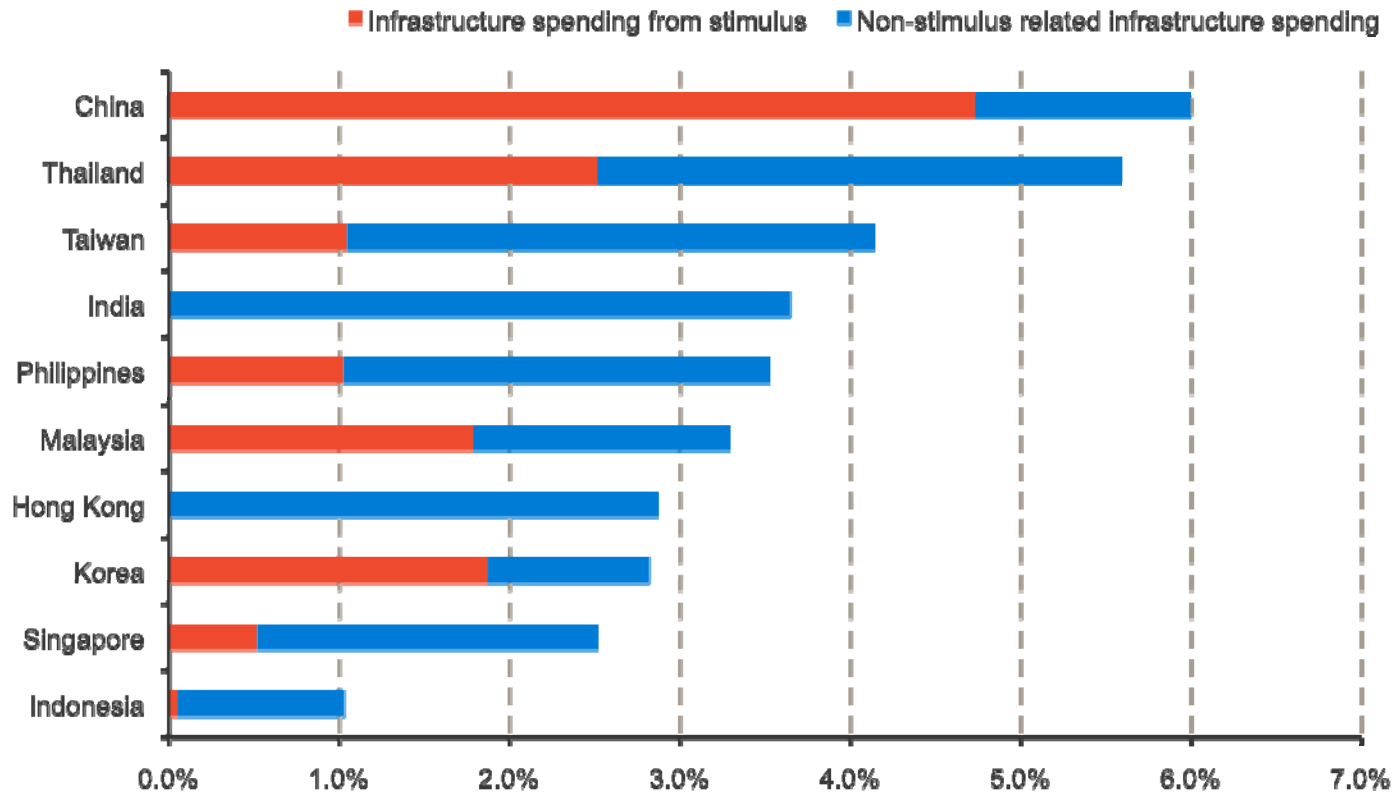
I would spend more if the following government policies are implemented...



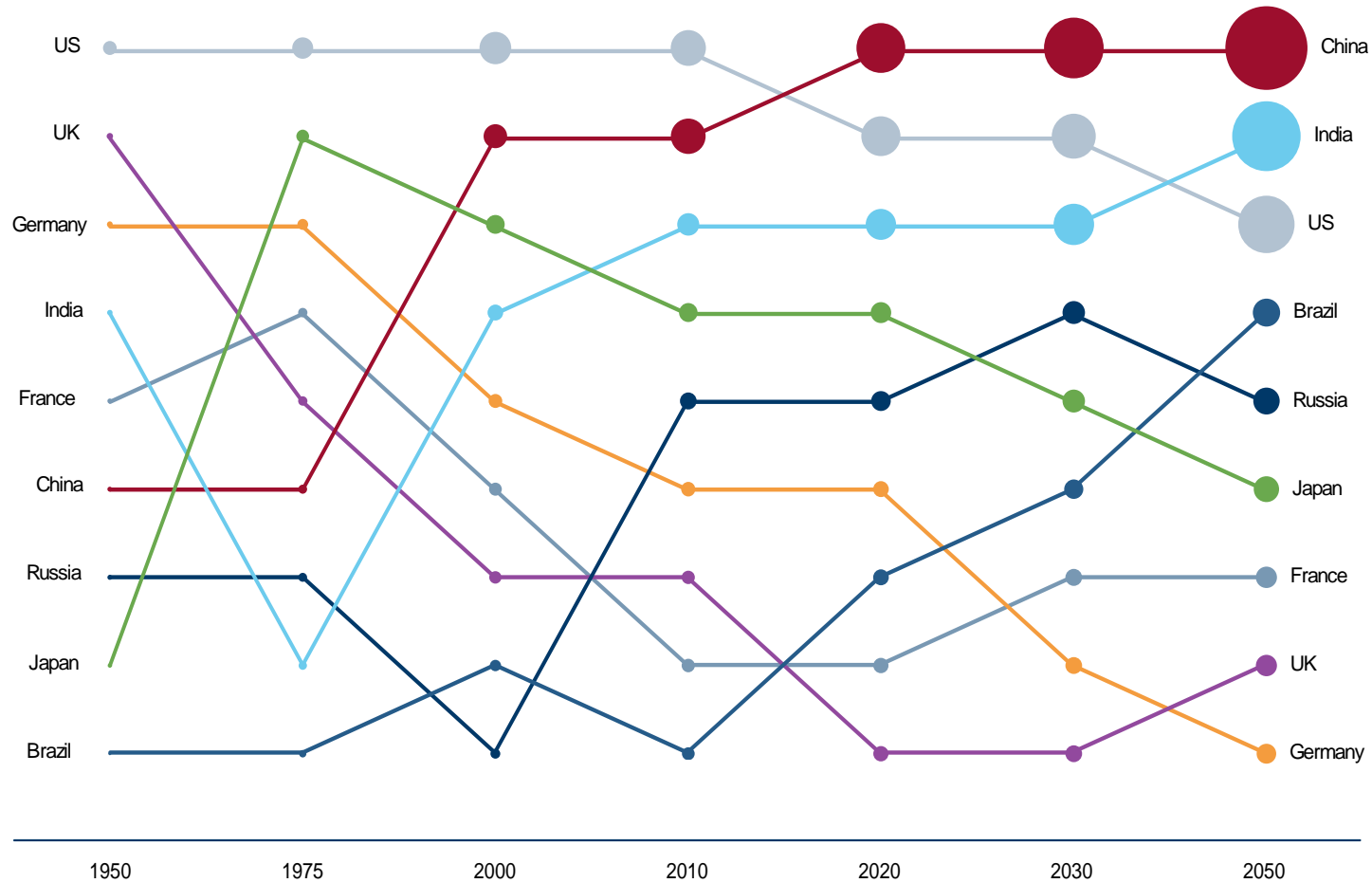
Completion of the social welfare system estimated to cost RMB 5.7Tn 2020



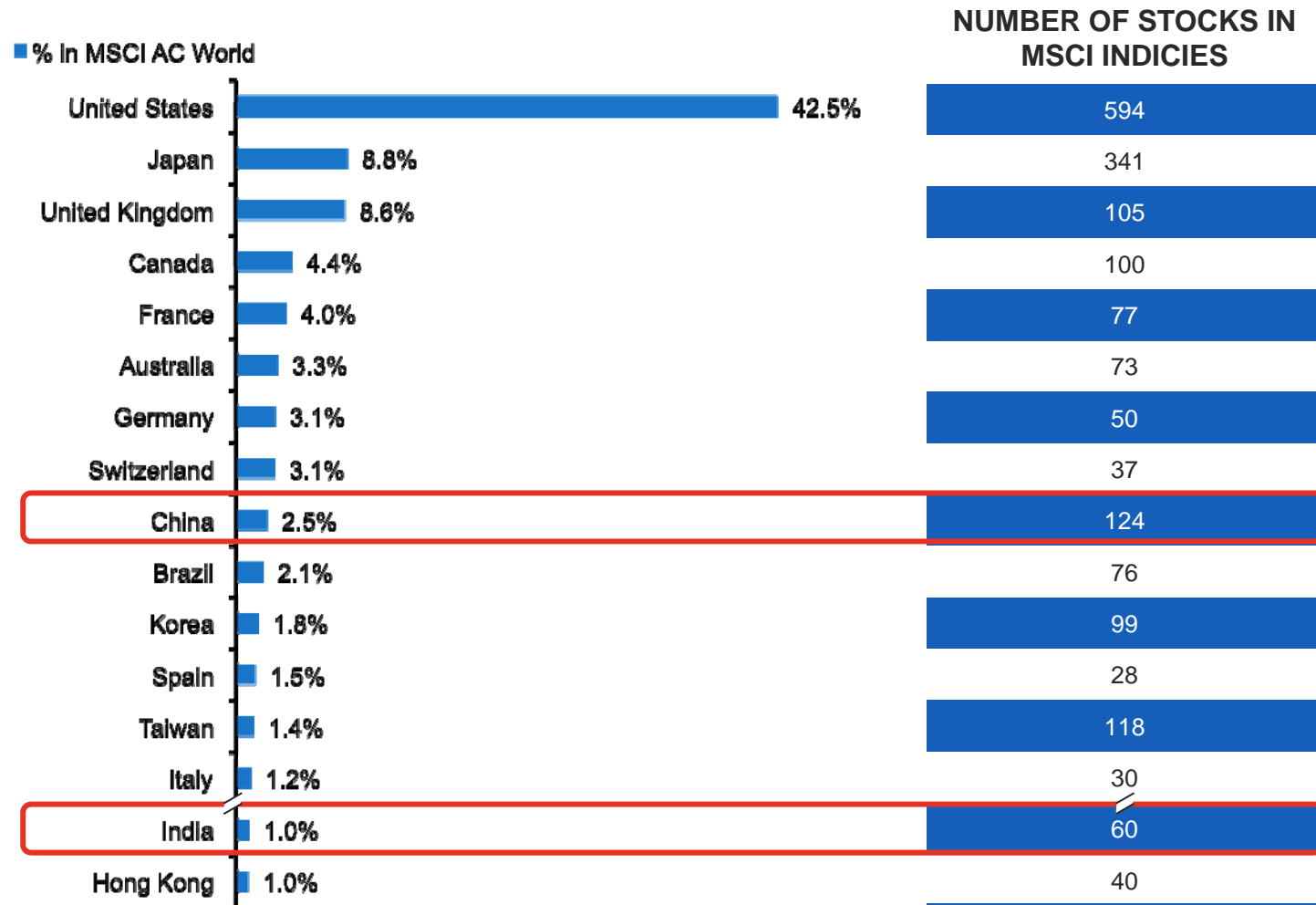
INFRASTRUCTURE DEVELOPMENT – KEY AREA OF GROWTH



NEW LEADERS IN THE WORLD ECONOMIC CYCLE...



EXPECT A REBALANCING OF FINANCIAL MARKETS



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