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Around the Markets: Asean markets outperform larger region  
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**HONG KONG**—Share prices in Southeast Asia have climbed three times faster than in the Asia-Pacific region, and the lead may widen into 2007 as economic growth accelerates and borrowing costs fall.

Stocks in Indonesia, Malaysia, the Philippines, Singapore and Thailand, tracked by the FTSE/Asean index, have gained 27 percent in dollar terms this year. FTSE Group's Asia Pacific index has risen 8.6 percent. The Asean index, whose member countries are part of the Association of Southeast Asian Nations, had a larger gain last week.

"We're still buying heavily into Southeast Asia," said Ian Beattie, who manages \$1 billion in Asian equities at New Star Asset Management in London. "Fundamentals are still sound even with the recent performance."

DBS Group Holdings and United Overseas Bank, both of Singapore, are among banks benefiting as economic expansion fuels loan demand. The Singapore economy grew 6 percent in the third quarter, the biggest expansion among developed Asian markets.

Rising consumer spending is helping to boost earnings at Jollibee Foods, the largest Philippine fast-food chain, and Telekomunikasi Indonesia, the biggest Indonesian phone company. The Indonesian economy, the largest in Southeast Asia, expanded in the last quarter at the fastest pace in a year.

The Asean index climbed 1.1 percent last week, beating the 0.1 percent gain in the Asia-Pacific measure. The Straits Times Index in Singapore performed the best among Asean country indexes by rising 1.9 percent.

Southeast Asia produced the best-performing benchmark in all of Asia this year: The Vietnamese Ho Chi Minh Stock index, which has jumped 87 percent. While the country belongs to Asean, it is omitted from the FTSE index.

Asian equities strategists at Merrill Lynch, Macquarie Securities and JPMorgan Chase recommend investors hold more Southeast Asian shares than are represented in benchmark indexes because lower borrowing costs will spur economic growth in the region.

The central bank in Indonesia reduced its benchmark interest rate this month for the sixth time since May. The Philippine central bank effectively trimmed borrowing costs on

Nov. 2 for the first time in three years by reducing the interest paid to lenders for deposits.

The Jakarta Composite index has advanced 44 percent this year, the third-biggest gain in Asia behind the Vietnamese index and the Shanghai and Shenzhen 300 in China. The Philippine Composite index has climbed 36 percent.

Policy makers have yet to lower rates in Malaysia, where the Kuala Lumpur Composite index has risen 16 percent this year, and in Thailand, where the SET index has risen 2.8 percent. The Malaysian central bank has held borrowing costs unchanged since April, and Thailand last month kept rates steady for the third straight meeting.

"Indonesia and the Philippines have been driven up by falling rates and an improving economic outlook," said Spencer White, a strategist for Merrill in Hong Kong. "Looking into 2007, Thailand and Malaysia both look interesting. Rates will fall in both and there will be a cyclical recovery in the domestic economies."

Indonesia last week reported 5.5 percent growth during the last quarter. The country outpaced expansion of 2.7 percent in Japan and 4.6 percent in South Korea.

Southeast Asia should surpass the rest of Asia in profit growth next year, according to JPMorgan. Indonesian companies are expected to set the pace with a 19 percent increase, Adrian Mowat, the firm's regional strategist in Hong Kong, wrote in a Nov. 9 report. His estimate for Asia excluding Japan is 11 percent.

"Growth is still in the emerging world rather than developed economies," said Franki Chung, who oversees \$700 million of Asian equities at CIBC Global Asset Management Asia in Hong Kong. Emerging markets "will continue to do better than, say, Japan or Australia."

DBS, the biggest Southeast Asian bank, on Oct. 27 said third-quarter profit rose 32 percent as economic growth boosted loan demand. United Overseas, the second-largest Singaporean lender, on Oct. 31 reported earnings that beat analysts' estimates. Their stocks have advanced 26 percent and 27 percent, respectively, this year.

Jollibee Foods last week said third-quarter profit rose 61 percent on the fastest sales growth in two years. Shares of the Manila-based company have advanced 17 percent this quarter.