



The Strategist

Long staples, short discretionary

Long China consumer staples, short China consumer discretionary. We reiterate this relative value trade. Staples' index performance relative to discretionary is near support levels and has started to turn around. Valuations and earnings upgrades are also more favourable to staples. Our cover chart shows that on a PB basis, auto appears relatively expensive to food, beverage & tobacco. Negative news on staples should also be priced-in. Our regional stock screening tool has found nine stocks to BUY in staples and three stocks to SELL in discretionary. Our analysts suggest: BUY Want Want China & China Modern Dairy, SELL GAC Group & BAIC Motor.

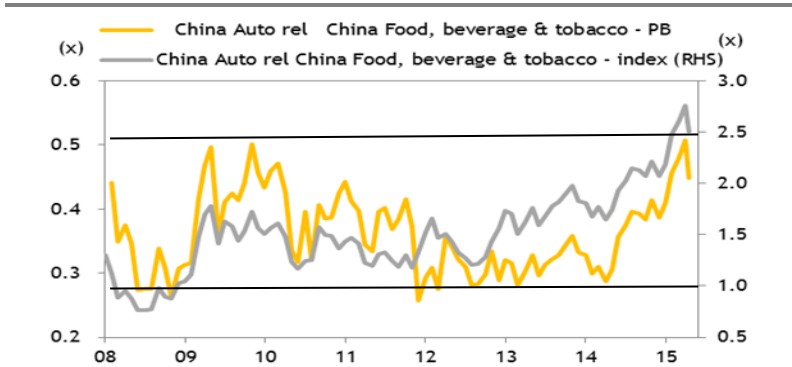
Rising volatility in A-shares. The government has tried to cool down the A-share market. Many brokers have increased their collateral ratios and reduced the number of stocks under the collateral lists for margin trading. The government has also allowed more capital raising activities to absorb market liquidity – the amount in the first three months is already 160% more than the total in 2014.

Low rates, weak economy? While the latest macro data remains soft, the good news is the yield curve is a lot less inverted. However, corporate funding costs have not improved.

The debt swap program and its implications. The government has announced policy guidelines to carry out a debt swap from local government debt into new provincial government bonds. This can lower the interest burden on local governments and ease banks' NPL problem. The yield curve could steepen because short-dated bond yields may fall.

However, credit risk is only being rolled over rather than removed. And the economic impact remains unclear. There would be another CNY9-12t of new local government bond issuances in the next few years. It is likely the credit quality of this group may not be better than the first batch of issuances totaling CNY1t. Therefore we maintain NEUTRAL on China and long China banks.

Auto rel food, beverage & tobacco, relative PB



Source: Bloomberg, Maybank Kim Eng Research

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Figure 1: Summary of recent ideas

Theme	Trades	Recent data/updated ideas
USD strength & higher forex volatility	Selective Asia - Sell S&P 500	Poor corporate earnings are going to put pressure on the S&P500. We still have relatively high forex, oil, bond market implied vol, but low equity implied vol. The biggest risk is a USD deleveraging cycle. Still expect Asian forex to weaken, the RMB too.
Structurally positive	Long India	Improving macro fundamentals. Also, beneficiary of falling inflation, which is still happening and we think is needed to maintain rich valuations.
	Long Vietnam	Vietnam came off in March. Low global bond yields mean a preference for duration assets and Vietnam, a frontier market, is enjoying contained inflation.
	Long Philippines	Growth spreading to second and third-tier cities. Need to watch the local money markets as short rates are rising.
Cyclical concerns	Avoid Indonesia	Currency concerns but interest rates have encouragingly remained low. Protectionist sentiment is a long-term worry.
	Long China, short Taiwan	Relative value of China is bottoming out vs Taiwan; technology sector dominates weighting within MSCI Taiwan.
Relative value in Asia ex Japan	Long financials, short non-financials	Relative PB bouncing off historical low. Getting concerned about this trade given the flattening of yield curves.
	Long banks, short tech	We remain negative on the tech sector given most of their valuations are expensive and it is a crowded trade. We are also concerned about their coming earnings and profit margins.
	Long consumer goods, short tech	Another trade impacted by strong tech. Staples are looking interesting vs auto.
	Long Singapore, short Thailand	Thailand, while less owned by foreigners, is still relatively expensive vs Singapore and the baht is weakening.
	Long Hong Kong H-index, short Shanghai A index	A-shares now at 22x PER, and the premium is at 27%.
Policy ease	Long China consumer staples, short China consumer discretionary	Relative index performance between staples and discretionary is near support levels and has started to turn around. Valuations and earnings upgrades are also more favourable to staples than discretionary. Profit margin for consumer staples has also started to improve because of lower input costs.
	Long Chinese banks, fade property	The PBoC is still behind the curve. We need to see much stronger easing by China for the banks to do much better. Property sales have started to pick up in the first-tier cities but remain sluggish in the second and third cities. Inventory is still a concern.
	Sell China's machinery, materials and energy	These three sectors have already been overbought with negative earnings revision. Energy's earnings revision and 2015 EPS growth had the biggest drop within China.

Source: Maybank Kim Eng

Long China consumer staples, short China consumer discretionary

We reiterate our long China consumer staples and short China consumer discretionary call. Staples' index performance relative to discretionary is near support levels and could be starting to turn around.

Furthermore, relative value is also returning to China consumer staples vs China consumer discretionary. From an earnings upgrade perspective, the Street has started to upgrade staples' earnings more than discretionary.

Fundamentally, the April auto sales data has already showed that China's auto market has entered the slow season (April to September). The following chart shows that the PB valuation for auto relative to food, beverage & tobacco has hit the top-end of the range and auto has also outperformed food, beverage & tobacco by 43% YoY. Therefore we believe the reasons for weak retail sales and no top-line growth should have already been priced-in. Given the A-share market has a strong rally and the government has raised salaries for civil servants sharply this year, retail sales are likely to pick up in the coming months. ([The circle game: a wealth effect by retail, for retail, 16 Apr 2015](#))

Figure 2: Staples rel discretionary, index performance



Source: MSCI, Factset, Maybank Kim Eng Research

Figure 3: Staples rel discretionary, up/downgrade ratio



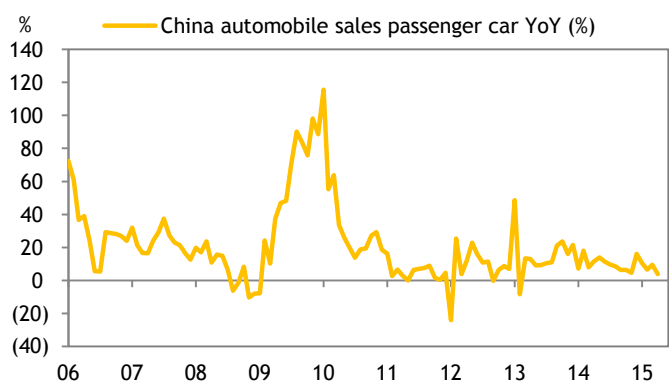
Source: MSCI, Factset, Maybank Kim Eng Research

Figure 4: Staples rel discretionary, relative PB



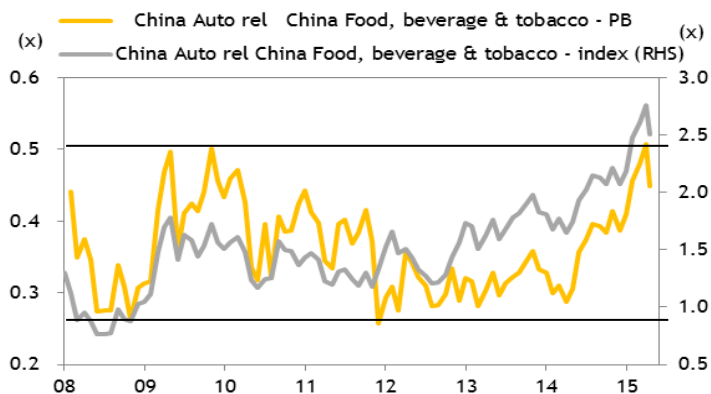
Source: MSCI, Factset, Maybank Kim Eng Research

Figure 5: China auto sales YoY (%)



Source: Bloomberg, Maybank Kim Eng Research

Figure 6: Auto rel food, beverage & tobacco, relative PB



Source: MSCI, Factset, Maybank Kim Eng Research

Based on Maybank Kim Eng’s stock coverage, we apply different screening criteria to filter out stocks to buy in consumer staples and stocks to sell in consumer discretionary.

In the consumer staples sector, we looked for stocks with BUY recommendation, potential share price upside of more than 10% based on our analysts’ target price, market cap bigger than USD500m, 2015 PER of less than 30x, EPS growth of more than 10% and RoE of more than 15%.

In the consumer discretionary sector, we looked for stocks with SELL recommendation, potential share price downside of more than 10% based on our analysts’ target price, market cap bigger than USD500m, 2015 PE of more than 10x, EPS growth of less than 20% and RoE of less than 30%.

Based on the above stock screening criteria, we get the following results:

Figure 7: Stock screening results

Ticker	Country	Name	Mkt Cap (USDm)	3m T/O (USDm)	Price	Rating	Up/down TP	-side (%)	PE (x)		PB (x)		DY (%)		EPS growth (%)		RoE (%)	
									15e	16e	15e	16e	15e	16e	15e	16e	15e	16e
Consumer Staples																		
1117 HK	China	China Modern Dairy	1,999	6	3.2	Buy	3.6	12	9	8	1.6	1.4	0.9	1.1	52	21	19	20
151 HK	China	Want Want China	14,339	30	8.5	Buy	10.3	22	19	18	5.8	5.0	2.6	2.8	22	7	34	31
600887 CH	China	Inner Mongolia Yili	17,312	335	35.1	Buy	44.3	26	19	15	5.1	4.4	2.6	3.3	21	24	27	30
GGRM IJ	Indonesia	Gudang Garam	6,577	5	45,050	Buy	70,000	55	16	14	2.6	2.3	1.3	1.5	14	11	17	17
ICBP IJ	Indonesia	Indofood CBP	6,083	4	13,750	Buy	16,000	16	27	24	5.1	4.5	1.2	1.4	18	15	20	20
INDF IJ	Indonesia	Indofood Sukses	4,697	6	7,050	Buy	9,100	29	13	14	2.2	2.0	2.5	2.3	22	(7)	17	14
SSG SP	Singapore	Sheng Siong	957	2	0.8	Buy	1.0	12	22	19	4.7	4.6	4.1	4.7	11	13	22	24
SUPER SP	Singapore	Super Group	1,059	2	1.3	Buy	1.6	27	22	19	3.2	3.0	3.0	3.0	24	17	15	17
VNM VN	Vietnam	Vinamilk	4,819	1	105,000	Buy	154,750	47	13	11	5.5	4.9	4.2	4.6	13	18	43	46
Consumer Discretionary																		
1958 HK	China	BAIC Motor	10,681	9.3	10.9	Sell	7.9	(28)	11	9	1.8	1.6	4.5	5.3	7	18	16	18
2238 HK	China	GAC	10,291	11.9	7.8	Sell	5.4	(31)	12	10	1.2	1.1	2.7	3.2	16	18	10	11
ASII IJ	Indonesia	Astra int'l	23,191	21.1	7,550	Sell	5,500	(27)	17	16	3.1	2.8	2.3	2.3	(4)	2	19	18

Source: Bloomberg, Maybank Kim Eng

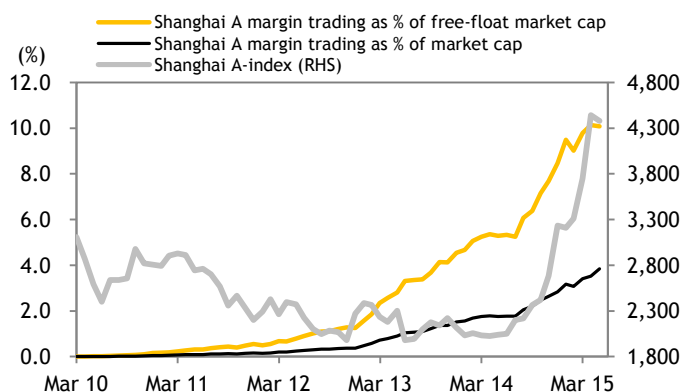
Within the consumer staples sector, our analysts Jacqueline Ko and Benjamin Ho favour [Want Want China](#) and [China Modern Dairy](#). They think falling material costs will continue to improve Want Want China's profit margins and product-mix upgrade will continue to increase its ASP. Within the dairy sector, they favour upstream over downstream. Our analysts expect the price of domestic raw milk will increase in 2H15 and companies that produce quality raw milk should be rewarded because they have the flexibility of moving into value-added categories such as branded pasteurized milk. Besides, pricing in downstream is very competitive because structurally high costs and cheap imports threaten market share. Our analysts believe the key catalysts for China Modern Dairy are recovering raw milk price in 2H15 HoH, on-track volume output and normalizing downstream ex-factory ASP.

Within the consumer discretionary sector, our analyst KL Lo has sell ratings on [GAC Group](#) and [BAIC Group](#). He expects Japanese brands will face stiffer pricing pressure in the coming quarters and GAC is trading at much higher PER valuation than its peer Dongfeng ([China Auto OEM, 18 May 2015](#)). KL also has a non-consensus SELL rating on BAIC Group. While he thinks Beijing Hyundai is a strong cash generator for the company and Benz's operation and earnings are poised to improve on the back of rising scale, the company's proprietary brand strategy remains a drag. He believes the company will continue to be loss-making in 2015-17E on rising investment and additional R&D expenses which will likely offset the benefits from scale and cost reduction.

Risky A-shares

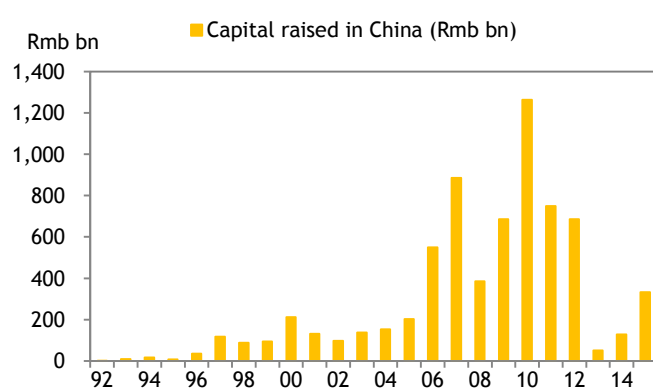
The government has tried to cool down the market after margin financing has reached record highs. Margin financing is still 10.1% of Shanghai A's free float market cap. Many brokers have also increased their collateral ratios and reduced the number of stocks under the collateral lists for margin trading. The government has also allowed more capital raising activities (including IPOs) to draw out market liquidity. YTD (up to March), CNY332b has been raised in the market. This amount is 160% more than the total amount of capital raised last year. We expect A-share market volatility will continue to increase going forward.

Figure 8: % of margin trading in Shanghai



Source: Bloomberg, Wind, Maybank Kim Eng Research

Figure 9: Capital raised in China

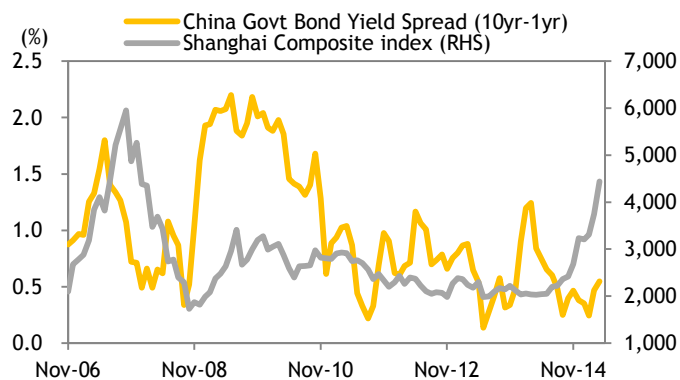


Source: CEIC, Maybank Kim Eng Research

Economy remains weak

The PBoC has already cut interest rates by 90bps and RRR by 150bps since last November. However the following charts show the government may still be behind the curve. The latest PMI data and flattened yield curve have signaled that the economy remains weak. In addition, the widening spread between China 10-year & AAA corporate bond yields and 10-year & BBB+ corporate bond yields show that the corporate funding costs have shown little improvement.

Figure 10: China bond curve and equities



Source: Bloomberg, Maybank Kim Eng Research

Figure 11: Spread between 10-yr gov't & AAA, BBB+ corp bonds



Source: Bloomberg, Wind, Maybank Kim Eng Research

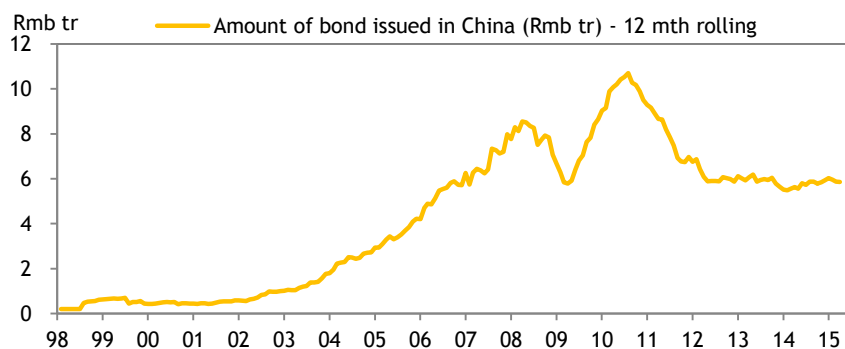
The debt swap program and its implications

To prepare for the coming local government bond issuances, the government announced policy guidelines to carry out debt swap from local government debt into new provincial government bonds. This guideline has not revealed the size of the debt swap program nor the size of Local Government Financing Vehicle (LGFV) debts.

However, according to the media, the first batch of local government debt swaps could be CNY1t through targeted private placements to existing creditors. Adding up the maturing local government bonds totaling CNY171b this year and CNY600b MoF approved municipal bond issuances, the total municipal gross issuance is about CNY1.77t this year. The size of LGFV debts in 1H13 was CNY18t. If the MoF plans to convert half to two-thirds of the debt into muni bonds, there would be at least CNY9-12t of new issuances over the next few years.

Given the size of China's bond market is only around CNY6t, targeted private placement is necessary because it can reduce the risk of liquidity shock in the public markets which would push up the yields. In addition, not only banks but also insurance companies, QFII and private equity firms will be able to take up the coming local government bonds. It can free up creditors' balance sheets and improve liquidity. PBoC will also allow the local government bonds to be used as collateral for Standing Lending Facility (SLF), Medium-term Lending Facility (MLF), the Relending, and Pledged Supplementary Lending (PSL) operations.

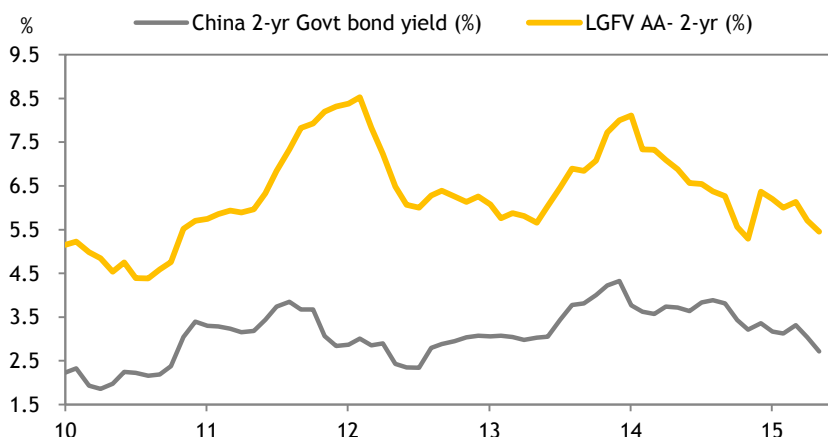
Figure 12: Amount of bonds issued in China



Source: CEIC, Maybank Kim Eng Research

Under the new rule, local government debt can be swapped from high-interest rate, short-term debt to lower-interest rate, longer-term municipal bonds. This can lower the interest burden on local governments and ease banks' NPL problem. The whole yield curve could also steepen as this may result in lower short-dated bond yields. Ultimately, the plan is to lower the overall funding costs in the economy. We stay OVERWEIGHT on banks.

Figure 13: Government 2-yr and LGFV AA- 2-yr yield



Source: Bloomberg, Wind, Maybank Kim Eng Research

However even after the debt-swap program, bond default risk is only getting rolled over rather than being removed from the system. In that sense, there remains an overhang on the overall economy. Besides, there would be at least another CNY9-12t of new local government bond issuances over the next few years. It is likely that their credit quality would not be as good as the first batch of issuances totaling CNY1t. Therefore we maintain NEUTRAL on China.

Performance and valuation summary

Figure 14: Equity performance by country (in local currency terms)

Name	Index level	FX rate	--- Absolute performance (local currency) ---							
			-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI All Country World	443		1	1	3	5	7	1	4	6
MSCI Emerging Market	1,041		1	0	6	5	1	(1)	7	9
MSCI Asia Pac (inc JP)	153		1	0	7	8	9	0	5	11
MSCI Asia Pac x JP	507		1	(1)	5	6	4	(1)	4	9
MSCI Asia x JP	624		1	(1)	7	9	10	(1)	6	11
MSCI Far East x JP	591		0	(0)	8	10	11	(2)	7	12
MSCI Emerging Asia	506		1	(1)	7	10	10	(1)	5	11
MSCI EM Latin America	2,711		(1)	3	2	(7)	(19)	1	11	(1)
MSCI EEMEA	300		2	4	4	(1)	(9)	1	9	11
MSCI Frontie	599		0	(0)	1	(7)	(10)	(1)	2	(2)
MSCI Asia x JP Small Cap	1,185		3	3	13	13	12	1	10	16
China - Shanghai Composite	4,283	6.2	2	5	34	73	112	(4)	14	32
China - H-shares	13,926	7.8	(1)	(4)	17	29	40	(3)	13	16
Hong Kong - HSI	27,591	7.8	0	(0)	12	15	21	(2)	11	17
Taiwan - TAIEX	9,606	30.4	(1)	1	1	7	8	(2)	0	3
Korea - KOSPI	2,114	1,086	1	(0)	8	9	5	(1)	4	10
Singapore - STI	3,460	1.3	0	(2)	1	4	6	(1)	0	3
Malaysia - KLCI	1,823	3.6	1	(1)	1	1	(3)	0	(0)	4
Thailand - SET	1,510	33.3	(0)	(2)	(7)	(4)	8	(1)	0	1
Indonesia - JCI	5,238	13,137	1	(3)	(3)	4	5	3	(5)	0
Philippines - PSEi	7,910	44.5	2	0	2	10	15	3	(0)	9
India - Sensex	27,687	63.7	2	(4)	(5)	(1)	16	3	(1)	1
Vietnam - Ho Chi Minh	529	21,792	(5)	(6)	(10)	(12)	1	(6)	(4)	(3)
Australia ASX 200	5,659	1.2	0	(4)	(4)	4	3	(2)	(4)	5
New Zealand - NZX50	5,773	1.4	1	(1)	(0)	5	11	(0)	(1)	4
Japan - Nikkei 225	19,890	119.8	3	0	11	14	39	2	4	14
Japan - TOPIX	1,627	119.8	2	2	12	16	38	2	5	16
S&P 500	2,129	1.0	1	1	2	4	14	2	3	3
Russell 2000	1,258	1.0	2	(1)	3	7	15	3	0	4
FTSE 100	6,969	1.6	(1)	(2)	1	5	2	0	3	6
Euro Stoxx	3,589	1.1	(2)	(6)	4	17	13	(1)	(3)	14

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 May 2015

Figure 15: Equity performance by country (in USD terms)

Name	Index level	FX rate	--- Absolute performance (USD) ---							QTD	YTD
			-1w	-1m	-3m	-6m	-1y	MTD			
MSCI All Country World	443		1	1	3	5	7	1	4	6	
MSCI Emerging Market	1,041		1	0	6	5	1	(1)	7	9	
MSCI Asia Pac (inc JP)	153		1	0	7	8	9	0	5	11	
MSCI Asia Pac x JP	507		1	(1)	5	6	4	(1)	4	9	
MSCI Asia x JP	624		1	(1)	7	9	10	(1)	6	11	
MSCI Far East x JP	591		0	(0)	8	10	11	(2)	7	12	
MSCI Emerging Asia	506		1	(1)	7	10	10	(1)	5	11	
MSCI EM Latin America	2,711		(1)	3	2	(7)	(19)	1	11	(1)	
MSCI EMMEA	300		2	4	4	(1)	(9)	1	9	11	
MSCI Frontie	599		0	(0)	1	(7)	(10)	(1)	2	(2)	
MSCI Asia x JP Small Cap	1,185		3	3	13	13	12	1	10	16	
China - Shanghai Composite	4,283	6.2	2	5	34	71	112	(4)	14	32	
China - H-shares	13,926	7.8	(1)	(4)	17	29	40	(3)	13	16	
Hong Kong - HSI	27,591	7.8	0	(0)	12	15	21	(2)	11	17	
Taiwan - TAIEX	9,606	30.4	(0)	3	4	8	7	(2)	3	7	
Korea - KOSPI	2,114	1,086	2	1	9	10	(1)	(2)	6	12	
Singapore - STI	3,460	1.3	1	1	4	2	0	(1)	4	3	
Malaysia - KLCI	1,823	3.6	2	3	2	(6)	(12)	0	3	1	
Thailand - SET	1,510	33.3	1	(5)	(9)	(5)	5	(2)	(2)	(0)	
Indonesia - JCI	5,238	13,137	1	(5)	(5)	(4)	(9)	2	(6)	(6)	
Philippines - PSEi	7,910	44.5	2	0	1	11	13	3	0	10	
India - Sensex	27,687	63.7	3	(6)	(7)	(4)	8	2	(3)	(0)	
Vietnam - Ho Chi Minh	529	21,792	(5)	(7)	(12)	(14)	(2)	(7)	(5)	(5)	
Australia ASX 200	5,659	1.2	2	1	(1)	(5)	(12)	(1)	1	2	
New Zealand - NZX50	5,773	1.4	(0)	(3)	(1)	(1)	(5)	(3)	(2)	(2)	
Japan - Nikkei 225	19,890	119.8	3	(0)	10	11	18	2	4	14	
Japan - TOPIX	1,627	119.8	2	2	11	13	17	2	5	16	
S&P 500	2,129	1.0	1	1	2	4	14	2	3	3	
Russell 2000	1,258	1.0	2	(1)	3	7	15	3	0	4	
FTSE 100	6,969	1.6	1	4	3	5	(5)	2	9	7	
Euro Stoxx	3,589	1.1	(0)	1	4	7	(6)	1	3	7	

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 May 2015

Figure 16: Equity performance by country - relative performance

Name	Index level	FX rate	--- Relative performance to MSCI Asia x Japan ---							
			-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI All Country World	443		0	2	(3)	(4)	(4)	3	(2)	(5)
MSCI Emerging Market	1,041		(0)	1	(1)	(4)	(9)	1	1	(2)
MSCI Asia Pac (inc JP)	153		1	1	0	(1)	(1)	1	(1)	1
MSCI Asia Pac x JP	507		0	0	(2)	(4)	(6)	0	(1)	(2)
MSCI Asia x JP	624									
MSCI Far East x JP	591		(0)	1	1	1	0	(0)	1	1
MSCI Emerging Asia	506		(0)	(0)	(0)	1	(0)	(0)	(0)	0
MSCI EM Latin America	2,711		(2)	4	(4)	(16)	(30)	2	5	(11)
MSCI EMMEA	300		1	4	(3)	(10)	(19)	3	4	0
MSCI Frontie	599		(1)	1	(6)	(17)	(21)	0	(3)	(13)
MSCI Asia x JP Small Cap	1,185		2	3	7	4	2	2	5	6
China - Shanghai Composite	4,283	6.2	1	6	28	62	102	(2)	8	22
China - H-shares	13,926	7.8	(2)	(3)	10	20	29	(2)	7	6
Hong Kong - HSI	27,591	7.8	(1)	1	5	5	11	(1)	5	6
Taiwan - TAIEX	9,606	30.4	(1)	4	(3)	(2)	(3)	(0)	(3)	(3)
Korea - KOSPI	2,114	1,086	1	1	2	1	(11)	(1)	0	1
Singapore - STI	3,460	1.3	(0)	1	(4)	(7)	(11)	0	(2)	(8)
Malaysia - KLCI	1,823	3.6	1	4	(5)	(15)	(23)	1	(2)	(9)
Thailand - SET	1,510	33.3	(0)	(4)	(15)	(15)	(5)	(1)	(8)	(11)
Indonesia - JCI	5,238	13,137	0	(4)	(12)	(13)	(19)	3	(11)	(16)
Philippines - PSEi	7,910	44.5	2	1	(6)	2	3	4	(6)	(1)
India - Sensex	27,687	63.7	2	(5)	(14)	(13)	(3)	4	(8)	(11)
Vietnam - Ho Chi Minh	529	21,792	(6)	(6)	(19)	(23)	(13)	(6)	(11)	(16)
Australia ASX 200	5,659	1.2	1	1	(8)	(14)	(23)	0	(5)	(8)
New Zealand - NZX50	5,773	1.4	(1)	(3)	(8)	(11)	(15)	(2)	(8)	(13)
Japan - Nikkei 225	19,890	119.8	2	0	3	1	7	3	(2)	3
Japan - TOPIX	1,627	119.8	2	3	4	4	7	3	(0)	5
S&P 500	2,129	1.0	(0)	2	(5)	(5)	3	3	(3)	(7)
Russell 2000	1,258	1.0	1	(1)	(4)	(2)	4	4	(5)	(6)
FTSE 100	6,969	1.6	(0)	5	(4)	(4)	(15)	3	3	(4)
Euro Stoxx	3,589	1.1	(1)	2	(3)	(2)	(16)	2	(3)	(4)

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 May 2015

Figure 17: Equity performance by MSCI Asia ex Japan sector

Name	Index	--- Absolute performance ---							QTD	YTD
		-1w	-1m	-3m	-6m	-1y	MTD			
MSCI Asia ex Japan	624	1	(1)	7	9	10	(1)	6	11	
Energy	600	(1)	(3)	5	1	(9)	(3)	9	8	
Materials	321	(0)	1	9	9	1	(1)	9	12	
Industrials	189	1	(3)	10	11	7	(2)	7	14	
Capital goods	175	1	(3)	12	10	3	(2)	8	15	
Transportation	236	0	(2)	5	12	21	(4)	5	9	
Consumer discretionary	512	(0)	(2)	1	(5)	(14)	(1)	2	1	
Automobiles & Components	816	(2)	(4)	0	(3)	(15)	(3)	(2)	(0)	
Retailing	325	6	4	17	10	8	4	14	16	
Consumer staples	476	4	3	7	10	8	4	7	14	
Food/staples retail	126	3	8	9	8	(2)	3	12	11	
Food/beverage/tobacco	393	4	1	1	1	(6)	3	4	4	
Health care	865	3	(4)	13	11	38	2	5	19	
Financials	368	0	(0)	11	16	25	(1)	9	13	
Banks	290	1	(2)	8	10	16	(1)	7	8	
Diversified financials	746	(0)	0	30	30	55	(4)	22	31	
Insurance	354	0	2	17	30	49	(0)	11	21	
Real estate	218	(0)	2	9	13	18	(2)	8	14	
Technology	388	1	(1)	3	8	8	(2)	1	9	
Software services	1,941	4	(2)	7	5	21	0	2	19	
Tech hardware	193	0	(3)	1	10	14	(4)	(1)	5	
Semiconductors/equipment	390	1	4	2	8	6	(1)	2	7	
Telecoms	165	(0)	(1)	1	6	17	(2)	4	10	
Utilities	248	2	2	6	2	9	(0)	5	5	

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 May 2015

Figure 18: Equity performance by MSCI Asia ex Japan sector - relative performance

Name	Index	--- Relative performance MSCI Asia ex Japan ---							
		-1w	-1m	-3m	-6m	-1y	MTD	QTD	YTD
MSCI Asia ex Japan	624								
Energy	600	(2)	(2)	(2)	(9)	(20)	(2)	3	(2)
Materials	321	(1)	2	2	0	(9)	0	3	2
Industrials	189	(0)	(2)	3	1	(3)	(1)	2	3
Capital goods	175	0	(2)	5	1	(8)	(1)	2	4
Transportation	236	(1)	(1)	(2)	3	11	(2)	(1)	(2)
Consumer discretionary	512	(1)	(1)	(6)	(14)	(24)	0	(4)	(9)
Automobiles & Components	816	(3)	(3)	(7)	(13)	(26)	(2)	(7)	(11)
Retailing	325	5	5	10	1	(2)	5	9	5
Consumer staples	476	4	4	(0)	1	(3)	5	1	3
Food/staples retail	126	3	8	2	(1)	(13)	4	6	(0)
Food/beverage/tobacco	393	3	2	(6)	(9)	(17)	4	(2)	(6)
Health care	865	3	(3)	6	2	27	3	(1)	8
Financials	368	(0)	0	4	7	14	(0)	3	2
Banks	290	(0)	(2)	1	1	5	(0)	1	(3)
Diversified financials	746	(1)	1	23	21	44	(2)	17	20
Insurance	354	(0)	2	10	20	38	1	6	10
Real estate	218	(1)	3	2	4	8	(1)	2	3
Technology	388	1	(0)	(4)	(1)	(2)	(0)	(5)	(1)
Software services	1,941	3	(1)	(0)	(4)	10	2	(4)	8
Tech hardware	193	(0)	(2)	(6)	1	3	(2)	(7)	(5)
Semiconductors/equipment	390	0	5	(5)	(1)	(5)	1	(4)	(3)
Telecoms	165	(1)	(0)	(6)	(3)	7	(1)	(2)	(0)
Utilities	248	1	3	(1)	(7)	(2)	1	(1)	(5)

Source: Maybank Kim Eng, Factset, MSCI, data as of 18 May 2015

Figure 19: MSCI country valuation

	PER (x)			EPS growth YoY (%)			RoE(%)			PB (x)			DY (%)		
	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Asia-ex-Japan	13.6	13.3	12.0	7	9	10	12	11	12	1.6	1.5	1.4	2.6	2.5	2.7
China	10.9	12.6	11.0	6	3	14	14	13	13	1.5	1.6	1.4	3.0	2.4	2.8
Hong Kong	13.5	17.7	16.2	30	(17)	9	10	8	8	1.3	1.4	1.3	3.3	2.7	2.8
Taiwan	14.6	13.0	12.2	28	12	6	13	13	13	1.9	1.7	1.6	2.9	3.5	3.9
Korea	12.3	9.9	9.4	(8)	31	6	9	10	10	1.1	1.0	0.9	1.4	1.5	1.6
Singapore	15.8	14.3	13.1	1	0	9	9	10	10	1.4	1.4	1.3	3.5	3.6	3.8
Malaysia	17.3	16.2	14.9	4	11	8	12	11	12	2.0	1.8	1.7	3.0	3.1	3.3
Thailand	18.3	14.5	12.7	(23)	26	14	12	14	15	2.2	2.0	1.8	2.8	3.0	3.3
Indonesia	17.3	15.6	13.8	11	8	13	20	19	19	3.5	2.9	2.6	2.2	2.4	2.6
Philippines	22.7	20.8	18.7	23	12	11	14	14	14	3.3	3.0	2.7	2.0	1.9	2.1
India	21.3	18.2	15.5	9	14	18	15	15	16	3.2	2.8	2.5	1.4	1.6	1.8
Japan	17.2	16.4	14.7	19	13	11	9	9	9	1.5	1.4	1.3	1.7	1.8	2.0
US	18.3	18.0	16.0	5	5	12	14	15	16	2.8	2.8	2.6	2.0	2.0	2.2
Europe	19.0	15.4	13.8	13	39	12	9	8	9	1.5	1.6	1.5	3.7	3.4	3.7

Source: Maybank Kim Eng, Factset, MSCI, Bloomberg data as of 18 May 2015

Figure 20: MSCI Asia ex-Japan sector valuation

	PER (x)			EPS growth YoY (%)			RoE(%)			PB (x)			DY (%)		
	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Asia-ex-Japan	13.4	13.5	12.3	8	9	10	12	11	12	1.6	1.5	1.4	2.6	2.4	2.7
Energy	12.3	15.9	11.9	(20)	(14)	34	9	7	9	1.1	1.2	1.1	3.1	2.2	2.9
Materials	18.9	14.8	12.9	(13)	47	15	6	8	9	1.1	1.2	1.1	2.5	2.5	2.6
Industrials	20.1	16.3	14.4	14	45	13	7	9	9	1.3	1.4	1.3	2.8	2.0	2.2
Capital goods	18.3	15.6	13.6	15	40	14	7	9	9	1.3	1.3	1.2	3.0	1.9	2.1
Transportation	25.2	28.0	18.0	16.7	10	67	8	6	9	9	1.6	1.6	1.5	2.1	2.3
Consumer discretionary	11.1	12.0	11.7	10.5	(5)	9	12	14	14	14	1.7	1.6	1.4	2.3	2.2
Automobiles & Components	8.3	8.7	8.5	7.6	(5)	10	11	15	14	14	1.3	1.2	1.1	1.7	1.8
Retailing	18.0	17.5	15.5	(2)	22	13	8	9	10	1.5	1.6	1.5	1.8	1.6	1.8
Consumer staples	25.3	26.5	24.5	21.2	5	20	16	12	12	13	3.1	3.1	2.8	1.8	1.8
Food/staples retail	25.3	26.7	24.7	20.2	(16)	37	22	7	8	9	2.0	1.9	1.8	1.8	1.8
Food/beverage/tobacco	22.5	23.1	21.1	18.5	6	17	14	12	12	13	2.6	2.5	2.3	2.1	2.1
Health care	29.3	29.4	24.4	28	20	21	14	15	16	4.2	4.6	4.0	0.8	0.8	0.9
Financials	10.8	11.6	10.6	14	5	9	11	11	11	1.2	1.3	1.2	3.1	2.9	3.1
Banks	8.8	9.1	8.5	9	6	8	14	13	13	1.2	1.2	1.1	3.9	3.6	3.9
Diversified financials	15.3	15.9	19.1	17.1	51	7	12	12	12	13	2.0	2.3	2.2	2.3	2.2
Insurance	17.1	18.1	16.1	41	9	12	12	11	11	2.0	2.0	1.8	1.3	1.3	1.5
Real estate	12.5	13.4	12.4	7	(0)	9	7	6	7	0.9	0.9	0.8	3.1	3.0	3.2
Technology	14.3	13.5	12.3	6	11	10	16	16	15	2.3	2.1	1.9	1.8	2.0	2.2
Software services	29.3	32.0	29.1	23.9	28	22	21	25	25	24	7.9	7.2	5.8	0.8	0.8
Tech hardware	10.8	10.8	10.7	9.9	37	6	8	13	13	13	1.4	1.4	1.2	2.1	2.2
Semiconductors/equipment	13.2	13.8	11.7	10.9	48	17	7	20	21	19	2.8	2.4	2.1	2.2	2.9
Telecoms	18.8	18.0	16.6	0	8	8	12	12	13	2.3	2.2	2.1	3.2	3.3	3.5
Utilities	9.4	11.6	13.3	100	(14)	(12)	16	13	11	1.6	1.5	1.4	2.8	2.9	3.1

Source: Maybank Kim Eng, Factset, MSCI, Bloomberg data as of 18 May 2015

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