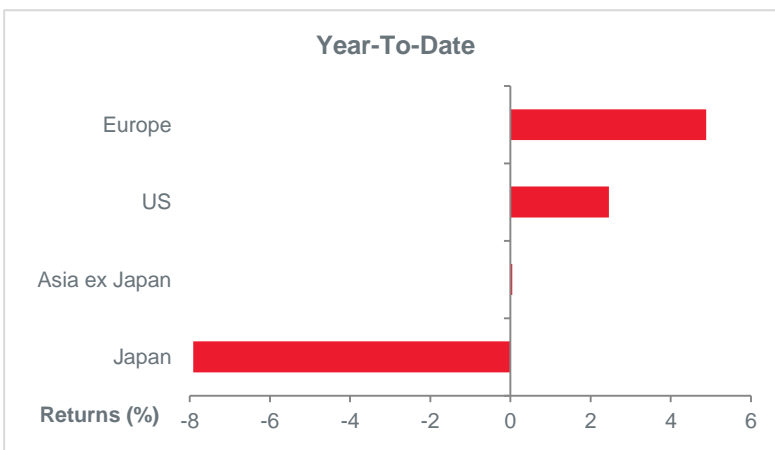
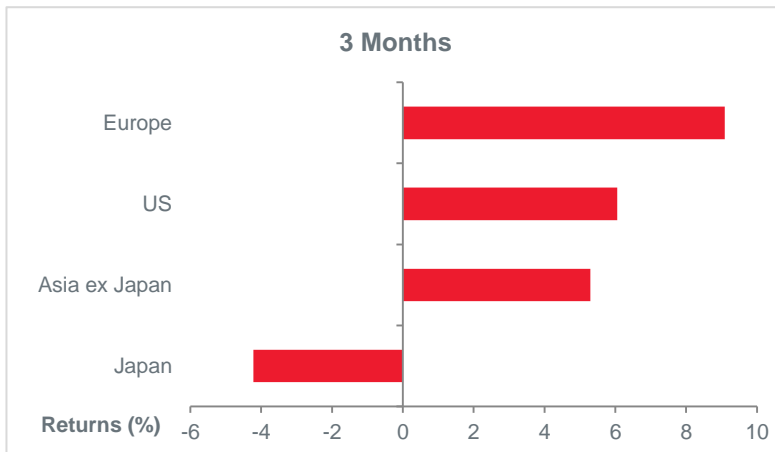
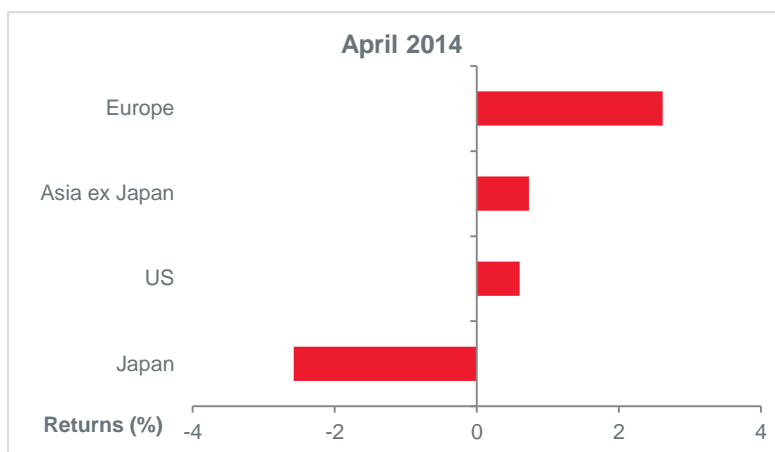


Macro Briefing

A monthly review of the economy and markets – April 2014

Stock Markets Performance



➤ A lacklustre performance by **US equities** came on the back of disappointing results from heavyweight technology names such as Google and IBM and discretionary stocks such as Amazon. Still, nearly 75% of US companies who have reported 1Q earnings have beaten earnings expectations.

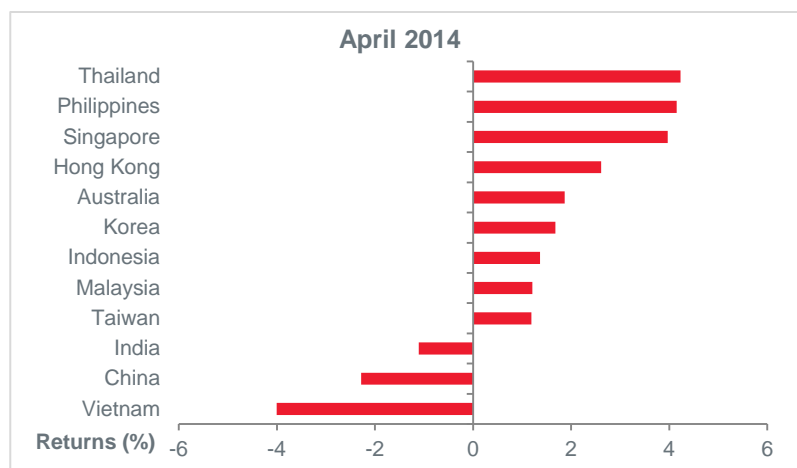
➤ Economic data were mixed as consumer confidence and retail sales data strengthened but GDP and housing data were weak.

➤ **European equities** topped other regions in April (refer to the chart). On a year to date basis, the region is the top performer on brighter economic data and improved prospects. Deflationary fears were allayed a little as April's preliminary consumer price index rose to 0.7%, up from 0.5% in March.

➤ Manufacturing sector PMI data in the eurozone rose to 53.4 in April from 53 in March. For the first time since 2007, every nation recorded an increase in activity.

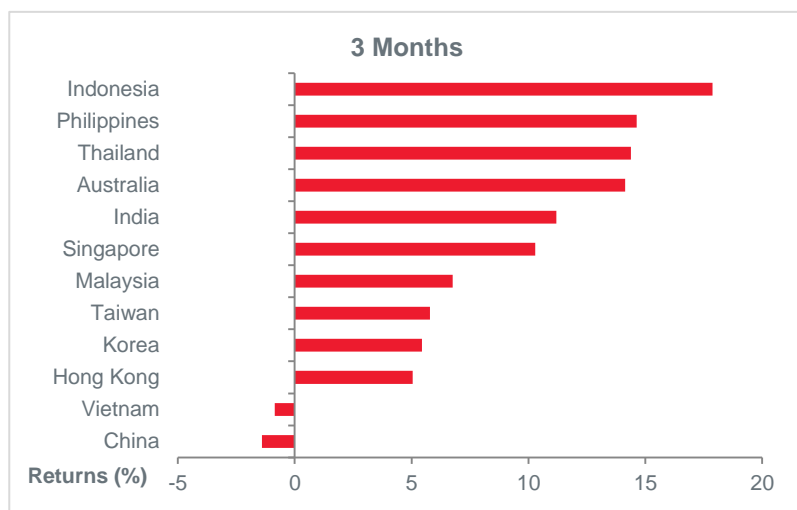
➤ **Japanese equities** continued to post losses for the fourth consecutive month. Investors were disappointed that the Bank of Japan did not unleash another round of quantitative easing. Concerns over the effects of the consumption tax too dented sentiment.

➤ **Southeast Asian markets** led gains in Asia ex Japan, buoyed by foreign fund inflows. Investor interest shifted to these markets amid worries that China's economic slowdown may be deeper than expected.



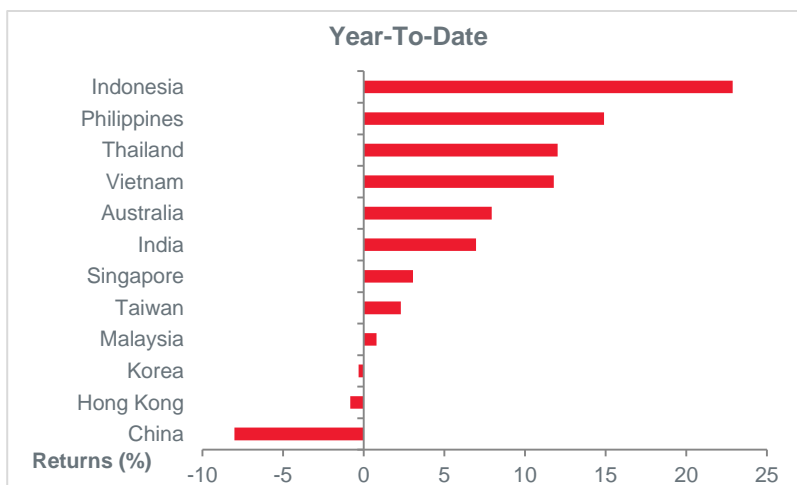
► **South East Asian** markets led the gains in April; Thailand and Philippines posted strong gains and also are top performers on a year to date basis.

► In **Thailand**, the market advanced on the back of a lull in terms of political news as well as stabilization in domestic activities, helped by the Songkran holiday season. There was also an influx of foreign buying in big caps especially in the telecom, banks and energy sectors.



► In the **Philippines**, investors were encouraged by stronger 1Q14 growth estimates of 7%, up from 6.5% in 4Q13 on the back of a recovery in exports and increased infrastructure spending.

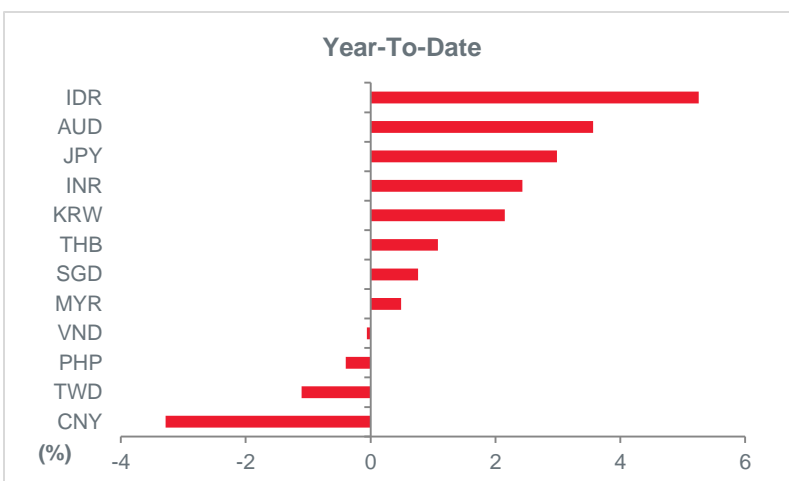
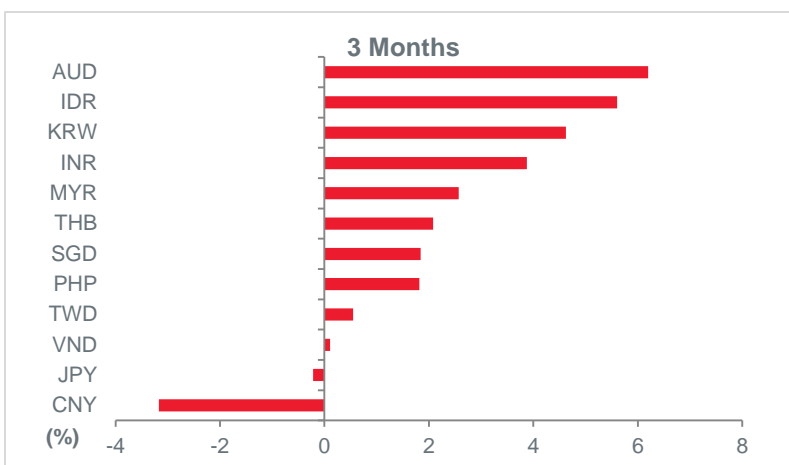
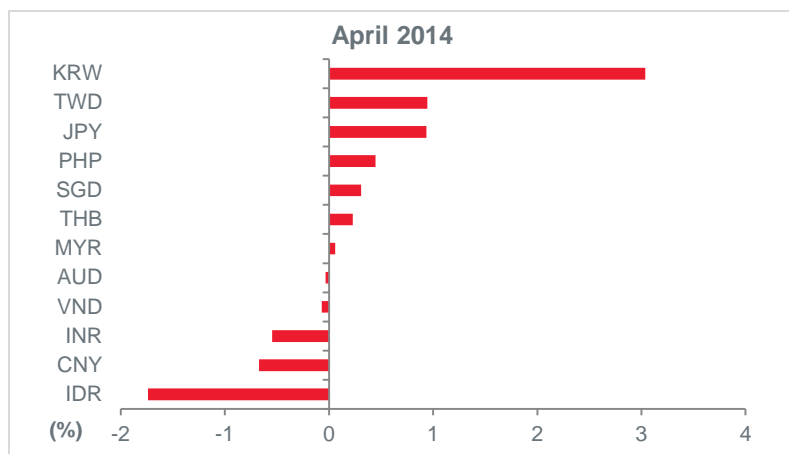
► **India's** stock market paused after two consecutive months of gains as focus as disappointing domestic macro indicators on growth and inflation dampened pre-election euphoria.



► **China's** equity market fell in April on worries about a deeper slowdown as well as mixed economic data from the US. China recorded a 7.4% year-on-year gross domestic product growth in the 1Q14, following a 7.7% rise in 4Q13. It was the slowest quarterly increase since the global financial crisis.

► **Vietnam** shares fell sharply amid growing tension with China in the East Sea. But on a year to date basis it has done well.

Major Currencies Against USD (% change)



➤ The **Korean Won** was a beneficiary of good economic data; it hit a six-year high after South Korea posted its 34th consecutive monthly current account surplus on the back of rising exports.

➤ Better than expected 1Q14 growth figures propelled the **Taiwan Dollar** higher. Heavy institutional buying also supported the currency.

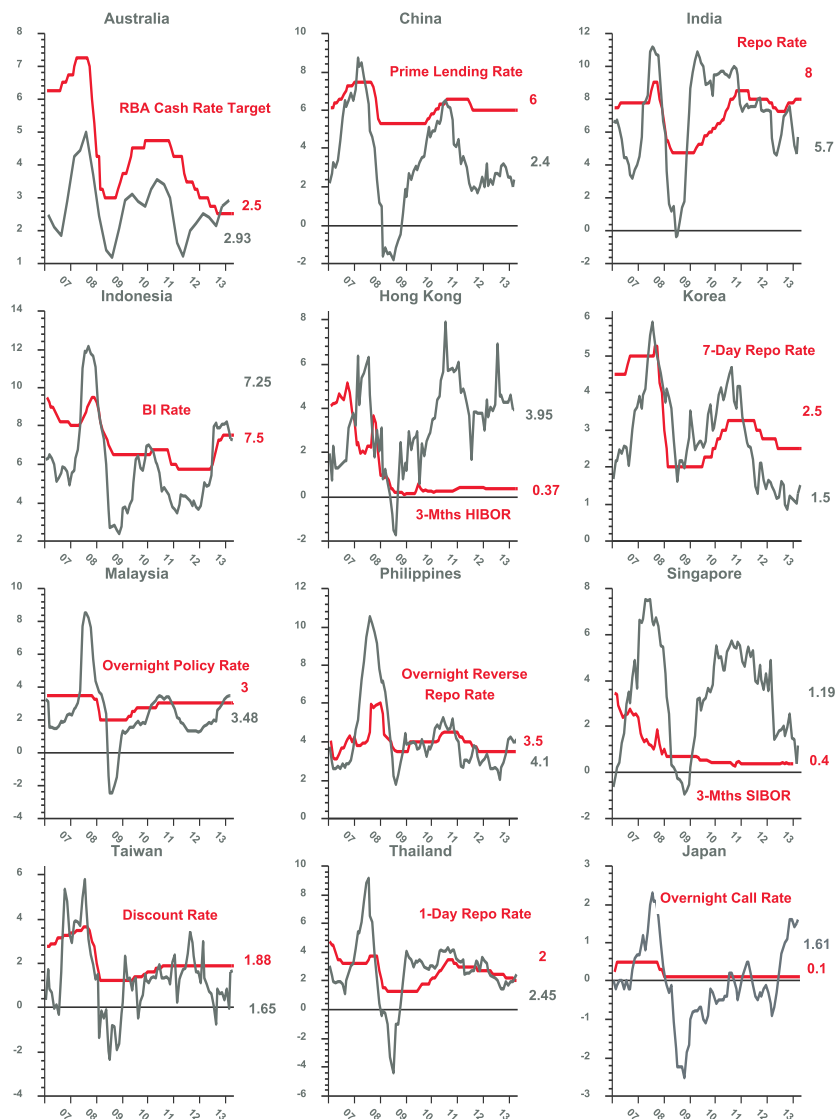
➤ The **Japanese Yen** rose in April after declining the previous month. The Yen's safe haven currency status came into play on the back of US' plans to ramp up sanctions against Russia over Ukraine.

➤ In April, the **Indonesian Rupiah** weakened the most against the US dollar on renewed concerns about the current account deficit and uncertainty around the elections. But in the year to date it has risen the most against the US dollar.

➤ The **Indian Rupee** which on a year to date basis has been an outperformer declined in April due to widening trade deficit in March and good dollar demand from oil importers.

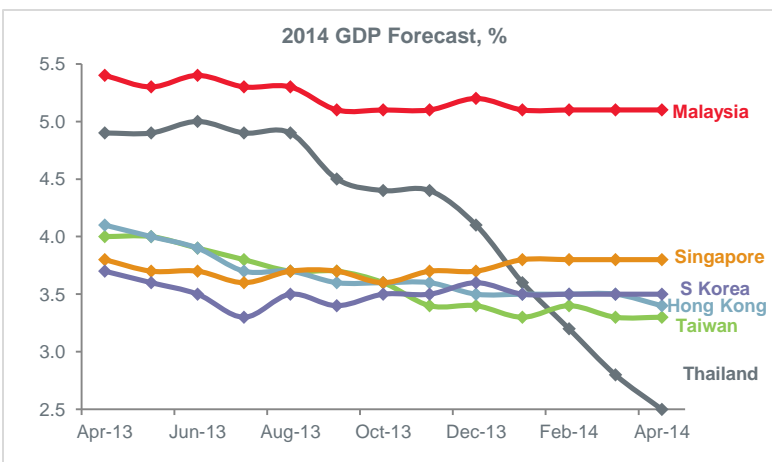
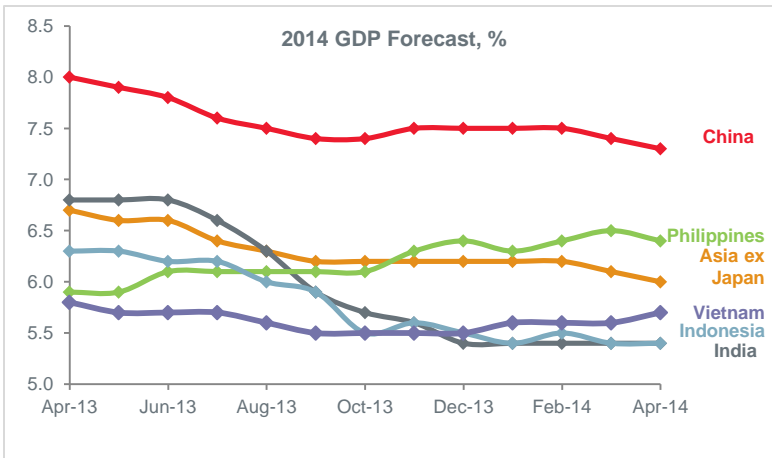
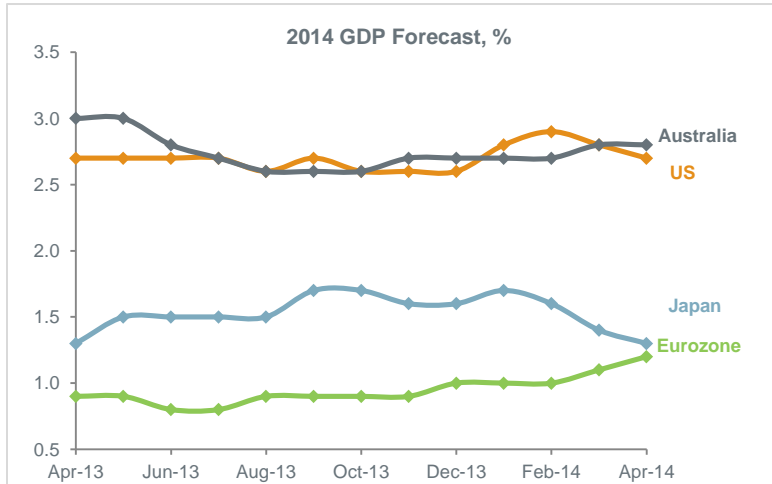
➤ The **Chinese Renminbi** continued to post declines for the fourth consecutive month. While this was triggered by policy adjustments that reduced the currency's daily trading band midpoint, the latest decline could have been exacerbated by concerns over slowing economic growth.

Policy Rate versus Inflation Rate



- **India's** central bank left policy rates on hold as inflation risks remain. The RBI's target is to ease retail inflation, as measured by the consumer price index, to 8% by January 2015 and 6% by January 2016. If inflation continues along the glide path, the RBI sees no "further policy tightening in the near term".
- After easing in March, the **Philippines'** inflation rate picked up in April due to higher food and utility prices. The repo rate was held constant at 3.5%.
- April's inflation rose to a 13-month high in **Thailand** due to food and fuel prices. A gradual increase in inflation is forecast for the rest of the year predominantly due to food shortage arising from drought.
- The **Bank of Korea** held its interest rate on hold at 2.5% given the slow but steady growth pace. Inflation too remains under control.

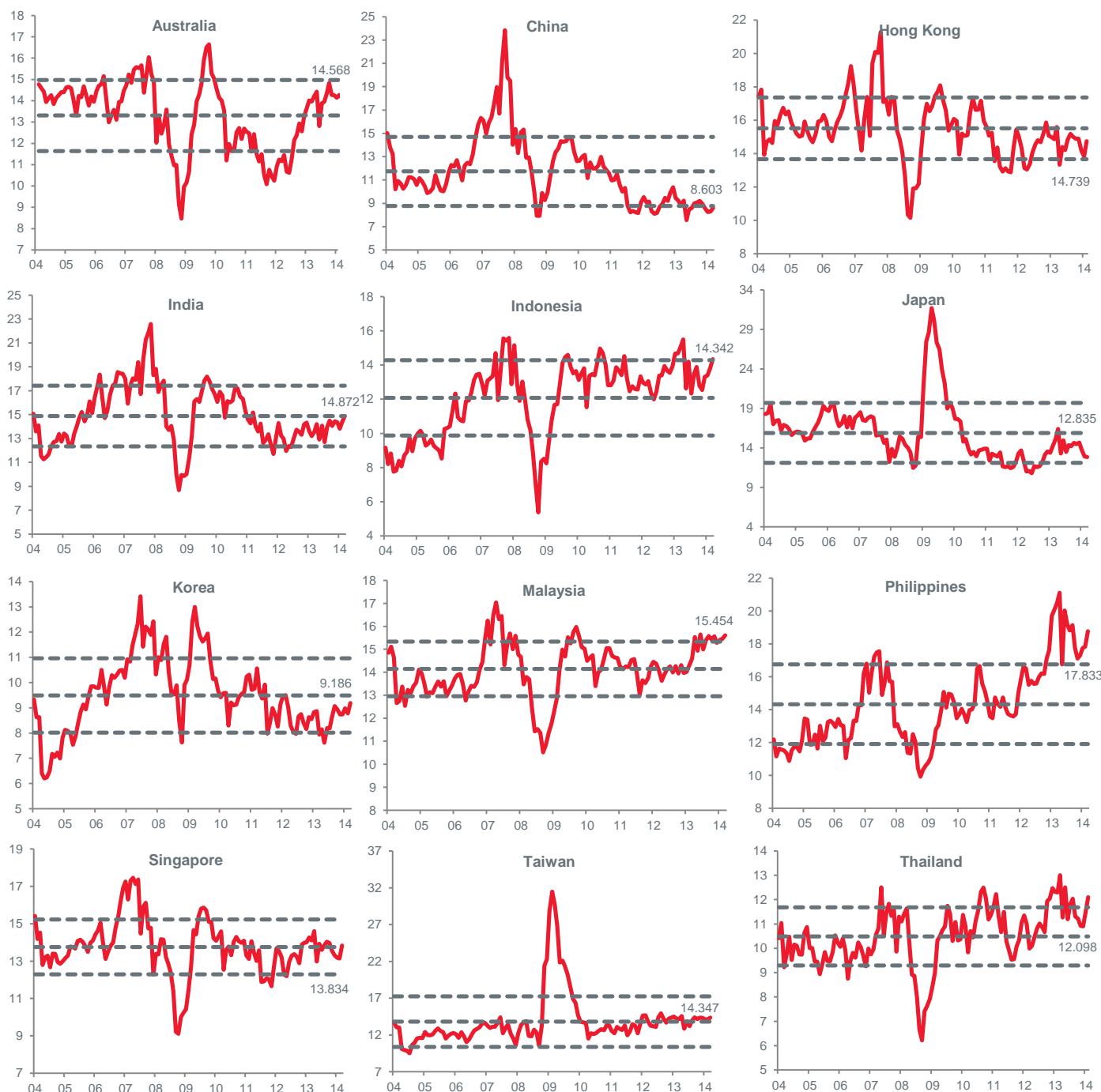
Real GDP Growth Consensus Forecast, %



- The **US'** 2014 growth was downgraded as the 1Q14 growth was affected by severe weather conditions.
- The **Eurozone** recovery continues to gain traction led by Germany. Nonetheless some others such as Italy are still grappling with labour market issues.
- **Japan's** downward revision comes on the back of uncertainty surrounding the effects of April's consumption tax. The latest release of 4Q13 growth of 0.2% was a tad lower than the first estimate of 0.3%. Slower growth in capital expenditure and personal consumption were key reasons.
- Some countries in Asia ex Japan faced downgrades in the growth expectations. **China's** weak industrial production and retail sales data prompted the downgrade. To shore sentiment, the Chinese government announced a mini-stimulus package, targeting spending on railway and housing.
- **Thailand** continues to be affected by political unrest and the prolonged deadlock is weakening growth.
- Impact of a tighter monetary bias aimed at preventing excessive credit growth is behind the downward revision in **Philippines'** 2014 growth forecasts.

APPENDIX

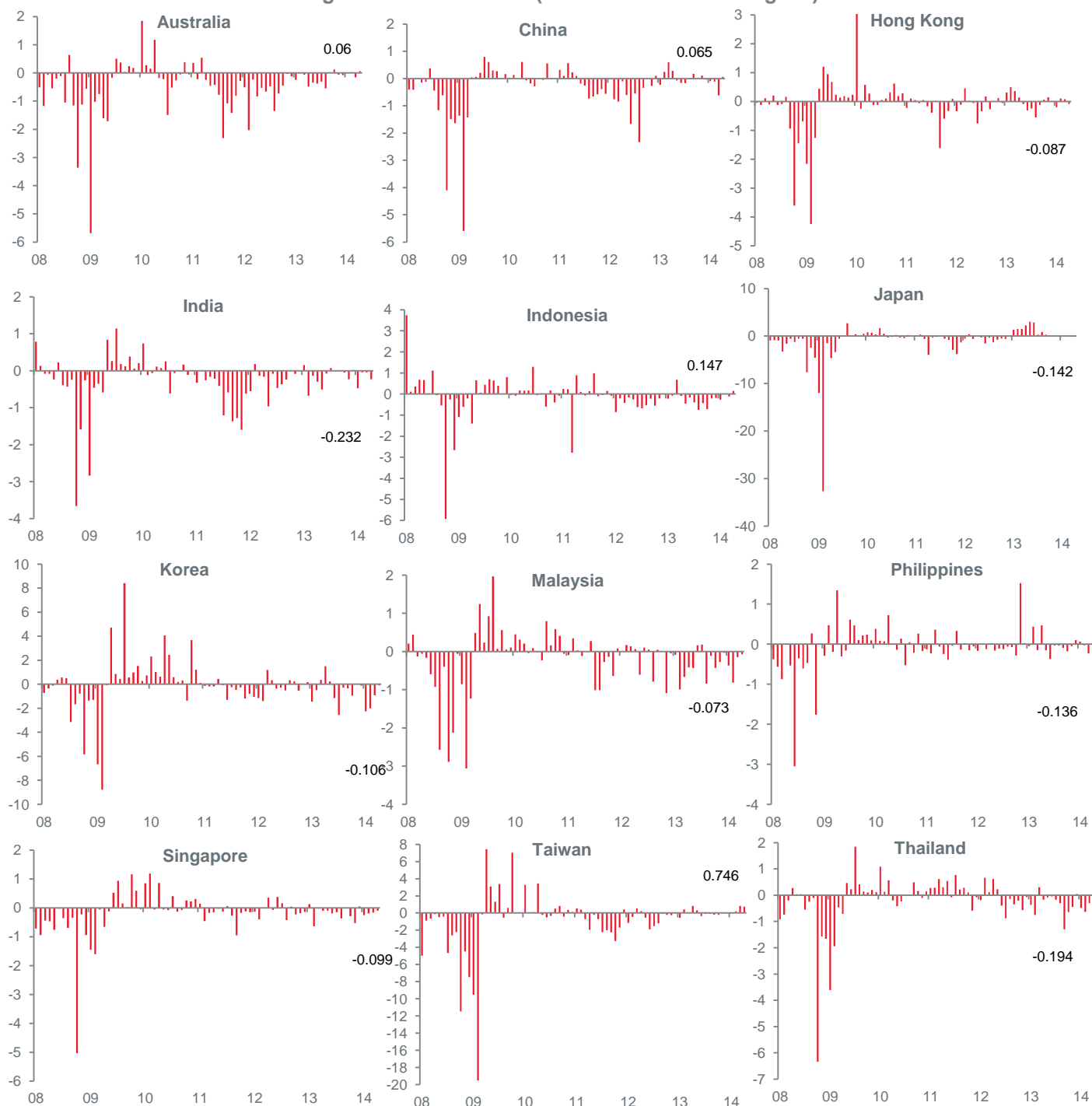
Valuations - 12-months Forward P/E (x)



Source: IBES MSCI from Thomson Reuters DataStream as of 30 April 2014. Note: The forward price earnings multiple shown above is calculated on an 12-month rolling basis. The horizontal lines represent the average (the middle line) and one standard deviation either side of this average for the period shown.

APPENDIX

Earnings Forecast Revision (Month-on-Month Change %)



Source: IBES MSCI from Thomson Reuters DataStream as of 30 April 2014. Note: Weighted 1-month % change in the 12 month forward earnings EPS forecasts.

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