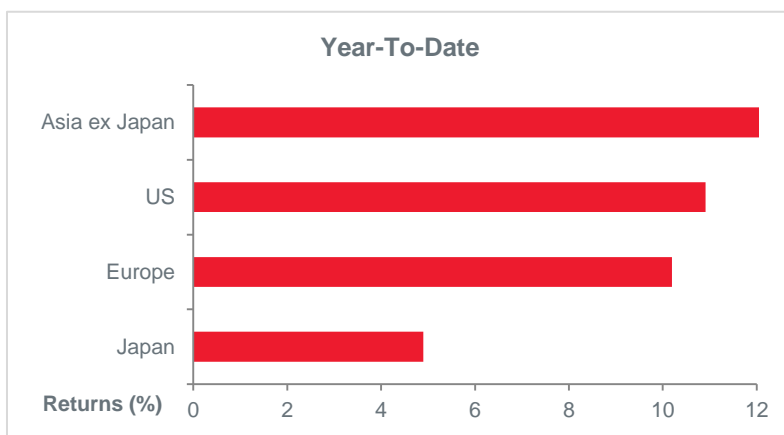
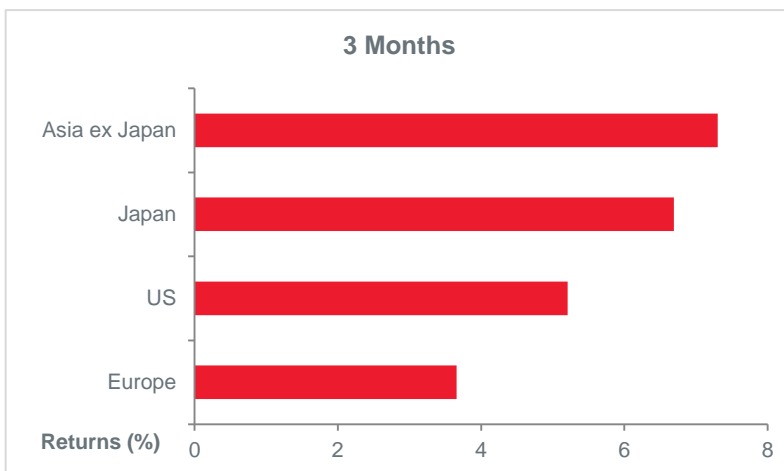
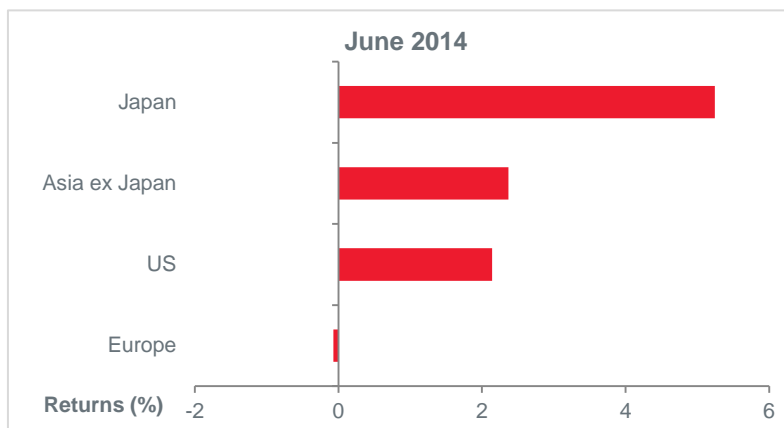


Macro Briefing

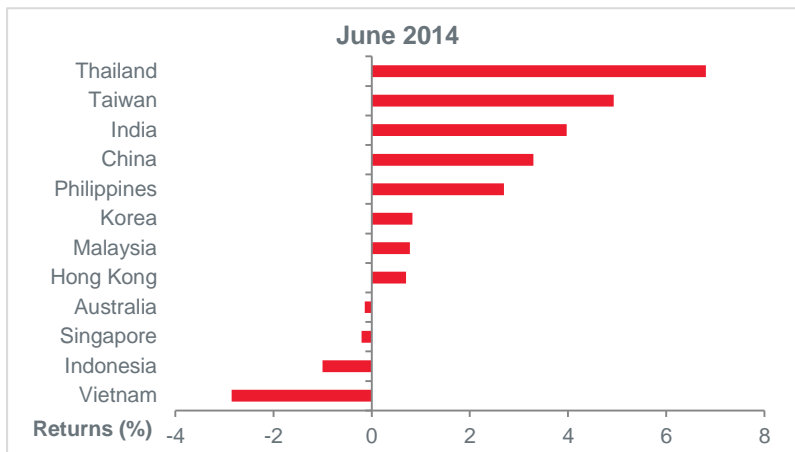
A monthly review of the economy and markets – June 2014



Stock Markets Performance

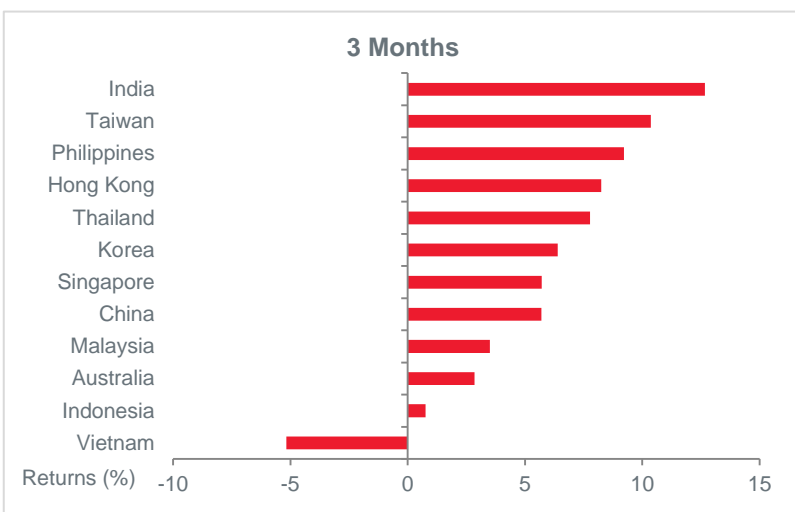


- US equities** rose in June due to the expectation of continued monetary policy support after US Federal Reserve Chairman Janet Yellen stressed there was no hurry to withdraw monetary policy support for the economy.
- Should interest rates remain low for longer and the US economy continues with its gradual improvement, the backdrop appears supportive for US equities.
- European equities** underperformed as concerns over the slow reform progress by some member states, high unemployment, and declining inflation overshadowed improving growth.
- The European Central Bank cut the main refinancing rate from 0.25% to 0.15% in view of the weak inflation. ECB also introduced measures to encourage banks to promote lending.
- Japanese equities** rose head and shoulders above other regions in June, driven by a series of reforms designed to reinvigorate corporate earnings and economic growth. This marks a second consecutive month of gains this year which in turn reversed the market's year to date losses to gains.
- Asia ex-Japan markets** on the whole rose with the gains supported by the US Federal Reserve's dovish view, favourable Chinese economic data and recovery of the Thai market after the May coup d'etat.



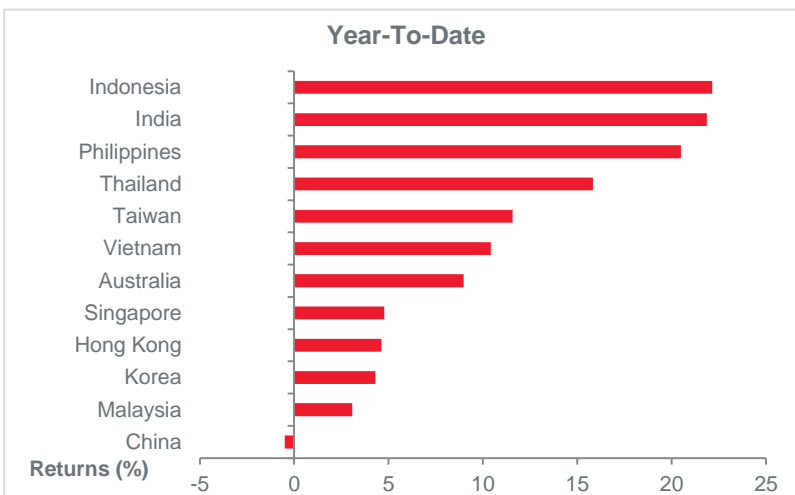
► **Thailand's** stock market reversed May's losses in June as investors bet the new military government would hasten measures to restore business confidence and revive the economy after the military takeover on May 22.

► **Taiwan** shares rallied on the pick-up in the tech cycle, ample liquidity and the view that the island is well-placed to benefit from a US recovery.



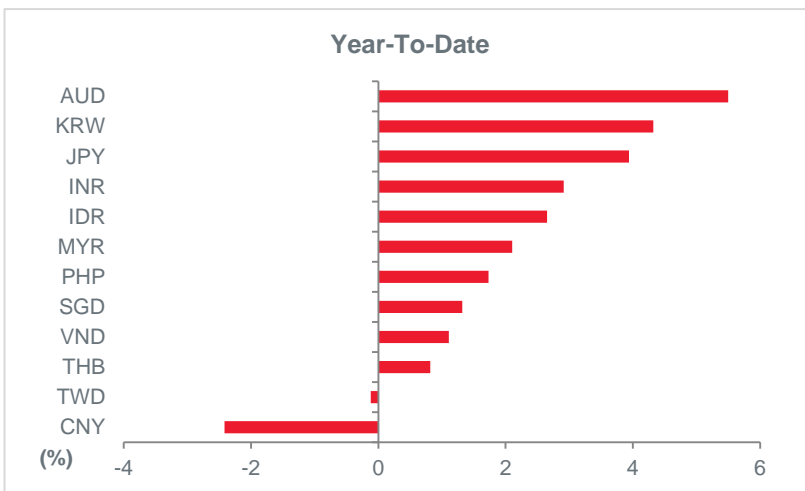
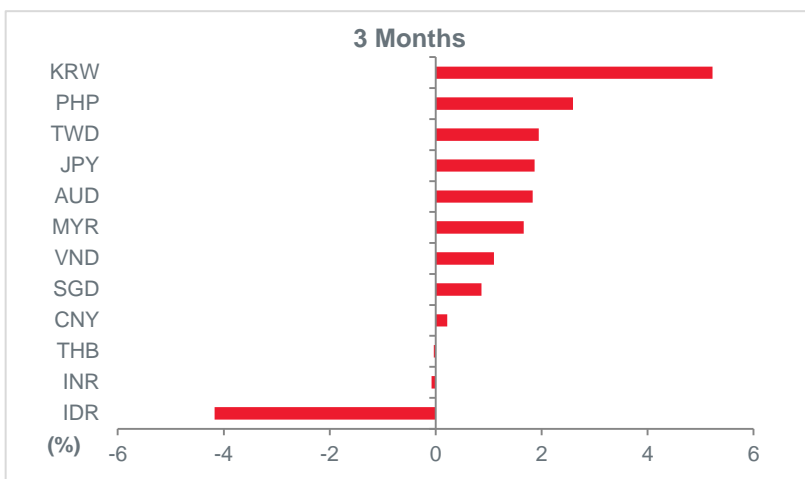
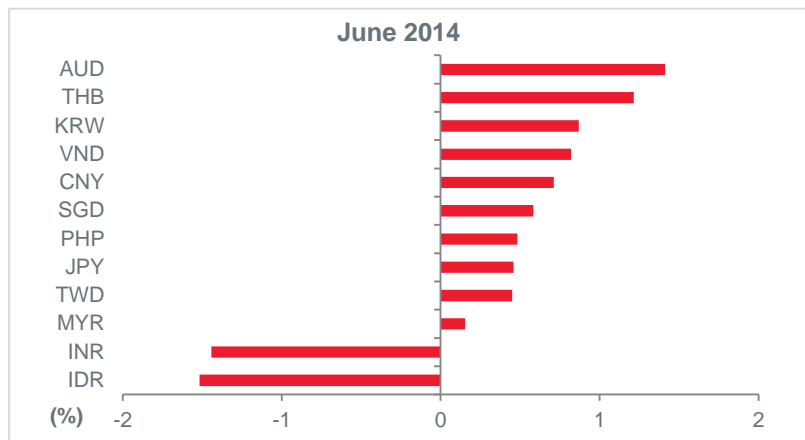
► **India's** stock market extended gains in June on the back of the initial policy moves by the new government of Prime Minister Narendra Modi who marked his first month in office in June. Some May macro indicators were favorable, raising hopes that growth may be bottoming out and lifting the market.

► **Indonesia's** stock market slackened in June as the Presidential race gained momentum while **Singapore** stocks took a breather after four consecutive months of gains.



► On a year-to-date basis, **Indonesia, India and Philippines** remain the top performers. **China** is at the bottom. due to growth concerns and moderate risks from a weak property market.

Major Currencies Against USD (% change)



➤ Both the **Indian Rupee** and **Indonesian Rupiah** were victims of rising oil prices. Concerns resurfaced over the possibility of a widening current account deficit for these large oil importing nations.

➤ The **Australian Dollar** was June's top performer. Rates were held constant at 2.5%. First quarter GDP growth came in at 3.5% year-on-year, stronger than economists' forecasts of 3.2% and accelerated from 4Q's 2.7% growth.

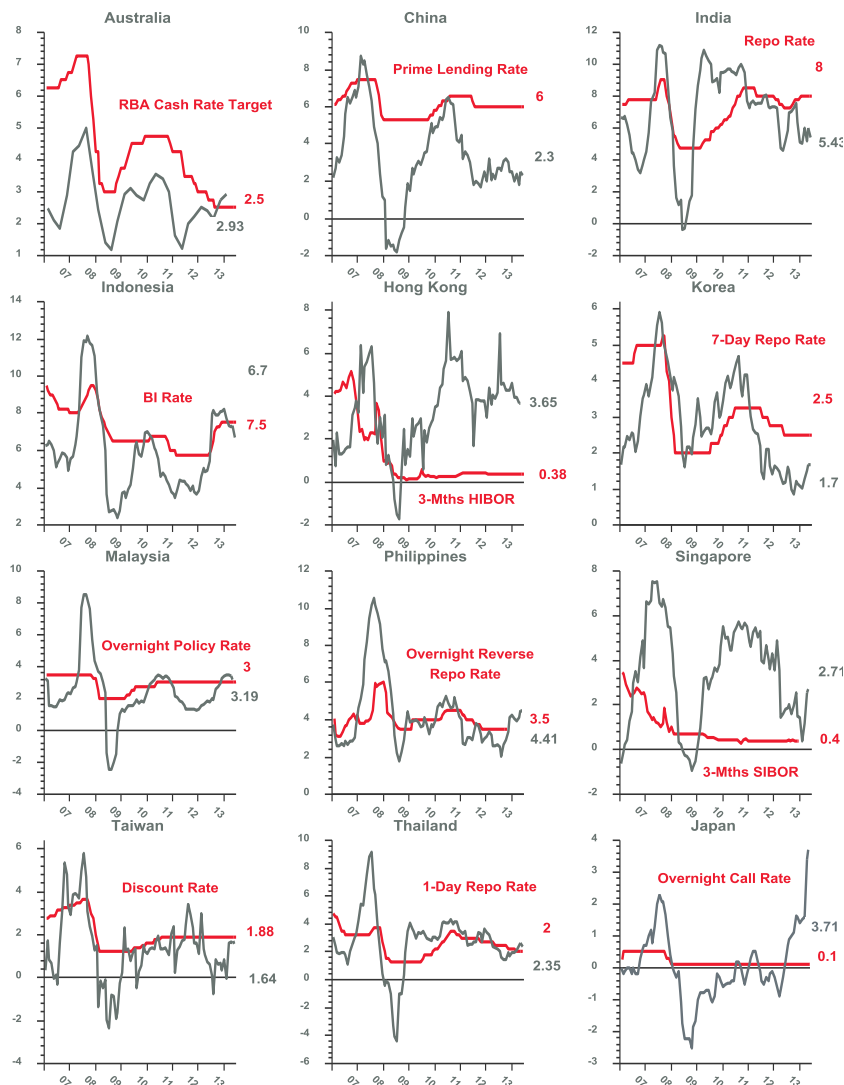
➤ The **Korean Won** continued to be a beneficiary of foreign inflows. Korea's external macro balance remained healthy as the current account balance expanded from US\$7.1bn to US\$9.3bn.

➤ The **Thai Baht** rose in June on optimism the military government's stimulus measures will revive the economy. The military has boosted domestic spending in the economy by paying 92 billion baht (US\$2.8 billion) of overdue payments to rice farmers, expedited 2014 budget disbursement, and extended the current rates of value-added and corporate income tax until 2015.

➤ On a year-to-date basis, the **Chinese Yuan** continues to be the top underperformer mainly due to the central bank's policies which are aimed to stop speculative inflows into the market.



Policy Rate versus Inflation Rate



➤ At its July 1st, 2014 meeting, **Australia's** central bank left its cash rate unchanged at a record low of 2.5 percent, awaiting the impact of decline in mining-investment boom on the labour market.

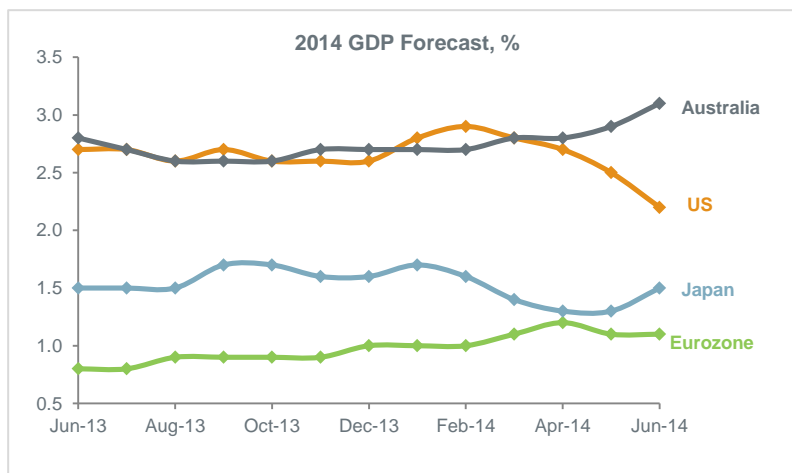
➤ **Bank of Indonesia** left its rate unchanged at 7.5% after the presidential elections with the aim to control inflation and reduce its current account deficit.

➤ The **Reserve Bank of India** trimmed its statutory liquidity ratio by 50 basis points to 22.5% to spur lending. Benchmark interest rates were left unchanged.

➤ The **Bank of Korea's** rates remained on hold at 2.5% as inflation was lower than expected, growing at 1.7% year-on-year in June.

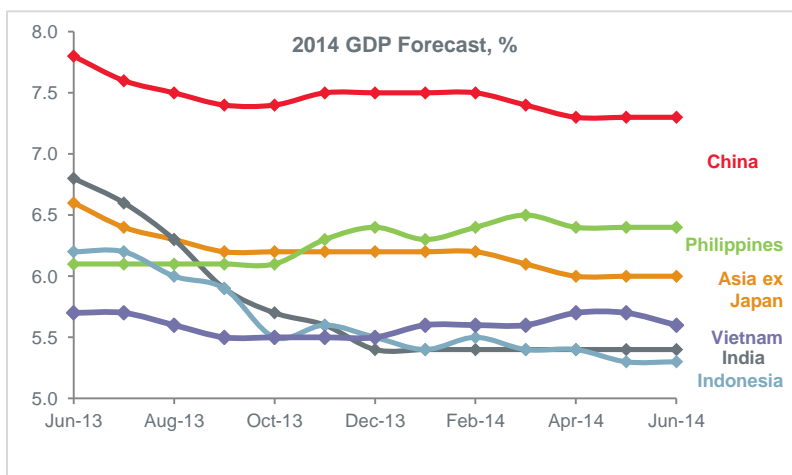
➤ **Philippines'** central bank in June left benchmark interest rates unchanged but raised by 10bp its forecast of average full-year 2014 CPI inflation, to 4.4%. The bank issued a press statement saying that it, "... stands ready to undertake further policy actions as necessary to safeguard price and financial stability."

Real GDP Growth Consensus Forecast, %



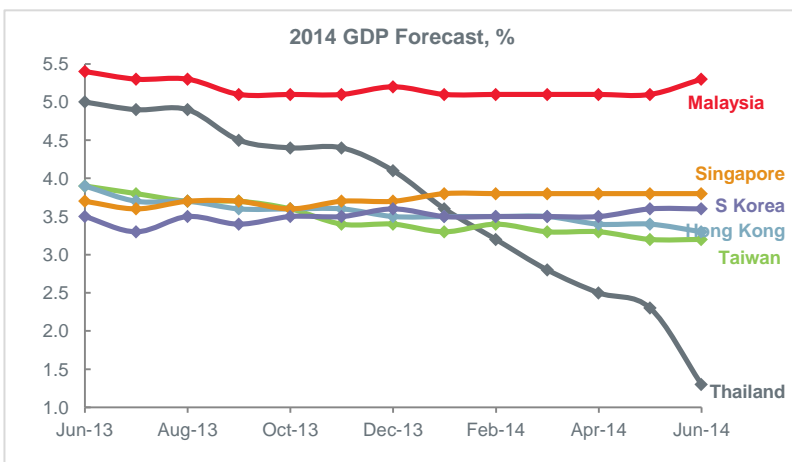
➤ The **US'** 2014 growth forecast has been on a downward trend after the economy contracted by an annualised 1% in the 1Q14 caused mainly by bad weather. This reading was the worst for U.S. gross domestic product performance since the first quarter of 2009. Slack in the economy also continues to put a lid on the forecast.

➤ The **Eurozone** recovery remains uneven. Growth in Germany is offset to some extent by contractions in Italy and Netherlands.



➤ **Japan's** 2014 growth has been revised up as first quarter growth was boosted by front-loading of consumer spending ahead of the introduction of the consumption tax in April.

➤ Within Asia, growth forecasts were revised upwards only for Malaysia while Thailand, Vietnam and Hong Kong faced downgrades.



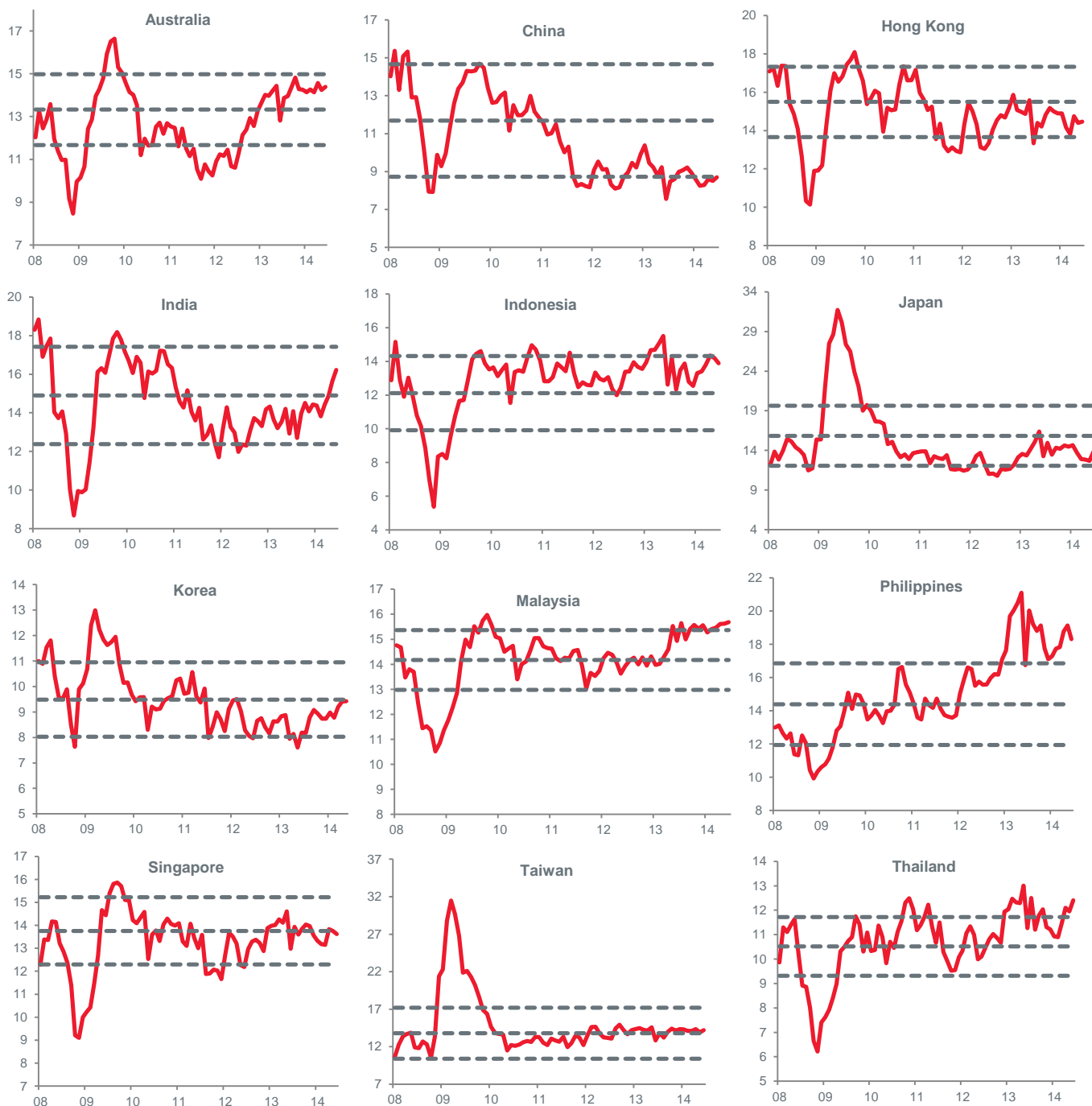
➤ **Malaysian** exports picked up in 1Q14 in line with the recovery in global demand which boosted the 1Q GDP growth.

➤ **Thailand's** 2014 GDP continues to be downgraded as the political crisis has restrained investment and hampered consumption.



APPENDIX

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

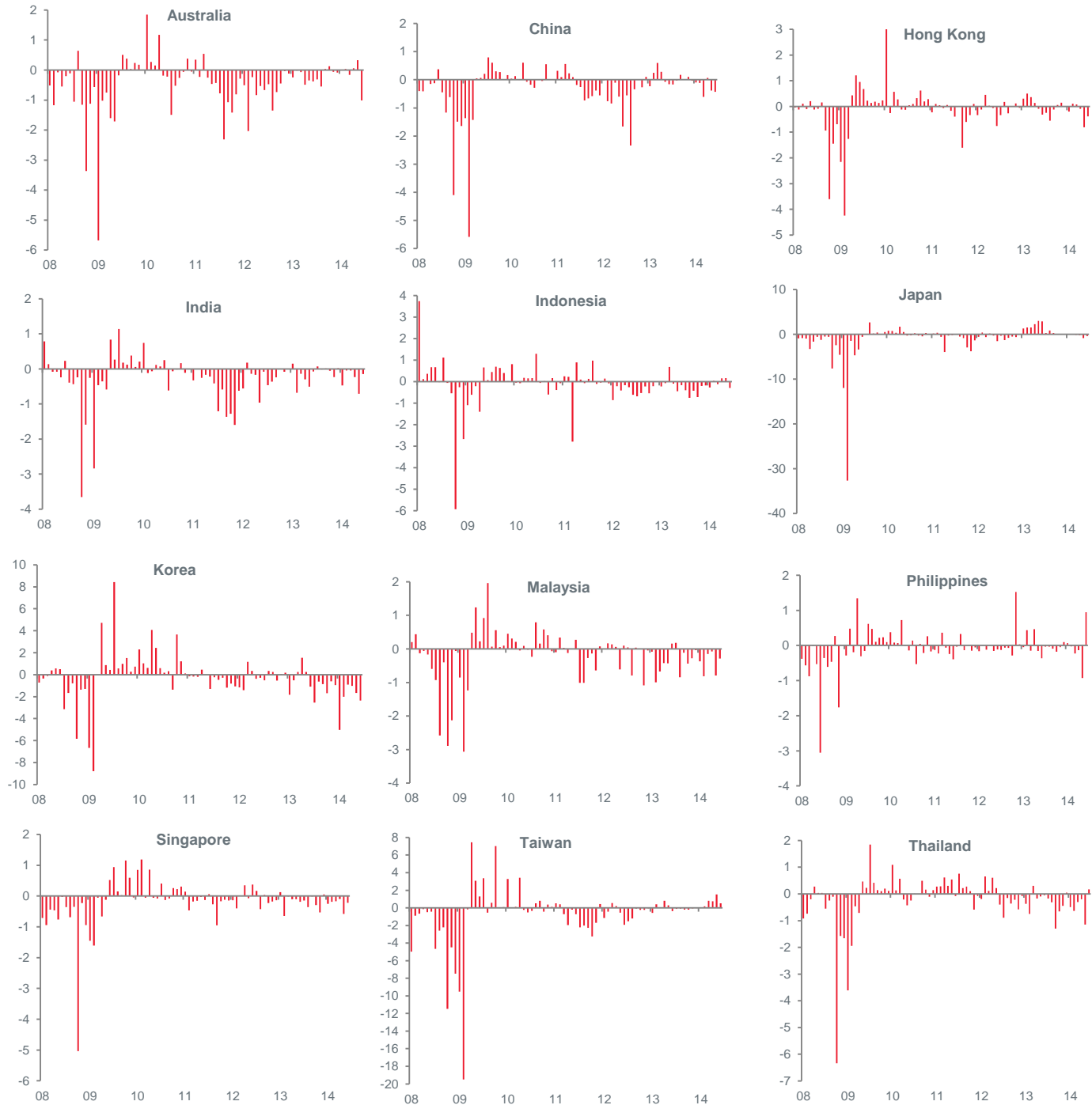


Source: IBES MSCI from Thomson Reuters DataStream as of 28 June 2014. Note: The forward price earnings multiple shown above is calculated on an 12-month rolling basis. The horizontal lines represent the average (the middle line) and one standard deviation either side of this average for the period shown.



APPENDIX

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



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



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