

Jan Feb Mar Apr May Jun Jul Aug 2014 Sep Oct Nov Dec

# ASIA-PACIFIC MARKETS MONTHLY

Highlights and insights from S&P Capital IQ

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- Asia Pacific Index Dashboard
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# APAC CDS Market Sentiment By Sector

- During Q2, the CDS market broadly priced most sectors, except industrials, consumer discretionary and telecom, as less risky than their S&P Ratings. This is similar to last quarter.
- The CDS market continued to be bullish for IT, which had a larger divergence than materials, and a difference of 1.6 notches between the CDS markets and the Ratings.
- Energy CDS spreads have moved closer to the Ratings after a 1 notch divergence last quarter.

APAC CDS Notch Difference Vs. Ratings By Sector



Research by STANDARD & POOR'S RATINGS SERVICES  
McGraw Hill Financial

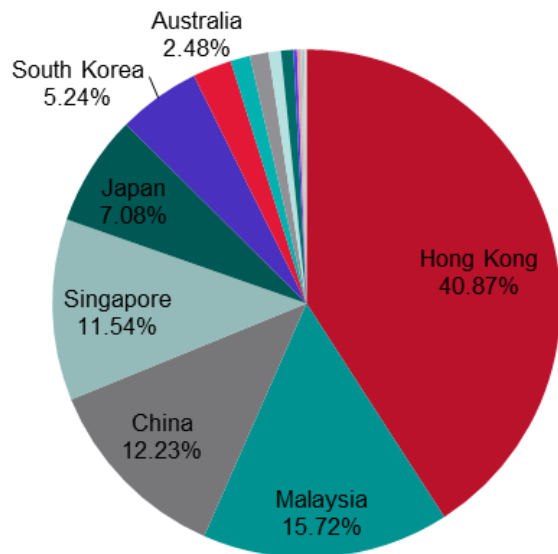
- [FAQ: How Chinese Metros Could Widen Their Funding Channels](#)
- [Article: Japanese Corporates Hitch Growth Plans To Southeast Asian Infrastructure, But Face A Bumpy Ride](#)
- [Video: What Could Drive A Credit Divergence Between Midsized Banks And Large Banks In China?](#)

## FIXED INCOME TRENDS

Click [here](#) to read the full **Fixed Income IQ** publication, a new market research report that provides a regional view into relevant market trends and indicators crucial to the investment decision making process.

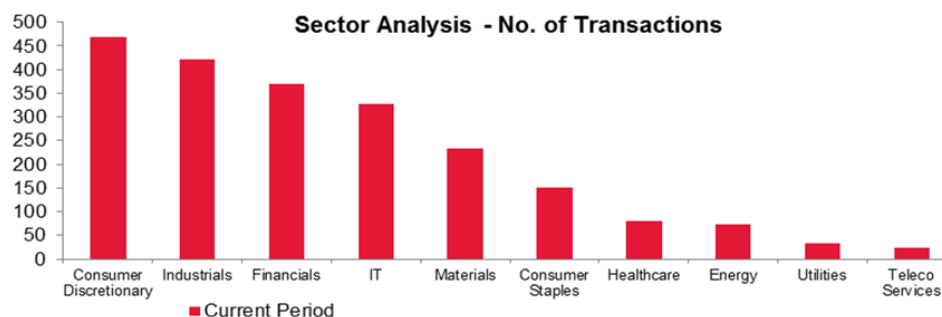
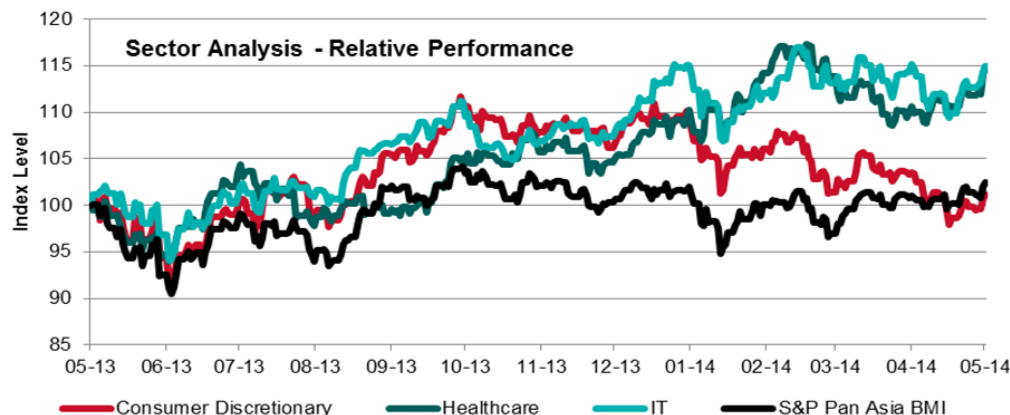
Source: S&P Capital IQ as of June 30, 2014.

## Country Analysis - % of Buybacks



- Both Healthcare [14.93%] and IT [14.95%] sectors comfortably outperform all stock buyback in the last twelve months\* including the S&P Pan Asia BMI [2.46%].
- The IT sector stands alone in representing high buyback transactions volume, high deal growth over prior last twelve months and outperforming the S&P Asia BMI.
- The sectors with greatest number of buybacks represent 70% of overall transactions over the last twelve months\*: Consumer Discretionary, Industrials, Financials, and IT.

- Over the last twelve months\*, 2,108 stock buyback transactions were announced in Asia Pacific, compared to 1,747 in EMEA and 905 in North America.
- Combined, Hong Kong, Malaysia, China, and Singapore represent over 80% of the Asia Pacific market with Hong Kong being the standout contributor.



\*Last Twelve Month period as of May 23, 2014.

# Market Attributes: Index Dashboard

- In another positive month for Asian equities, the S&P Pan Asia BMI returned 2.5%
- Japan continued to claw back losses made earlier this year; the S&P TOPIX 150 delivered 2.2% with the signs so-far emerging from the earnings season proving positive. Meanwhile the core consumer price index rose 3.3% in June versus the prior year.
- Regional returns were led by China where, according to the National Bureau of Statistics, second quarter GDP growth rose to an annualized 7.5%, beating expectations. Strong seasonal effects augmented market sentiment already buoyed by the fundamentals; Chinese equities ripped to the upside toward the end of the month. The HSI volatility index also gained.
- Each Pan-Asia sector posted a positive return, as did each major country represented therein.
- Commodities fell, agriculture in particular. Gold and oil remained somewhat range-bound; a boost from geopolitical tension counteracting a strengthening U.S. dollar over the period; at month end both were down a couple of percentage points.
- The fixed income markets were largely unchanged over the month, equity correlation drove up convertibles in China.

## Index Investment Strategy

INDEX	1-M	YTD	12-M	INDEX	1-M	YTD	12-M	INDEX	1-M	YTD	12-M				
<b>Pan-Asia Equity*</b>				<b>Single Country - Developed</b>				<b>Commodity</b>							
S&P Asia 50	4.56%	8.52%	17.74%	S&P TOPIX 150	2.21%	-1.27%	14.83%	S&P GSCI Gold*	-2.00%	7.68%	-1.46%				
S&P Pan Asia BMI*	2.54%	7.93%	16.77%	S&P / ASX 50	4.33%	7.56%	16.37%	S&P GSCI®*	-4.46%	1.00%	0.54%				
S&P Asia-Pacific BMI*	1.80%	5.78%	14.98%	Dow Jones Singapore*	2.83%	8.22%	6.95%	<b>Fixed Income &amp; Credit</b>			<b>Yield</b>				
S&P Asia-Pacific Emerging BMI*	4.44%	13.69%	21.46%	KOSPI 200 (Price Index)	3.69%	3.22%	8.47%	S&P/BGCantor 7-10 Yr US Treasuries*	2.37%	-0.14%	5.16%	3.30%			
<b>S&amp;P Pan-Asia BMI Sectors</b>				<b>Single Country - Emerging</b>				S&P China Convertible Bond*				-	2.22%	6.68%	4.83%
Materials*	4.05%	6.53%	16.65%	S&P / CITIC 50 A-Shares	11.59%	6.45%	12.00%	India USD Corporate Bond*	2.87%	0.03%	5.61%	6.70%			
Telecommunication Services*	3.97%	5.42%	11.57%	S&P BSE SENSEX	2.31%	23.80%	36.01%	S&P / ASX Australia Fixed Interest*	3.28%	0.30%	5.20%	5.70%			
Financials*	3.05%	7.12%	14.22%	Dow Jones Indonesia*	5.47%	23.01%	12.65%	Dow Jones Investment Grade Sukuk	2.52%	0.51%	4.45%	5.72%			
Consumer Staples*	2.88%	9.93%	13.30%	Dow Jones Malaysia*	1.00%	3.79%	9.04%	<b>Economic Indicators</b>							
Information Technology*	2.59%	13.46%	32.31%	Dow Jones Philippines*	0.16%	17.73%	4.65%	S&P / ASX 200 VIX [10.95]	-7.20%	-5.28%	-25.61%				
Consumer Discretionary*	2.00%	3.37%	12.34%	Dow Jones Taiwan*	1.76%	12.39%	20.44%	Hang Seng VIX [16.36]	27.22%	20.83%	-9.76%				
Industrials*	1.95%	8.29%	19.03%	Dow Jones Thailand*	2.16%	18.75%	10.51%	Vix® Index [13.33]*	18.38%	-2.84%	-0.89%				
Health Care*	1.15%	9.78%	14.52%	<b>Equity Strategy</b>											
Energy*	0.89%	10.13%	14.60%	S&P Pan Asia Low Volatility*	2.42%	8.00%	8.78%								
Utilities*	0.28%	9.03%	8.18%	S&P Korea Low Volatility	6.20%	4.51%	5.93%								
				S&P Pan Asia Dividend Aristocrats*	2.75%	9.92%	13.27%								
				Pan Asia Select Dividend Opportunities	3.93%	8.83%	14.29%								

# Total Return Of Asia Fixed Income Indices

Index	Total Return [%]	
	MTD	YTD
S&P/ASX Australian Fixed Interest Index	0.30	5.20
S&P/ASX Government Bond Index	0.26	5.27
- S&P/ASX Australian Government Bond Index	0.34	5.18
- S&P/ASX State Government Bond Index	0.13	5.37
S&P/ASX Supranational & Sovereign Bond Index	0.39	5.19
S&P/ASX Corporate Bond Index	0.42	4.78
S&P/ASX Bank Bill Index	0.23	1.55
S&P/ASX Government Inflation-Linked Bond	0.26	8.00
S&P/DB ORBIT Index	0.28	1.99
S&P/DB ORBIT Index [USD]	0.80	0.03
S&P/DB ORBIT Index [HKD]	0.79	-0.02
S&P/DB ORBIT Sovereign and Quasi-Sovereign Index	0.20	1.71
S&P/DB ORBIT Sovereign and Quasi-Sovereign Index [USD]	0.71	-0.25
S&P/DB ORBIT Sovereign and Quasi-Sovereign Index [HKD]	0.70	-0.30
S&P/DB ORBIT Credit Index	0.33	2.14
S&P/DB ORBIT Credit Index [USD]	0.84	0.17
S&P/DB ORBIT Credit Index [HKD]	0.83	0.12
S&P China Convertible Bond Index	2.22	6.68
S&P India USD Corporate Bond Index	-0.02	5.58
S&P BSE India 10 Year Sovereign Bond Index	0.87	5.78
Dow Jones Sukuk Total Return	0.39	4.79
Dow Jones Sukuk Higher Quality Investment Grade Total Return	0.34	4.14
S&P MENA Sukuk Total Return Index	0.33	4.23

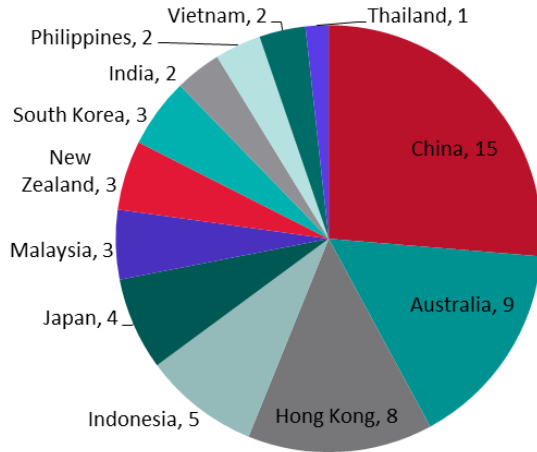
Index	Total Return [%]	
	MTD	YTD
S&P Pan Asia Bond Index	0.22	4.72
S&P China Bond Index	-0.36	5.32
S&P Hong Kong Bond Index	0.00	0.54
S&P Indonesia Bond Index	1.56	7.03
S&P Korea Bond Index	0.73	3.74
S&P Malaysia Bond Index	0.59	3.04
S&P Philippines Bond Index	0.06	1.67
S&P Singapore Bond Index	0.21	2.42
S&P Taiwan Bond Index	-0.13	1.13
S&P Thailand Bond Index	0.58	3.03
S&P India Bond Index	1.01	7.67

- The **S&P/ASX Australian Fixed Interest Index** rose 0.30% in July, bringing the YTD total return to 4.01%. The index yield to maturity remains unchanged at 3.28%.
- The **S&P/DB ORBIT Index** gained 0.28% as the currency continued to strengthen, its yield to maturity widened by 17bps to 4.04%.
- The **S&P Pan Asia Bond Index** was up 0.22% in July, bringing the YTD total return to 4.72%.
- The **S&P India Bond Index** and the **S&P Indonesia Bond Index** outperformed the other country-level indices and grew 1.01% and 1.56% respectively.

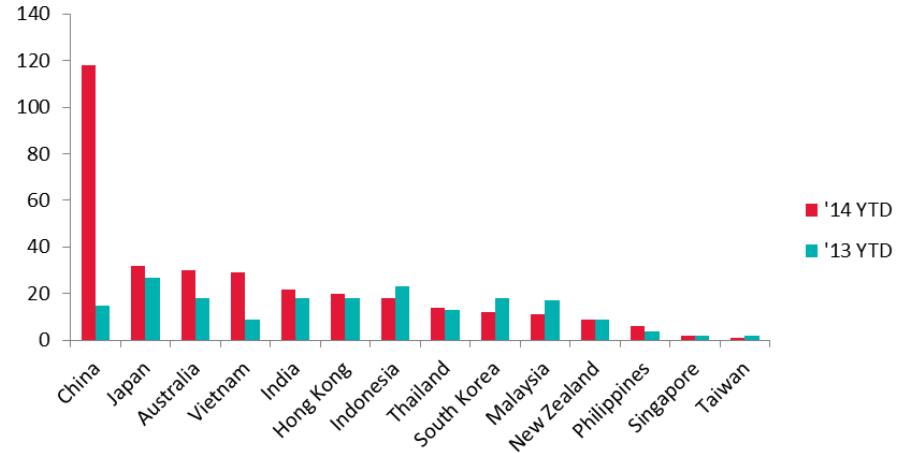
# Public Offerings By Country

Combined China, Australia and Japan have brought to market 180 companies on a YTD basis, to put this into context the total for the region is 324. This capital market activity is clearly being driven by China where we see over a 600% increase in the number of equity raises. A notable deal occurred in Vietnam where An Phu Real Estate Corporation raised 10.9bn [USD].

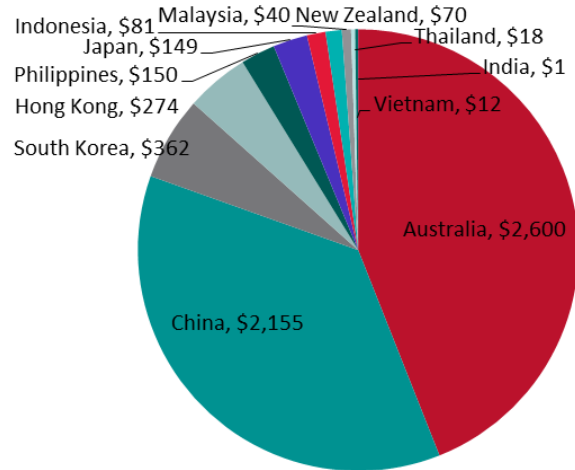
## No. of IPO by Country [Jul'14]



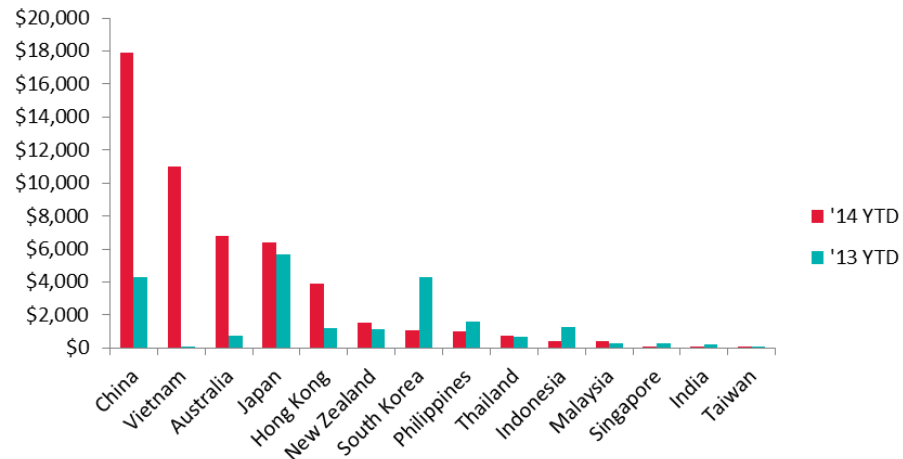
## No. of IPO YTD Activity [14' vs. 13']



## Value of IPO (USDmm) by Country [Jul'14]



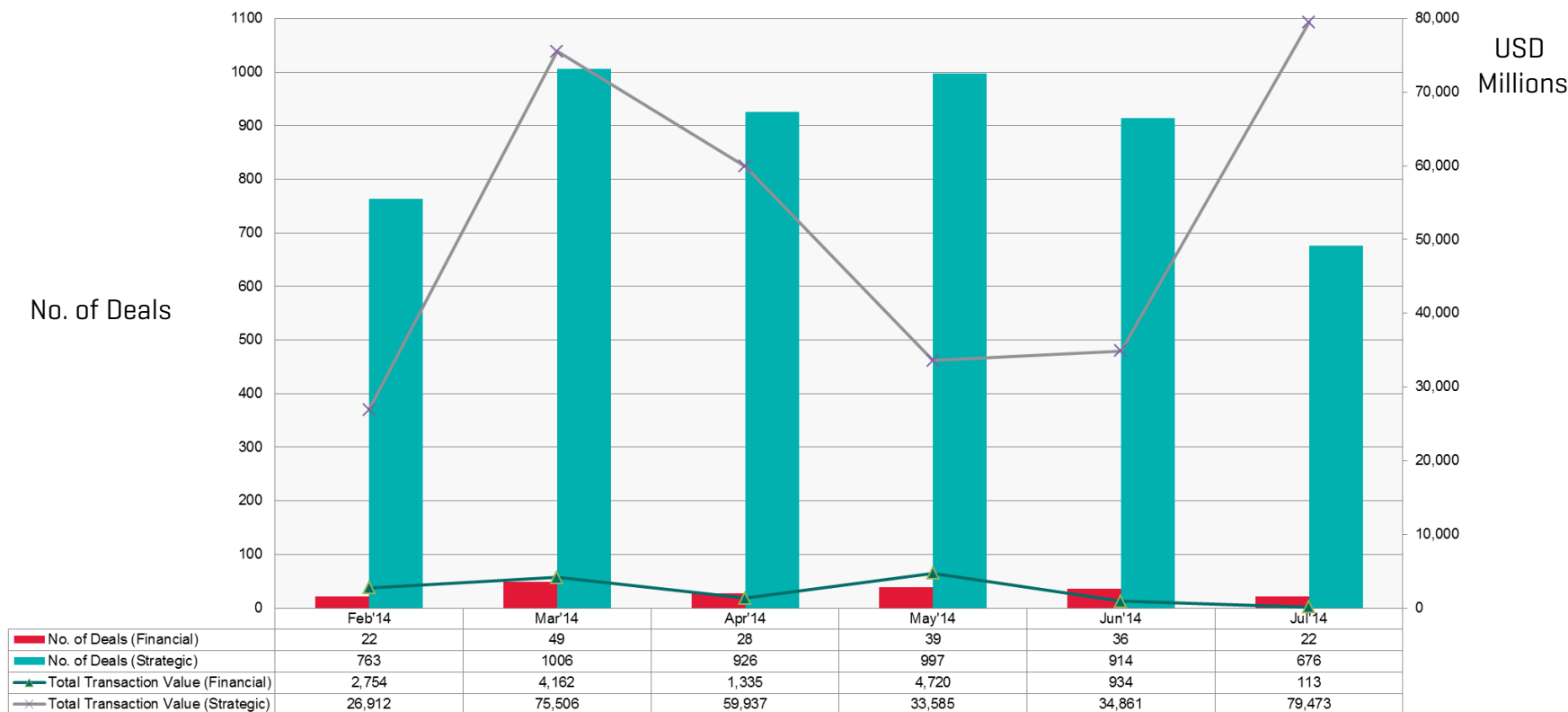
## Value of IPO (USDmm) YTD Activity [14' vs. 13']



Source: S&P Capital IQ. Data as of July 26, 2014. Figures are based on public offerings offer date. Includes all closed transactions.

# M&A Activity In Asia Pacific: Strategic Vs. Financial Buyers

Aggregate M&A deal volume continues to fall with July seeing the lowest total for 2014: 698. However, we do see aggregate deal value increasing to a new year high of 79bn.



## OUR TRANSACTION DATA

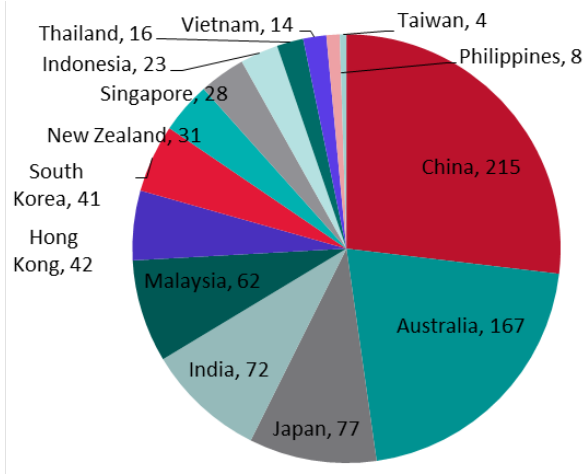
S&P Capital IQ covers 1,300,000+ transactions globally. All transaction information is seamlessly integrated in the S&P Capital IQ platform and S&P Capital IQ Excel Plug-In, and can be viewed alongside the most accurate company fundamentals. To learn more about our transaction coverage, history, and collection process, please contact [APAC-Marketing@spcapitaliq.com](mailto:APAC-Marketing@spcapitaliq.com).

Source: S&P Capital IQ. Data as of July 26, 2014. Figures are based on announced dates. Includes both closed and pending transactions.

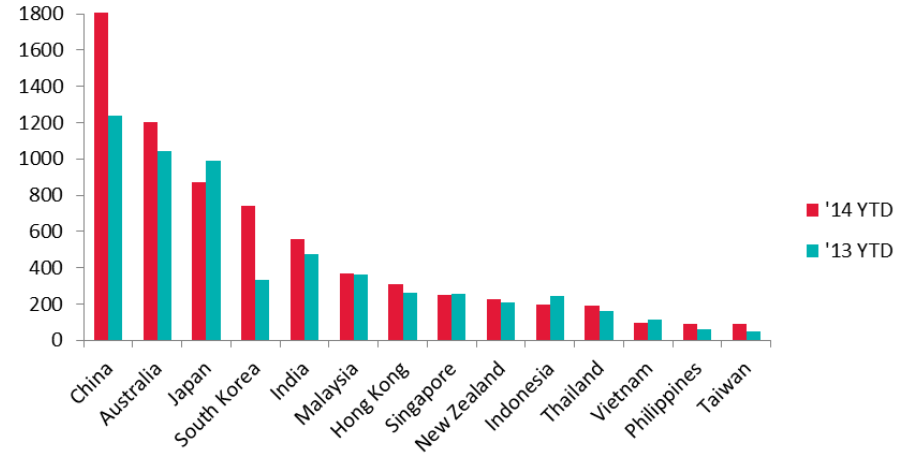
# M&A Activity In Asia Pacific: Selected Countries

Another Chinese mega deal dominates the M&A landscape as Tianjin Teda Co., Ltd [SZE:000625] acquired a plot of land in Yangzhou City for 60.3bn [USD]. It is important to note that South Korea has outpaced China in M&A growth on YTD where deal volume has grown by 122% and deal value by 152%.

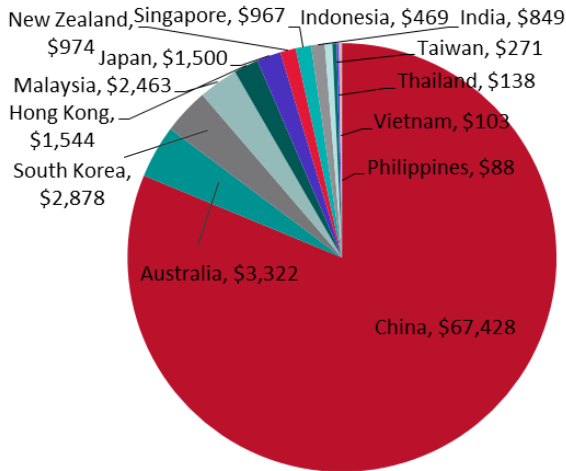
## No. of Deals by Country (Jul'14)



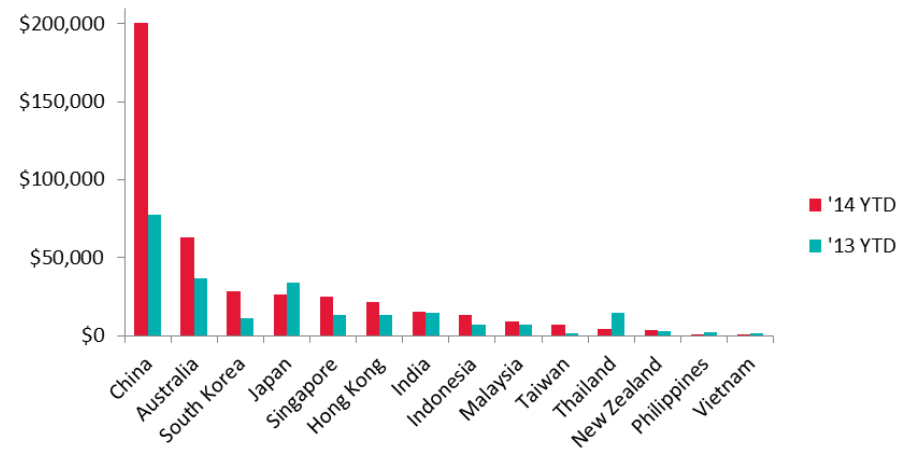
## No. of Deals YTD Activity (14' vs. 13')



## Value of Deals (USDm) by Country (Jul'14)



## Value of Deals (USDm) YTD Activity (14' vs. 13')



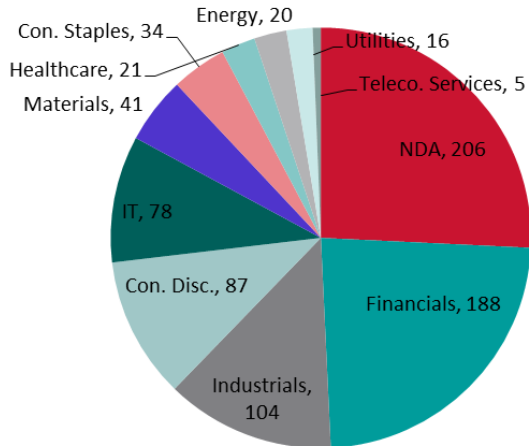
Source: S&P Capital IQ. Data as of July 26, 2014. Figures are based on M&A announce dates. Includes both closed and pending transactions as well as those without transaction values.



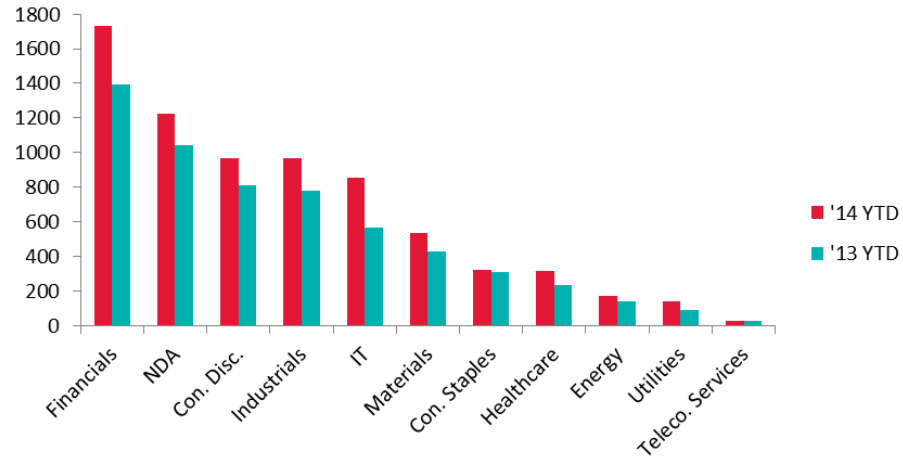
# M&A Activity in Asia Pacific: Selected Sectors

The financials sector continues to show strong growth in aggregate deal volume and transaction value, the Real Estate Development sector is playing a substantial role in this growth story specifically within China. This could be seen as an indicator of an overheating property sector.

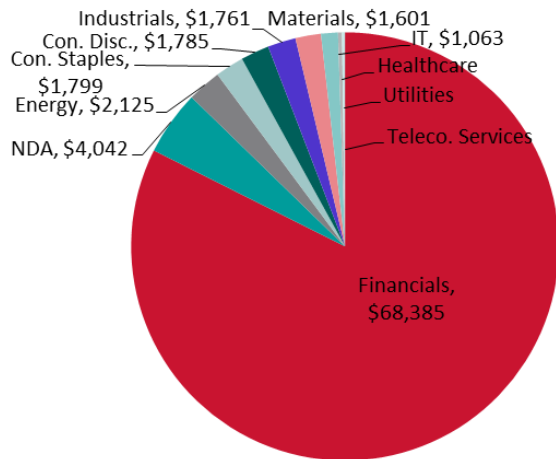
## No. of Deals by Sector (Jul'14)



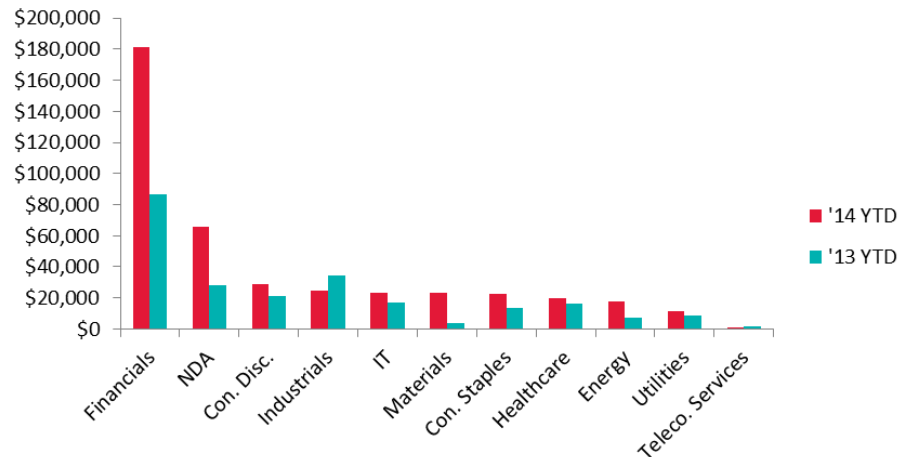
## No. of Deals YTD Activity (14' vs. 13')



## Value of Deals (USDmm) by Sector (Jul'14)



## Value of Deals (USDmm) YTD Activity (14' vs. 13')

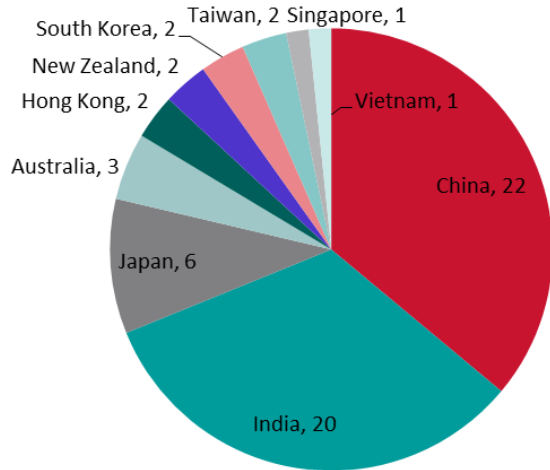


Source: S&P Capital IQ. Data as of July 26, 2014. Figures are based on M&A announce dates. Includes both closed and pending transactions as well as those without transaction values. Figures are based on data in selected countries in APAC - Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam. NSD - unassigned sectors.

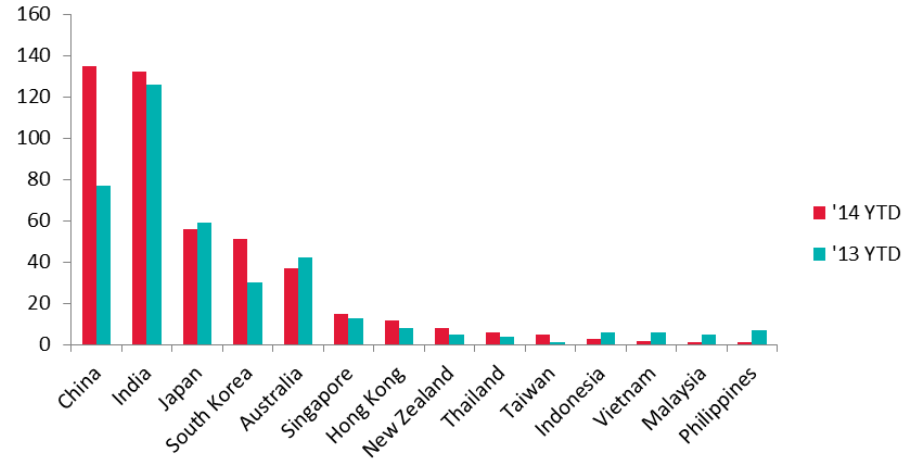
# Private Equity Investments & Buyouts: Selected Countries

India and China continue to drive growth in the Private Equity sector in APAC, the transactional data suggests that the more developed Australian and Japanese markets are having a relatively quiet year so far. Once again, it is notable that South Korea is showing persistent volume deal growth.

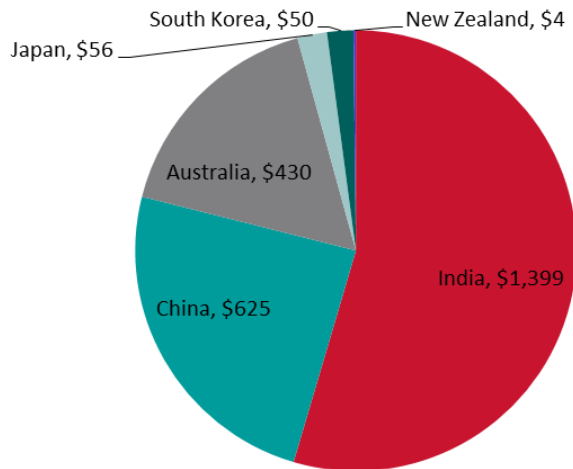
## No. of Deals by Country (Jul'14)



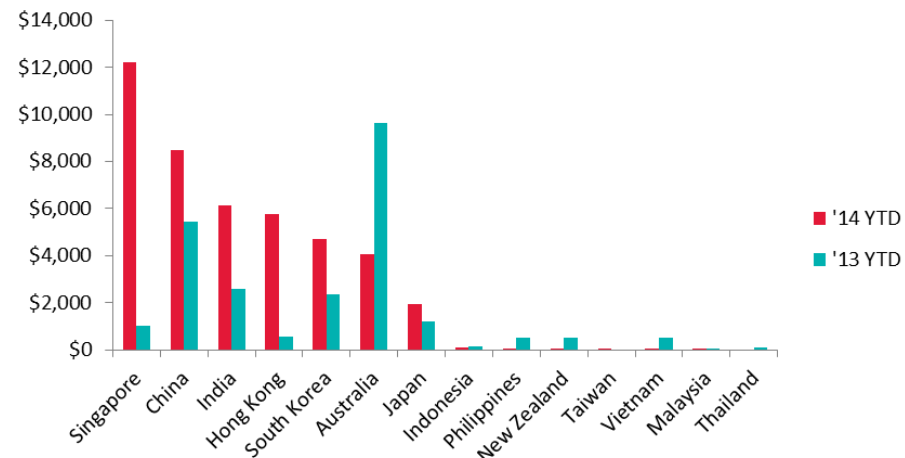
## No. of Deals YTD Activity (14' vs. 13')



## Value of Deals (USDmm) by Country (Jul'14)



## Value of Deals (USDmm) YTD Activity (14' vs. 13')

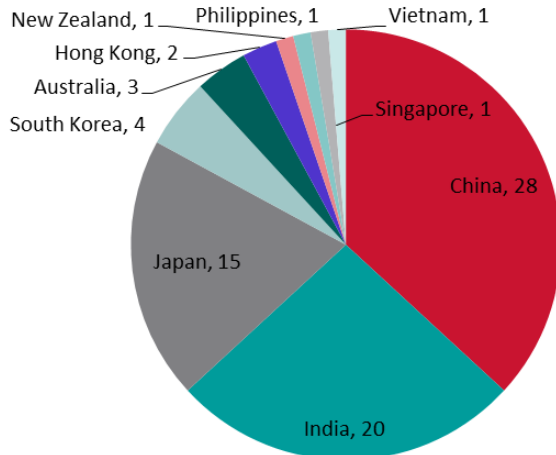


Source: S&P Capital IQ. Data as of July 26, 2014. Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values.

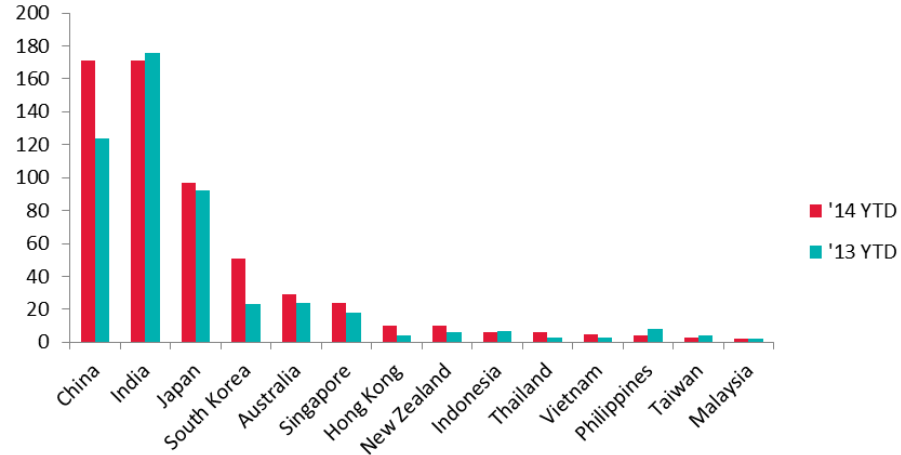
# Venture Capital Investments : Non Buyouts By Country

China, India and Japan continue to display a strong appetite for VC investments as on aggregate YTD basis 13.1bn of investment has been made during 2014 vs. 6.3bn in 2013. A notable deal occurred in India as a consortium of well established investors supplied 1bn in capital to Flipkart Online Services P/L.

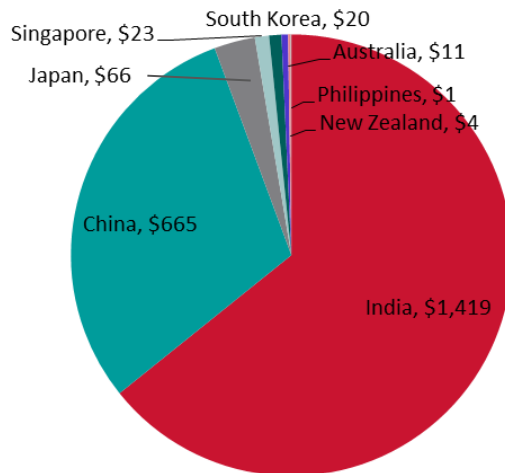
## No. of Deals by Country (Jul'14)



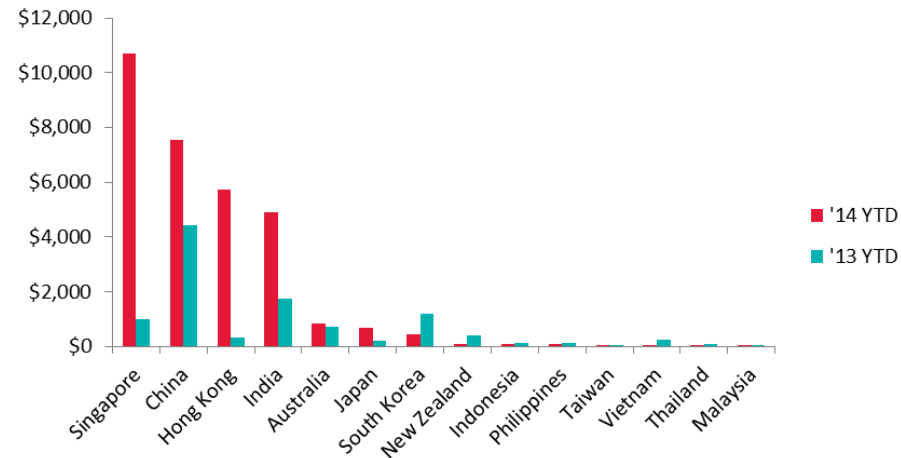
## No. of Deals YTD Activity (14' vs. 13')



## Value of Deals (USDmm) by Country (Jul'14)



## Value of Deals (USDmm) YTD Activity (14' vs. 13')



Source: S&P Capital IQ. Data as of July 26, 2014. Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values. Non-buyouts will include all features except for LBO, management buyout or secondary LBO.

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