Company

Global Markets Research

Deutsche Bank

11 April 2011

Asia Equities Daily Focus

Today's research headlines

Asian Edition

TOP STORIES

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ESTIMATE & TARGET PRICE CHANGES

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STRATEGY/ECONOMICS

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Periodical

Asian Index Closings

EQUITIES	Close	1D Chg	%Chg
SHSZ300	3353.36	0.87	7.20
HSCEI	13652.92	0.04	7.57
HSI	24396.07	0.47	5.91
TWSE	8894.54	-0.08	-0.87
KOSPI	2127.97	0.28	3.75
FSSTI	3187.31	0.49	-0.09
KLCI	1557.49	-0.28	2.54
SENSEX	19451.45	-0.71	-5.16
NIFTY	5842.00	-0.74	-4.77
SET	1082.69	-0.60	4.84
JCI	3741.81	0.30	1.03
PCOMP	4241.01	0.51	0.95
ASX200	4940.60	0.66	4.12
FOREX (vs US$)	**Close**	**1D Chg**	**YTD %Chg**
Rmb	6.54	0.10	1.09
HK$	7.77	0.02	0.06
NT$	28.94	0.16	1.24
Won	1083.03	0.49	3.97
S$	1.26	0.25	2.08
M$	3.02	0.18	1.39
Rupee	44.08	0.29	1.43
Baht	30.05	0.03	0.03
Rupiah	8653.00	0.17	3.96
Peso	42.96	0.30	1.97
A$	1.05	0.48	2.79

Source: Bloomberg Finance LP

Latest Commodity Prices

COMMODITIES	Close	1D %Chg	YTD %Chg
West Texas	112.51	2.00	23.12
Brent	126.70	3.29	34.36
CRB	368.70	1.16	10.79
Copper	449.50	1.95	1.25
Gold (Spot)	1473.45	1.05	3.71
Alum. (LME)	2672.00	0.08	8.18
Baltic Dry	1401.00	-2.03	-20.98

Source: Bloomberg Finance LP

DB CORPORATE ACCESS

DB Access Asia Conference 2011 - Singapore 5/23 - 26
DB Access Taiwan Conference 2011 - Taipei 11/7 - 8
DB Access Korea Conference 2011 - Seoul 11/10 - 11
DB Access Indonesia Conference 2011 - Jakarta 11/29 - 12/1

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ADDITIONAL RESEARCH

DB CONFERENCE/CORPORATE DAY

DB Access Asia Conference 2011 - Singapore 5/23 - 26
DB Access Taiwan Conference 2011 - Taipei 11/7 - 8
DB Access Korea Conference 2011 - Seoul 11/10 - 11
DB Access Indonesia Conference 2011 - Jakarta 11/29 - 12/1

NDRs

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New Oriental Education & Technology Group (EDU US) - HK 4/28
HTC Corporation (2498 TT) - SG 6/21 - 22, HK 6/23 - 24

DB ANALYST/SALES ROADSHOWS

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Joe Liew & Sky Hong: Shipping Trends - HK 4/13 - 14

DB INTERNATIONAL PRODUCT ROADSHOWS

Lloyds Banking Group (LLOY LN) - PEK 4/13, HK 4/14, SG 4/15
Rod Lache: US Auto Industry - PEK 4/11, HK 4/14, SG 4/15
Marc Geall: European Software & IT - SG 4/12, HK 4/13
Torsten Slok, Chief International Economist: Global Economics - SEL 4/12, PEK 4/13, SG 4/14
China Shipping Container Liner (2866 HK): Metals & Mining - SG 4/12, HK 4/13, PEK 4/14
Fedex Corp. (FDX US) - HK 5/5, SG 5/6
Diageo (DGE LN) - HK 5/9, SG 5/10, PEK 5/11

GLOBAL RESEARCH

The notes and reports contained in this Daily are all excerpts of previously published documents. Please refer to the published notes on our web site for details on risks, valuations and earnings changes

DAILY REVISIONS:

TARGET PRICE CHANGES

Company	Ticker	Date		New	Previous	Chg (%)
China Ovs Grand Oceans [Buy]	0081.HK	10-Apr	▲	12.25	11.82	3.6
Hindustan Zinc [Buy]	HZNC.BO	08-Apr	▲	155.00	149.00	4.0

EPS REVISIONS

Company	Ticker	Date	FY		New	Previous	Chg (%)
Bajaj Auto Limited [Buy]	BAJA.NS	08-Apr	Mar 11	▲	89.03	88.33	0.8
			Mar 12	▲	103.27	100.43	2.8
			Mar 13	▲	115.17	111.60	3.2
China Ovs Grand Oceans [Buy]	0081.HK	10-Apr	Dec 11	▼	1.64	1.65	-0.2
			Dec 12	▼	2.46	2.46	-0.2
			Dec 13	▲	4.14	3.96	4.5
Fubon Financial [Buy]	2881.TW	08-Apr	Dec 10	▲	2.94	2.94	0.2
			Dec 11	▼	3.32	3.32	0.0
			Dec 12	▼	4.21	4.21	0.0
Hindustan Zinc [Buy]	HZNC.BO	08-Apr	Mar 11	▲	10.55	10.54	0.0
			Mar 12	▼	15.18	15.23	-0.3
			Mar 13	▼	18.89	19.96	-5.4
Petronet LNG Limited [Buy]	PLNG.BO	08-Apr	Mar 11	▲	7.71	7.48	3.1
			Mar 12	▲	8.78	8.10	8.4
			Mar 13	▲	9.69	8.94	8.5
TSMC [Buy]	2330.TW	08-Apr	Dec 11	▼	6.01	6.33	-5.0
			Dec 12	▼	7.30	7.30	0.0
			Dec 13	▼	8.08	8.08	0.0
United Microelectronics [Hold]	2303.TW	08-Apr	Dec 11	▼	1.48	1.60	-7.4
			Dec 12	▲	1.30	1.30	0.2
			Dec 13	▲	1.31	1.31	0.2

Source: Deutsche Bank

Deutsche Bank Group

Asia Hong Kong
Property Property

11 April 2011

Evergrande

Reuters: **3333.HK** Bloomberg: **3333 HK** Exchange: **HSI** Ticker: **3333**

Singapore/China NDR takeaways (amended)*

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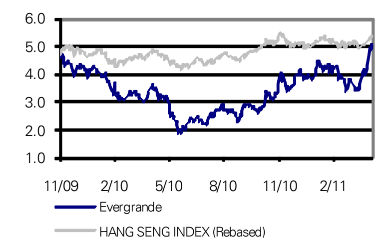
Company Update

Buy

Price at 8 Apr 2011 (HKD)	**4.91**
Price target - 12mth (HKD)	**5.80**
52-week range (HKD)	**5.04 - 1.88**
HANG SENG INDEX	**24,396**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*35.6*	*9.4*	*36.4*
HANG SENG INDEX	*2.9*	*3.0*	*11.6*

Stock data

Market cap (HKDm)	**73,650**
Market cap (USDm)	**9,482**
Shares outstanding (m)	**15,000.0**
Major shareholders	**Hui Ka Yan (68%)**
Free float (%)	**36**
Avg daily value traded (USDm)	**34.6**

Key indicators (FY1)

ROE (%)	**35.1**
Net debt/equity (%)	**91.1**
Book value/share (CNY)	**1.79**
Price/book (x)	**2.3**
Net interest cover(x)	**43.1**
Operating profit margin (%)	**26.2**

Bullish view reiterated; target price HK$5.8; Our Top Pick
We reiterate our positive stance on Evergrande following management's update during our Singapore/China non-deal roadshow (NDR). With strong cash position, low cost landbank and strict cost control from its standardized operation model, Evergrande is well positioned in the current tightening environment. We believe strong earnings momentum should continue in 2011 on the back of a sizeable expansion in profit margin. We reiterate Buy with target price at HK$5.8.

On track to achieve further margin expansion in FY11
At delivery ASP of Rmb5,577/sqm in FY10 (Rmb5,192/sqm in 1H, Rmb5,930/sqm in 2H), Evergrande achieved a gross margin of 29% (24% in 1H, rising to 33% in 2H). With unbooked sales revenue of Rmb28bn carried from FY10 at contracted ASP of Rmb6,400-6,500/sqm (contracted ASP further increased to Rmb6,900/sqm in 1Q11), Evergrande is on track to see further expansion in gross margin in FY11. Provided contracted ASP to stay at current levels, management expects to achieve a gross margin of around 35% in FY11.

FY11 sales growth driven mostly by new project launches; sales YTD on track
Management reiterates its Rmb70bn sales target for 2011. While this is a rather aggressive target at glance (which represents 39% growth YoY), yet a major driver will be from a substantial increase in total projects available for sale, which is expected to reach 130-140 projects in FY11 from 56 projects in FY10. According to CRIC, Evergrande achieved contracted sales of Rmb20.1bn by value (implies +140% YoY) and 2.9mn sqm GFA by area (+121% YoY) in 1Q11, putting it in the first rank in terms of total area sold and implies sales lock-in YTD at 29%.

Target price at a 20% discount to our revised NAV of HK$7.25/shr
Our target price is based on a 20% discount to our NAV estimate of HK$7.25/share, which implies a 2011/12 PER of 9x/7x. Our target discount reflects its strong execution capability and focus on the more resilient Tier-2 and 3 cities, but is higher than industry leaders due to its shorter listing history. In particular, we see Evergrande's high asset turnover model as well adapted to the current policy headwind and for investors with limited access to buying Vanke in the A-share market, we view Evergrande as an alternative substitute. The key risk is further tightening policies aimed at the property sector.
*This Bulletin replaces an earlier published version. Paragraph one on the front page now reads correctly

Forecasts and ratios

Year End Dec 31	2009A	2010A	**2011E**	2012E	2013E
Sales (CNYm)	5,722.7	45,801.4	**60,301.4**	77,138.2	96,910.3
Reported NPAT(CNYm)	1,046.4	7,588.8	**8,334.4**	10,458.7	13,643.8
DB EPS FD (CNY)	0.02	0.37	**0.55**	0.68	0.88
PER (x)	183.2	7.3	**7.5**	6.0	4.7
DPS (net) (CNY)	0.07	0.13	**0.14**	0.17	0.23

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Asia China
Property Property

10 April 2011

China Ovs Grand Oceans

Reuters: **0081.HK** Bloomberg: **81 HK** Exchange: **HKG** Ticker: **0081**

Expansion continues: New project in Hohhot adds to NAV

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Reiterate Buy, raising TP to HK$12.25 on NAV-enhancing purchase in Hohhot
COGO's latest acquisition in Hohhot reaffirms our view that under CSCEC's umbrella and the senior management team's leadership of COLI, COGO should enjoy strong backing from its parent with unique advantages in obtaining capital and prime landbank for its targeted expansion in Tier-3/4 cities, where we see strong volume growth potential but fewer policy risks. We see strong NAV and earnings upside for COGO as its Tier-3/4-city expansion continues.

Acquires prime-location landbank in Hohhot at attractive land costs
The 214,002sqm project is located in the city-center areas of Hohhot, next to the second Ring Road of the city. ASPs of nearby comparable properties currently range from RMB7,300-13,000psm, with the average being over RMB8,800psm. On our analysis, if the finished project is selling at RMB8,800psm, this new landbank would return gross margin of over 40% for COGO. In our view, with COLI's track record of commanding premium pricing over its peers, the actual margin of this project will likely be higher when it goes on sale in two years.

Strong financial position for further expansion in other Tier-3/4 cities
Over the next 2-3 years, COGO targets to achieve nationwide coverage of over 10 cities (from five currently) and to replenish landbank of over 10msm. It is planning new construction of 1.4msm and sales of 700,000sqm in 2011. Over the next five years, it targets a net profit CAGR of 30%. COGO is targeting contracted sales of over HK$20bn and a turnover of over HK$15bn in 2015. This appears achievable and is underpinned by its strong financial position (close to 0% net gearing at end-2010). Furthermore, even after the latest RMB708m acquisition in Hefei, COGO still has ample cash resources to pursue its growth strategy in Tier-3/4 cities.

Attractive 46% NAV discount, 5.6x 2010 P/E, 5.1x 2011E P/E, 3.4x 2012E P/E
Our new target price of HK$12.25 is based on a 20% discount (no change) to our higher NAV estimate of HK$15.31/share, which factors in 5-20% drops in property prices from current levels. Risks include competition with the parent company and its subsidiaries, and COLI's potential inability to keep a controlling interest in COGO.

Forecasts and ratios

Year End Dec 31	2009A	2010A	2011E	2012E	2013E
Sales (HKDm)	2,707.9	3,512.9	**5,227.6**	8,816.5	10,433.7
EBITDA(HKDm)	149.6	1,600.0	**2,295.1**	4,690.8	5,346.7
Reported NPAT(HKDm)	-279.7	1,001.1	**1,261.0**	1,887.8	3,179.1
Reported EPS FD(HKD)	-0.53	1.30	**1.64**	2.46	4.14
DB EPS FD (HKD)	-0.39	0.91	**1.64**	2.46	4.14
OLD DB EPS FD (HKD)	-0.39	0.91	**1.65**	2.46	3.96
DB EPS growth (%)	–	–	**80.6**	49.7	68.4
PER (x)	–	5.6	**5.1**	3.4	2.0
EV/EBITDA (x)	20.3	2.2	**1.7**	-0.3	-1.4

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Breaking News

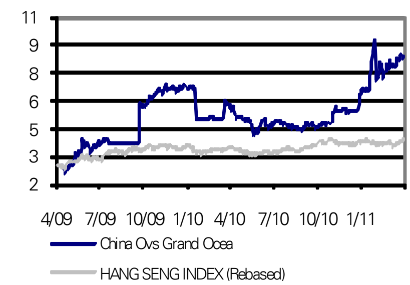
Buy

Price at 8 Apr 2011 (HKD)	**8.32**
Price target - 12mth (HKD)	**12.25**
52-week range (HKD)	**9.20 - 4.12**
HANG SENG INDEX	**24,396**

Key changes

Price target	11.82 to 12.25 ↑	**3.6%**
Net profit(FYE)	1,264.0 to 1,261.0 ↓	**-0.2%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*6.7*	*31.2*	*44.9*
HANG SENG INDEX	*2.9*	*3.0*	*11.6*

Stock data

Market cap (HKDm)	**6,386**
Market cap (USDm)	**822**
Shares outstanding (m)	**767.5**
Major shareholders	**COLI (40.18%)**
Free float (%)	**35**
Avg daily value traded (USDm)	**0.0**

Key indicators (FY1)

ROE (%)	**32.1**
Net debt/equity (%)	**-39.9**
Book value/share (HKD)	**5.10**
Price/book (x)	**1.6**
Net interest cover(x)	**409.8**
Operating profit margin (%)	**43.9**

Deutsche Bank Group

Asia India
Resources Metals & Mining

7 April 2011

Hindustan Zinc

Reuters: **HZNC.BO** Bloomberg: **HZ IN** Exchange: **BSE** Ticker: **HZNC**

Silver upside potential yet to be captured; reiterating Buy

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Silver lining: aggressive volume ramp-up, positive pricing outlook, re-rating
Hindustan Zinc's (HZL) silver business is becoming a meaningful driver of the company's earnings and valuation driven by (i) aggressive ramp-up of silver production (management target 400/500 tonnes in FY12/13) (ii) our bullish outlook for silver (CAGR of 57% over CY10-12), and (iii) scope for an upward re-rating of the silver business in line with global silver peers. We lift our silver volume assumptions to 300/400 tonnes for FY12/13 on improved confidence from our recent mine visit. We raise our target price to INR155 and reiterate Buy.

EBITDA contribution from silver to increase to 28% in FY13
HZL's management remains focused on ramping up silver production to c400 tonnes in FY12 and 500 tonnes in FY13, which is significantly ahead of Street expectations. Despite our factoring in lower-than-guided silver volumes (25%, 20% below management guidance for FY12, FY13), we forecast the EBITDA contribution from silver to rise to 28% in FY13 from 10% in FY11. We continue to believe that the Street is yet to fully factor in upside from the ramp-up in silver production, thus providing an attractive investment opportunity in the stock.

Our estimates are 13% and 21% above consensus for FY12, FY13
We remain above consensus in our earnings estimates for FY12 and FY13 primarily driven by the bullish outlook of our global commodities team for both zinc and silver spot prices. Our global commodities team forecasts the global zinc and silver prices to rise at a CAGR of 20% and 57% respectively over CY10-12, leading to earnings CAGR of 34% for HZL over FY11-13.

Target price of INR155 based on FY12E EV/EBITDA of 5.9x
We value HZL at a FY12E EV/EBITDA of 5.9x. Our target multiple implies a ~15% premium to the average valuation multiple over the last four years. We believe that this premium is justified as there is a high degree of visibility on the volume growth in its non-ferrous and silver business. Risks: unexpected cost escalation; resource tax on mining profits (see page 7).

Forecasts and ratios

Year End Mar 31	2009A	2010A	2011E	2012E	2013E
Sales (INRm)	56,802.7	80,169.7	**93,658.9**	128,205.9	155,623.1
EBITDA (INRm)	27,341.6	46,700.8	**51,075.5**	75,353.1	95,259.9
EBIT(INRm)	24,489	43,358	**46,466**	70,074	89,762
Reported EPS FD(INR)	6.46	9.56	**10.55**	15.18	18.89
Reported NPAT (INRm)	27,276.1	40,414.1	**44,563.3**	64,134.8	79,809.0
DB EPS growth (%)	-38.0	48.2	**10.3**	43.9	24.4
DB EPS FD(INR)	6.46	9.56	**10.55**	15.18	18.89
PER (x)	7.3	9.1	**13.2**	9.2	7.4
EV/EBITDA (x)	3.7	5.3	**8.6**	5.1	3.2
DPS (net) (INR)	0.40	0.60	**0.65**	0.94	1.17
Yield (net) (%)	0.9	0.7	**0.5**	0.7	0.8

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Company Update

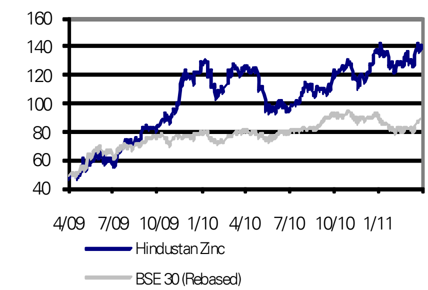
Buy

Price at 7 Apr 2011 (INR)	**139.15**
Price target - 12mth (INR)	**155.00**
52-week range (INR)	**141.75 - 92.44**
BSE 30	**19,612**

Key changes

Price target	149.00 to 155.00 ↑	**4.0%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*6.4*	*3.6*	*11.0*
BSE 30	*7.6*	*-0.4*	*9.1*

Stock data

Market cap (INRm)	**587,952**
Market cap (USDm)	**13,301**
Shares outstanding (m)	**4,225.3**
Major shareholders	**Sterlite (64.9%)**
Avg daily value traded (USDm)	**6.0**
Free float(%)	**6**

Key indicators (FY1)

ROE (%)	**22.1**
Net debt/equity (%)	**-67.8**
Book value/share (INR)	**52.68**
Price/book (x)	**2.6**
Net interest cover (x)	**103.3**
Operating profit margin (%)	**49.6**

Asia

8 April 2011

Asia Economics Daily

Korea PPI inflation accelerates in March

HIGHLIGHTS

- **South Korea–** PPI inflation rises sharply in March

UPCOMING RELEASES

- **China–** Exports (Mar). DB forecast 24.0% (2.4% in Feb)
- **China–** M2 (Mar). DB forecast 15.6% (15.7% in Feb)
- **India–** Industrial Production (Feb). DB forecast 5.0% (3.7% in Jan)
- **Malaysia–** Industrial Production (Feb). DB forecast 4.0% (1.0% in Jan)
- **Malaysia–** Manufacturing Sales (Feb). DB forecast 9.0% (7.7% in Jan)
- **Taiwan–** Exports (Mar). DB forecast 17.0% (27.3% in Feb)

NEWS IN BRIEF

SOUTH KOREA

PPI inflation (Mar). PPI inflation rose to 7.3%yoy, up sharply from 6.6% in February. This sharp rise in PPI suggests high consumer inflation ahead. By category, this was led by industries, inflation of which rose to 9.1% in March, from 7.8% in February. Within the category, petroleum products (22.1% in Mar vs. 16.9% in Feb), chemicals (16.3% vs. 12.5%) and food/beverages (5.2% vs. 4.1%) inflation all remained at elevated level during March. Meanwhile, services inflation came in at 2.1%, marginally up from 1.9% in February. In contrast, agri/forest/marine inflation eased further in March, to 16.2% from 20.8% in February. We expect inflation trend to remain upward, above 4% mark for coming few months led by sharp rise in food and energy related prices. Given rising inflationary pressures, we expect the BoK to resume its rate hike in May, following a temporary pause in this month's meeting.

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FINANCIAL MARKETS

	Stockmarkets		FX Markets		Money Markets		Bond Markets	
	Today's Closing	% chg vs prev day	Today's Closing	abs chg vs prev day	Today's Closing	bps chg vs prev day	Today's Closing	bps chg vs prev day
China	13653	0.0	6.54	0.0	3.25	0	4.07	0
Hong Kong	24396	0.5	7.77	0.0	0.25	-1	2.76	-3
India	19419	-0.9	44.09	0.1	7.15	0	7.97	-1
Indonesia	3735	0.1	8643	32.0	7.09	0	8.37	-7
Malaysia	1560	-0.1	3.02	0.0	3.07	0	4.09	-1
Philippines	4241	0.5	43.1	0.0	1.10	0	7.19	-2
Singapore	3175	0.1	1.26	0.0	0.44	0	2.44	3
S. Korea	2128	0.3	1083	3.7	3.39	0	4.47	2
Taiwan	8895	-0.1	29.0	-0.1	0.73	0	1.36	0
Thailand	1087	-0.2	30.0	0.1	3.12	0	2.76	0
US	12409	-0.1	na	na	1.28	0	3.55	0
Japan	9768	1.8	85.2	-0.2	0.20	0	1.32	2
Euroland	na	na	1.44	0.0	1.28	0	0.00	3

Sources: DB Global Markets Research, Bloomberg Finance LP and Reuters

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ECONOMIC DIARY

Country	Release	Period	DB Expected	Consensus	Actual	Previous
Monday, Apr 4						
South Korea	FX Reserves	Mar			USD298.6bn	USD297.7bn
Tuesday, Apr 5						
Malaysia	Exports	Feb-YoY	0.8%	5.0%	10.7%	4.6%
	Imports	Feb-YoY	4.0%	14.4%	11.5%	13.5%
	Trade Balance	Feb	MYR10.6bn	MYR8.9bn	MYR12.6bn	MYR10.0bn
Philippines	CPI	Mar-YoY	4.5%	4.5%	4.3%	4.3%
	Core CPI	Mar-YoY	3.7%	NA	3.4%	3.5%
	Fiscal Balance	Feb-YoY	NA	NA	-PHP21.5bn	PHP13.4bn
Events and Meeting:Australia:RBA Meeting (no change in rate)						
Wednesday, Apr 6						
Taiwan	CPI	Mar-YoY	2.1%	1.7%	1.4%	1.3%
	Core CPI	Mar-YoY	1.3%	NA	1.0%	0.8%
	FX Reserves	Mar			USD392.6bn	USD390.7bn
Thursday, Apr 7						
Indonesia	FX Reserves	Mar			USD105.7bn	USD99.6bn
Philippines	Gross International Reserves	Mar			USD66.2bn	USD64.0bn
Events and Meeting:Japan:BoJ Meeting (no change in rate)						
Friday, Apr 8						
Malaysia	FX Reserves	Mar			USD113.8bn	USD110.4bn
Singapore	FX Reserves	Mar			USD233.4bn	USD230.9bn
Monday, Apr 11						
China	Exports	Mar-YoY	24.0%	23.4%		2.4%
	Imports	Mar-YoY	21.0%	20.6%		19.4%
	Trade Balance	Mar	-USD5.4bn	-USD3.3bn		-USD7.3bn
	M2	Mar-YoY	15.6%	15.4%		15.7%
India	Industrial Production	Feb-YoY	5.0%	5.1%		3.7%
Malaysia	Industrial Production	Feb-YoY	4.0%	5.3%		1.0%
	Manufacturing Sales	Feb-YoY	9.0%	NA		7.7%
Taiwan	Exports	Mar-YoY	17.0%	13.2%		27.3%
	Imports	Mar-YoY	19.0%	13.8%		28.7%
	Trade Balance	Mar	USD1.3bn	USD1.5bn		USD0.9bn
Tuesday, Apr 12						
Philippines	Exports	Feb-YoY	12.0%	13.5%		11.8%
Events and Meeting:Indonesia:BI Meeting (no change in rate expected)						
Events and Meeting:South Korea:BoK Meeting (no change in rate expected)						
Wednesday, Apr 13						
South Korea	Unemployment rate (sa)	Mar	3.9%	3.8%		4.0%
Thursday, Apr 14						
India	WPI	Mar-YoY	8.5%	8.4%		8.3%
Singapore	GDP (Advance Estimate)	Q1-YoY	6.0%	5.8%		12.0%
Friday, Apr 15						
China	GDP	Q1-YoY	9.5%	9.4%		9.8%
	CPI	Mar-YoY	5.1%	5.2%		4.9%
	PPI	Mar-YoY	6.3%	7.2%		7.2%
	Retail Sales	Mar-YoY	17.0%	16.5%		11.6%
	Industrial Production	Mar-YoY	14.3%	14.0%		14.9%
	Fixed Asset Investment (ytd)	Mar	24.0%	24.8%		24.9%
Singapore	Retail Sales (nominal)	Feb-YoY	0.0%	0.3%		2.9%
	Retail Sales (real)	Feb-YoY	-3.0%	NA		-0.4%

Sources: DB Global Markets Research, Bloomberg Finance LP and Reuters

Asia Vietnam

8 April 2011

Asia Economics Special

Vietnam: Pursuing sustainable, balanced growth

Economics

Research Team

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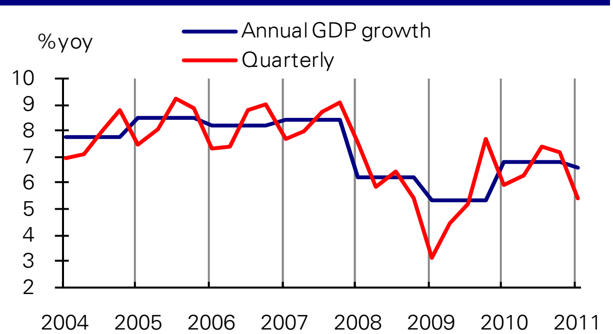
The Vietnamese government is taking a comprehensive approach to reining in inflation and stabilizing the dong. Better still, their efforts are long-term oriented. For example, the government is seeking ways to "dedollarize" the economy. Meanwhile, until aggressive fiscal consolidation is achieved, much of the burden of policy tightening will remain with the State Bank of Vietnam.

They appears to be willing to live with weaker growth

The economy expanded 5.4%yoy in Q1 2011 vs. 7.2% in Q4 2010. By sector, this was a broad-based slowdown. Manufacturing growth slowed in Q1 to 6.1% from 8.6% in Q4 and construction growth slowed sharply to 4.4% in Q1 from 9.3% in Q4. Reflecting the latter's weakness, real estate growth performed relatively poorly, expanding 2.6% in Q1, compared with overall services sector growth of 6.3% in Q1. In Q4, the former grew 3%, while headline services growth stood at 8.2%. Meanwhile, agricultural growth remained relatively stable at 2.1% in Q1 vs. 2.4% in Q4. While we expect Vietnam to print stronger GDP growth as we move further into the year, as it normally does, we expect the improvement to be limited as the authorities pursue tightening policies to curb inflation and address external imbalances. With the National Assembly behind the government, we think that the government has better chance of achieving its goal. We expect GDP growth to slow to 6.3% this year, from 6.8% 2010, as the government tightens its grip on the economy and steers it to a more sustainable growth path.

Growth slows



Sources: CEIC and Deutsche Bank

Asia

8 April 2011

Asia Economics Monthly

April

Economics

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- **OVERVIEW:** Monetary policy could be less restrictive in the coming months as inflation fears wane and credit growth slows. Policy really isn't yet tight enough in India to impact inflation significantly. We have brought forward the rate hikes we forecast in Malaysia; we don't expect a change in policy in Singapore next week. Asian export growth so far this year has been remarkably strong.
- **CHINA:** Both manufacturing and non-manufacturing PMIs point to a recovery of growth momentum and an easing of inflationary pressure. Pressure for monetary tightening should taper off in the coming few months. Industrial profits rose an impressive 34%yoy in Jan-Feb.
- **HONG KONG:** A very strong start to the year supports our well above-consensus growth forecast for 2011. But inflation is also rising, driving real interest rates down.
- **INDIA:** We maintain our 8.5% real GDP growth forecast for FY11/12, as we expect real rates to remain sufficiently low (despite another 75bps of repo rate hike from RBI), thereby supporting growth.
- **INDONESIA:** Marginally easing inflation allows the central bank to stay on the sideline.
- **MALAYSIA:** We have revised our interest rate forecast, pulling forward the three rate hikes we previously expected to start in Q3.
- **PHILIPPINES:** Oil price is likely to push up inflation and lead to further monetary tightening, but underlying economic strength remains substantial.
- **SINGAPORE:** Even with strong QoQ(sa) growth, YoY growth will fall sharply in the first half of the year, but then likely rebound dramatically in Q3. Inflation appears to be moderating, so we expect MAS to keep policy unchanged in April.
- **SOUTH KOREA:** Despite the (technical) weakness in domestic demand in February, strong exports point to accelerated (qoq) growth in Q1, suggesting further tightening ahead as inflation remains high.
- **SRI LANKA:** Sustained robust growth momentum (real GDP grew by 8.6% in Q4'10), leads us to revise up our growth forecast for 2011(to 7.5% from 7.2%) and 2012 (to 7.7% from 7.5%) marginally.
- **TAIWAN**: The Central Bank of China to continue to weigh risks to growth and inflation, delivering 12.5bps rate hike each quarter.
- **THAILAND**: The Bank of Thailand remains focused on inflation, amid rising inflation, pointing to another 25bps rate hike in April.
- **VIETNAM**: The authorities are taking a comprehensive approach to reining in inflation and stabilizing the dong. Better still, we note their efforts are relatively comprehensive and long-term oriented.

Asian Economics and Financial Forecasts

I. Macroeconomic Indicators

	Real GDP Growth (YoY%)				Inflation (YoY%)				Current Account (% of GDP)				Fiscal Balance (% of GDP)			
	2009	2010	2011F	2012F	2009	2010	2011F	2012F	2009	2010	2011F	2012F	2009	2010	2011F	2012F
China	9.1	10.3	9.4	8.6	-0.7	3.3	5.0	3.5	6.0	5.2	**3.5**	**3.0**	-2.9	-2.5	-2.0	-1.5
Hong Kong	-2.7	6.8	7.7	4.6	0.5	2.4	4.5	3.8	8.6	6.6	8.3	9.4	1.6	3.0	0.4	2.3
India	6.8	10.4	8.2	8.6	2.2	9.6	8.0	7.0	-2.1	-3.2	-3.3	-3.3	-6.4	-5.1	-5.0	-4.6
Indonesia	4.6	6.1	6.5	6.5	4.9	5.1	7.0	6.7	2.0	1.0	1.1	1.0	-1.5	-0.6	-1.1	-1.4
Malaysia	-1.7	7.2	5.0	5.0	0.6	1.7	3.1	3.4	16.5	11.8	8.5	6.6	-7.0	-5.2	-5.1	-5.0
Philippines	1.1	7.3	5.5	5.5	3.3	3.8	5.0	4.7	5.5	6.0	6.1	5.4	-3.8	-3.6	-3.7	-3.0
Singapore	-0.8	14.5	6.0	5.0	0.6	2.8	4.5	1.9	19.1	22.2	27.2	29.2	-1.6	5.1	5.6	5.0
South Korea	0.2	6.1	4.6	4.8	2.8	3.0	4.0	3.5	3.9	2.8	0.8	0.0	-1.7	-0.4	-0.8	-0.3
Sri Lanka	3.5	**8.0**	**7.5**	**7.7**	3.5	5.9	**9.0**	8.5	-0.5	-4.2	-3.8	-4.4	-9.9	-8.5	-7.5	-7.0
Taiwan	-1.9	10.8	5.1	4.8	-0.9	1.0	2.6	2.3	11.4	8.8	7.1	6.7	-4.5	-3.7	-3.3	-2.9
Thailand	-2.3	7.8	4.7	4.8	-0.8	3.3	3.8	3.7	8.3	4.6	3.6	3.4	-5.6	-1.1	-3.3	-2.7
Vietnam	5.3	6.8	**6.3**	**6.9**	6.8	9.2	**14.6**	**9.4**	-8.0	-3.9	**-3.5**	**-2.3**	-9.0	-6.5	**-5.1**	**-4.8**
Emerging Asia*	6.1	9.5	8.0	7.6	0.7	4.6	5.6	4.3	5.1	4.1	2.8	2.4	-3.8	-2.8	-2.8	-2.4
EM Asia ex China&India*	0.5	7.6	5.5	5.3	2.1	3.4	4.9	4.3	6.6	5.4	4.0	3.8	-2.9	-1.0	-2.0	-1.8

II. Exchange Rates (vs. USD) Forecasts vs Forward Rates

		Spot	3-Month		6-Month		12-Month	
		8-Apr	*DB*	*Forward*	*DB*	*Forward*	*DB*	*Forward*
China	CNY	6.55	6.48	6.48	6.38	6.45	6.20	6.39
Hong Kong	HKD	7.78	7.80	7.76	7.80	7.76	7.80	7.74
India	INR	44.2	44.0	44.8	43.5	45.5	43.2	46.8
Indonesia	IDR	8670	8630	8693	8600	8784	8550	9020
Malaysia	MYR	3.03	2.99	3.03	2.94	3.04	2.89	3.06
Philippines	PHP	43.2	43.2	42.9	43.0	43.0	42.2	43.0
Singapore	SGD	1.26	1.25	1.26	1.24	1.26	1.21	1.26
South Korea	KRW	1085	1050	1090	1030	1,095	1040	1,104
Taiwan	NTD	29.0	28.5	28.6	28.1	28.3	28.2	27.8
Thailand	THB	30.2	29.8	30.1	29.5	30.2	29.7	30.4
Vietnam	VND	20913	21500	21415	21800	21915	22200	23140

III. Interest Rates (3-Month Interbank Rate)** Forecasts vs Implied Offshore Rates

		3-Month		6-Month		12-Month	
	8-Apr	*DB*	*Implied*	*DB*	*Implied*	*DB*	*Implied*
China	3.25	3.50	3.19	3.50	3.31	3.50	3.72
Hong Kong	0.20	0.25	0.38	0.40	0.72	1.25	0.96
India	7.25	7.10	7.42	7.30	7.19	7.70	7.56
Indonesia	6.75	7.00	6.15	7.25	7.36	7.50	7.16
Malaysia	3.00	3.30	3.14	3.80	3.23	3.80	3.66
Philippines	1.17	2.00	2.19	4.30	2.09	4.55	3.21
Singapore	0.40	0.40	0.51	0.50	0.81	0.90	0.99
South Korea	3.40	3.65	3.57	3.85	3.74	4.10	3.90
Taiwan	0.66	0.85	0.97	1.00	0.85	1.25	1.07
Thailand	2.70	3.00	3.10	3.45	3.18	4.00	3.37

Source: Bloomberg Finance LP, Reuters, DB Global Markets Research
*Note: * GDP (PPP) weighted. ** Except for China, 1-yr deposit rate; India and Philippines, 3-mth T-bill yield; Indonesia, 1-mth BI rate; Pakistan, 12-mth T-bill yield; South Korea, 3-mth CD rate; Taiwan, 3-mth CP rate; Thailand, 3-mth on-shore THB/THB swap rate.*

Asia India

8 April 2011

India Economics Weekly

Census 2011, inflation and monetary policy view

- **Census 2011.** Census 2011 (provisional data was released last week) reveals robust (but slowing) population growth, some progress in literacy, and a worrying worsening of gender ratio. It also shows that states with lower income are almost always characterized by poorer human development indicators, thus maintaining substantial intra-country heterogeneity.
- **WPI forecast (March).** During the week ending March 26, the primary articles part of the index rose by 0.5%, mirroring the rise in the food part of the index (+0.5%wow), mostly driven by higher prices of vegetables, fruits, egg, fish, and meat. For the month of March, primary articles prices were more or less flat, helping the yoy rate to ease to 13% (from 14.8% in February). Among items with sizeable price decreases, rice (-1%wow), cereal (-0.8%wow), wheat (-0.8%wow), and pulses (-0.9%wow) stood out. In contrast, the fuel and power category of the index rose by 3.9%mom, pushing up the yoy rate to 12.9% (from 11.5% in February). Taking these two items together with our +0.6%mom projection for the manufactured goods part of the index (65% of the weight), we derive our final inflation projection for March to be 8.5%yoy. Thus WPI inflation is slated to remain firmly above 8% for yet another month.

The risk is that our projection would prove to be optimistic, as data revisions and updates have been causing upward revision to the data month after month. In the last data release, for example, December inflation was revised up to 9.4%, an upward adjustment of 100bps. Indeed, the prevailing actual rate of inflation is likely to be above 9%, save for the fact that a number of items in the index are still reflecting prices from a number of months ago. Against this backdrop, the RBI will be compelled to hike the policy rates by another 25bps each when it meets on May 3 for its next policy meeting. There is increasing discussion whether that should be the terminal rate in this monetary tightening cycle, given that tightening has been going on for over a year and growth momentum is no longer accelerating. We maintain the view that inflation pressure and growth outlook will remain sufficiently strong to compel the central bank into further rate hikes this year. We expect the benchmark repo rate to rise to 7.5% in the second half of this year.

Economics

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Key forecasts

Year ending 31 March	FY09/10	FY10/11F	FY11/12F	FY12/13F
Real GDP (YoY %)	7.5	8.5	8.5	8.5
Consolidated fiscal deficit, % of GDP	-9.7	-7.7	-7.4	-6.8
WPI (YoY%) avg	3.6	9.2	7.5	6.8
WPI (YoY%) eop	10.2	8.0	6.3	7.1
Current account balance, % of GDP	-2.9	-2.9	-3.0	-3.0
	2009	2010F	2011F	2012F
Trade balance, % of GDP	-8.6	-8.7	-8.7	-8.4
Current account balance, % of GDP	-2.2	-2.6	-3.0	-3.0
INR/USD, eop	46.7	44.8	43.5	42.5

Source: CEIC, Deutsche Bank

Our recent publications on India	2011
Living with 100 dollar oil	21-Jan
	2010
Debt and deficit of India's states	16-Nov
RBI hikes, signals a (temporary) pause	2-Nov
Fiscal impact of the Food Security Act	28-Oct
Rupee and capital controls	21-Oct
India's heterogeneous states	21-Sep
India's food prices: high and sticky	31-Aug
India's population dynamic	13-Jul
Fuel price reform: a potential game changer	28-Jun
Food subsidies: a new fiscal risk	29-Apr
India's changing trade dynamic	12-Apr
India's Budget review	26-Feb
Implementing the GST	28-Jan
	2009
Privatization outlook	23-Dec
India's debt problem	17-Dec
Surging food prices: drivers & implications	10-Dec
Asian EM currencies: still tied to the Dollar	20-Nov
Assessing monetary stance in India	9-Oct
Education and the private sector	7-Oct

Asia China

8 April 2011

China Monthly Update

Extending duration

Strategy Update

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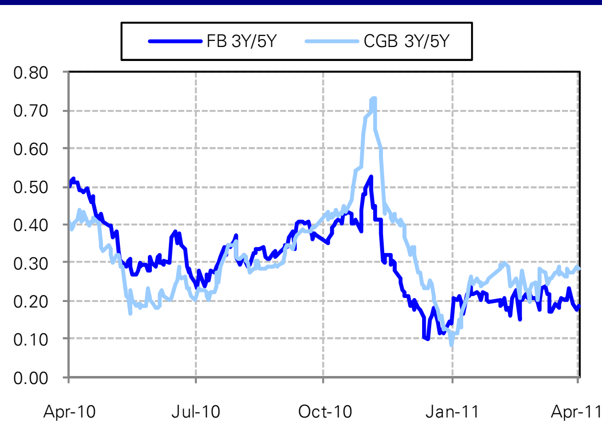
- **Economic outlook:** Both manufacturing and non-manufacturing PMIs point to a recovery of growth momentum and an easing of inflationary pressure. Pressure for monetary tightening should taper off in the coming few months. Industrial profits rose an impressive 34%yoy in Jan-Feb. Reported earnings of Hong Kong listed Chinese companies also beat consensus, indicating a positive momentum for earnings upgrade for 2011.
- **Main risks:** Property prices in 35 cities have fallen 9% over the past two months. The probability of an economic hard landing due to policy over-tightening in the real estate sector is diminishing.
- **Strategy recommendations:** We recommend real money investors to extend duration from 3Y to 5Y on CGBs and policy bank bond curves. We like PBoC bills in 2Y-3Y tenor which offer good carry. We favor AAA+ to AA+ rated corporate names in the 5Y tenor. We recommend leverage accounts to receive 2Y Repo swap outright or receive 5Y repo swap against paying 5Y Shibor.

3Y/5Y Slope on CGB and Financial bond curve (%)



Source: Deutsche Bank

Asia Hong Kong

8 April 2011

Hong Kong Monthly Update

Look to pay 3Y IRS

Strategy Update

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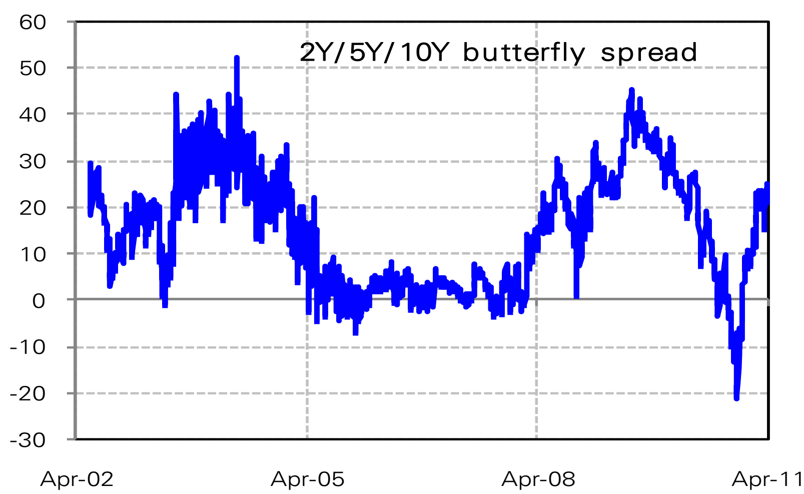
- **Economic outlook:** A very strong start to the year supports our well above-consensus growth forecast for 2011. But inflation is also rising, driving real interest rates down.
- **Main risks:** Japan's problems may impact Hong Kong negatively; the government may look for new ways to combat rising housing prices, including HKD revaluation.
- **Strategy recommendations:** We look to pay 3Y HKD IRS.

5Y has underpformed (bps)



Source: Deutsche Bank

Asia Taiwan

8 April 2011

Taiwan Monthly Update

Inflation outlook key to CBC's FX policy

Strategy Update

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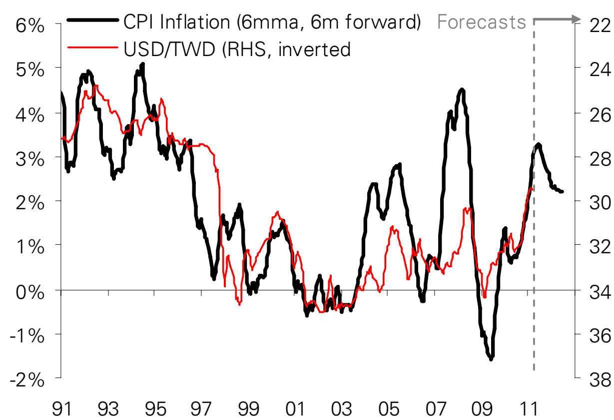
- **Economic outlook:** The Central Bank of China to continue to weigh risks to growth and inflation, delivering 12.5bps rate hike each quarter.
- **Main risks:** The Japan earthquake may have a greater impact on Taiwan's manufacturing supply chain than expected.
- **Strategy recommendations:** Rising inflation is likely to prompt CBC to allow further TWD appreciation. However, NDFs appears fairly priced.

Inflation profile suggest a possible move towards 28 for USD/TWD



Source: Deutsche Bank

Deutsche Bank Group

Asia Korea, Republic of

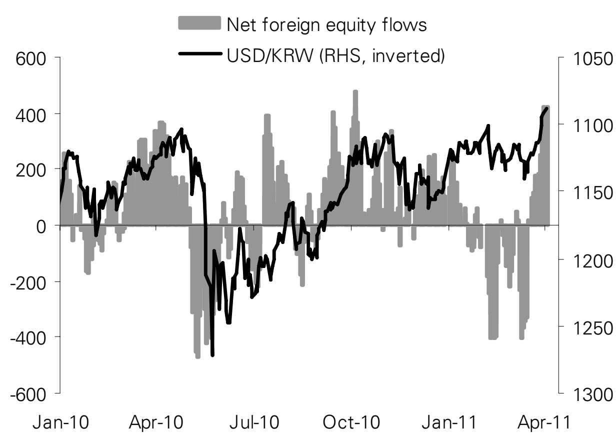
8 April 2011

Korea Monthly Update

Won surges

- **Economic outlook:** Despite the (technical) weakness in domestic demand in February, strong exports point to accelerated (qoq) growth in Q1, suggesting further tightening ahead as inflation remains high.
- **Main risks:** The Japanese earthquake and higher oil prices pose downside risks to growth.
- **Strategy recommendations:** The stronger won will help in curbing inflation. Sell USD/KRW at 1100 and buy at 1060.

Equity inflows vs. USD/KRW



Source: Deutsche Bank

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Deutsche Bank Group

Asia ASEAN Singapore

8 April 2011

Singapore Monthly Update

Done with tightening?

Strategy Update

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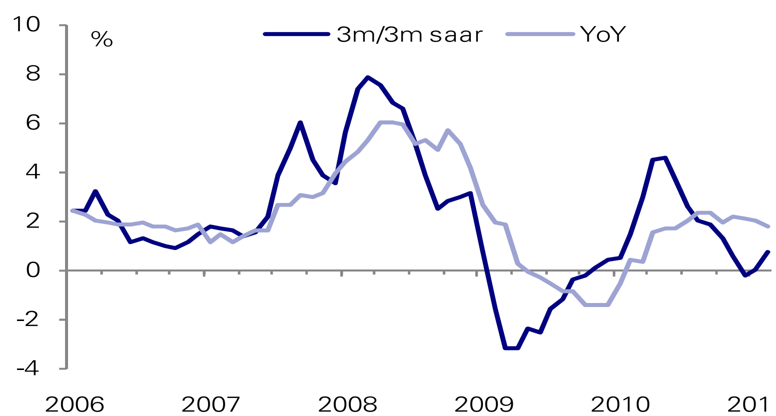
- **Economic outlook:** Even with strong QoQ(sa) growth, YoY growth will fall sharply in the first half of the year, but then likely rebound dramatically in Q3. Inflation appears to be moderating, so we expect MAS to keep policy unchanged in April.
- **Main risks:** Rising wage growth and inflation expectations could trigger a turnaround in core inflation forcing a more rapid SGD appreciation.
- **Strategy recommendations:** We like tactically receiving the 2Y/5Y IRS spread given the crowding in front end receive positions. Potential introduction of MAS bills and valuations make flatteners attractive on a risk reward basis, although we don't expect any aggressive flattening until the fed starts talking hawkish The SGS curve should continue to stay steep, with 10Y benchmark likely to underperform the 20Y issue going forward.

Core inflation in Singapore



Source: Deutsche Bank, CEIC

Deutsche Bank Group

Asia ASEAN Indonesia

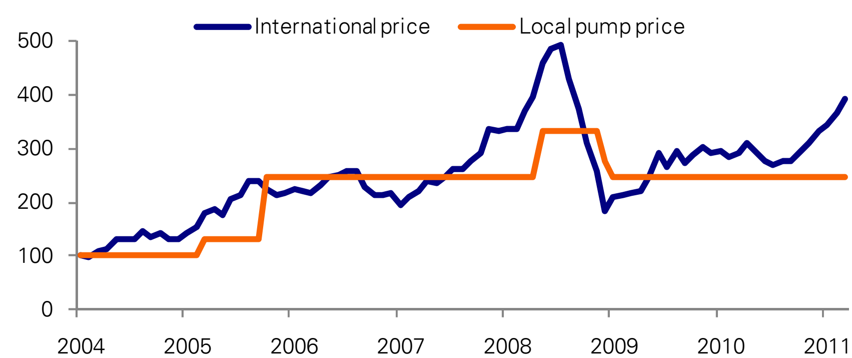
8 April 2011

Indonesia Monthly Update

Wait and see monetary policy

- **Economic outlook:** Marginally easing inflation allows the central bank to stay on the sideline.
- **Main risks:** Even if domestic fuel price adjustment is delayed, inflation could pick up in response to core prices rising due to strong demand.

Large gap between local and international price



Source: CEIC, Deutsche Bank. Jan 2004 is set to 100. International price converted to domestic currency terns,

Strategy Update

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Asia ASEAN Thailand

8 April 2011

Thailand Monthly Update

Inflation to trend higher

Strategy Update

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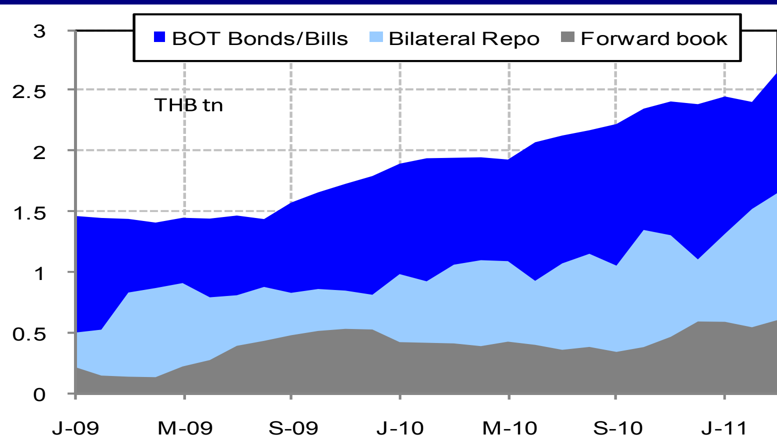
- **Economic outlook:** The Bank of Thailand remains focused on inflation, amid rising inflation, pointing to another 25bps rate hike in April.
- **Main risks:** Administrative adjustment could lead to sharply higher inflation ahead.
- **Strategy recommendations:** Front-end IRS rates are still trading rich and should continue to sell off as BOT raises rates to tackle inflationary pressures and fixing adjusts higher on redemptions of Korean asset swaps. We continue to like receiving the 1Y/3Y/5Y butterfly spread as an inexpensive way to exploit the richness of the front end.

Surplus liquidity



Source: Deutsche Bank, Bloomberg Finance LP

Asia ASEAN Philippines

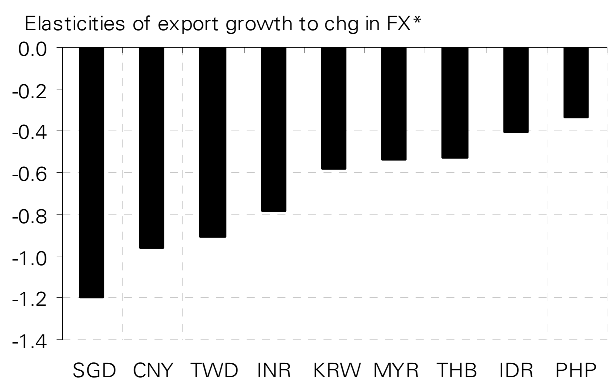
8 April 2011

Philippines Monthly Update

BSP can accommodate a stronger peso

- **Economic outlook:** Oil price is likely to push up inflation and lead to further monetary tightening, but underlying economic strength remains substantial.
- **Main risks:** Clearly oil price risk is the key negative for the near term.
- **Strategy recommendations:** Authorities have somewhat tempered down their rhetoric on FX and continues to slow gains in the peso. However, we think that in an environment of robust growth and rising inflation, we think it would be more beneficial to allow a stronger PHP.

Philippine's exports are not highly sensitive to the exchange rate



Source: Deutsche Bank

Strategy Update

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Global

8 April 2011

Global Commodities Daily

WASDE report today

The Day Ahead

Time(EST)	Country	Event	Previous	Market View
02:00	Germany	Current Account (Feb)	7.2B	12.0B
02:00	Germany	Trade Balance s.a. (Feb)	10.1B	13.0B
	US	WASDE report		
	US	USDA crop production 2011		

Overview

China has increased retail gasoline prices by 5.5%, diesel by 5% and jet kerosene 7.5% to new record highs. This follows a similar hike on 20 Feb, aiming to reduce the refining loss of Sinopec and PetroChina. WTI rose above USD110/bbl Thursday (Brent held above USD122/bbl), Figure 1, as reports of oil filed fires in Libya added to the view that the interruption in oil output there will be protracted. US natural gas sank on EIA's announcement of a draw of only 45 bcf. Given the very cold weather last week and loss of supply due to maintenance, analysts were surprised by the implied weakness in the supply / demand balance.

In UK gas, the Interconnector pipeline exported at 94% of capacity on Wednesday, and we estimate exports were near 100% capacity yesterday. Despite this and a continuation of low imports from Norway, prompt prices remained depressed and curve prices traded lower. Demand was temporarily lower due to maintenance at Rough long-range storage, and warm weather, which is expected to return to seasonal normal temperatures next week. While we expect further weakness in the short term, LNG maintenance is a key uncertainty for the balance of the summer.

Ag markets were mixed yesterday ahead of the key USDA WASDE report today. Grains were higher early in the day session but fell off after the news of another Japanese earthquake. New York Soft futures closed mixed Thursday with coffee up strongly as exchanges stocks have begun to tighten again while cocoa was weaker on views that geopolitical issues there may be resolved soon. Sugar was stronger on expectations that the Brazilian government may be taking steps to increase ethanol production at the expense of sugar. However the front was pressured by stronger than expected production in Thailand. Cotton continues to be volatile and we expect it to remain volatile now that the index roll has started. In our view, many end users who need to roll their short futures positions may lean into the index spread selling.

In the latest commodities volatility tracker, we note that the correlation between WTI and the S&P 500 is back to positive territory, rising from -72% to +41% over the past month, although still below the 1Y average, Figure 2. Silver remains the only commodity with implied volatility above 1Y average. Unlike gold, negative skew for silver (favoring puts against calls) highlights that markets are worried about downside risks.

Looking at today's calendar, the highlight is the WASDE report. We believe this report will provide important guidance on how the USDA is incorporating its quarterly stocks report released on March 31into tight balances for corn and soybeans.

Commodities & Global Markets

Commodities News In Brief

- EIA natural gas storage draw of 45bcf was less than consensus at 52-55bcf.
- Chile Mining and Energy Minister Laurence Golborne expects steady copper exports to China, despite a large stockpiling of copper at Chinese ports.
- Turnover in ICE Brent futures has been catching up with NYMEX's WTI contract in recent weeks.
- American Iron & Steel Industries reported that, in the week ending April 2nd 2011, US domestic raw steel production was 1.811 mn tonnes while the capability utilization rate was 74.1%.
- The chairman of Libya's National Oil Corporation said the nation's oil output had fallen to only 250-300 kb/d from circa 1.6 mmb/d before the rebellion.
- PetroChina will boost crude oil processing in April by 15.1% from a year earlier to increase domestic fuel supplies, state-run China News Service.
- According to the customs statistics released by the Ministry of Finance, Japan's steel exports in Feb this year amounted to 3.72 mn tonnes, rising by 8.6% YoY and up 6% compared to Jan.

Global Markets News In Brief

- Germany Feb Industrial Production (s.a.) rose 1.6% m-o-m against a revised 2% increase in Jan.
- BoE keeps interest rate unchanged at 0.5%.
- ECB raises interest rate by 0.25% to 1.25%.
- US Initial Jobless Claims fell 10,000 to 382,000 for week ending April 2.

Event Risks

- China Trade Balance on Apr 9
- China New Yuan Loans 10-15Apr
- EZ ZEW Survey (Econ. Sentiment) Apr 12
- IEA OMR 2011 & OPEC OMR 2011 release on Apr 12
- UK ILO Unemployment Rate on Apr 13
- China Actual FDI (YoY) 14-22 Apr

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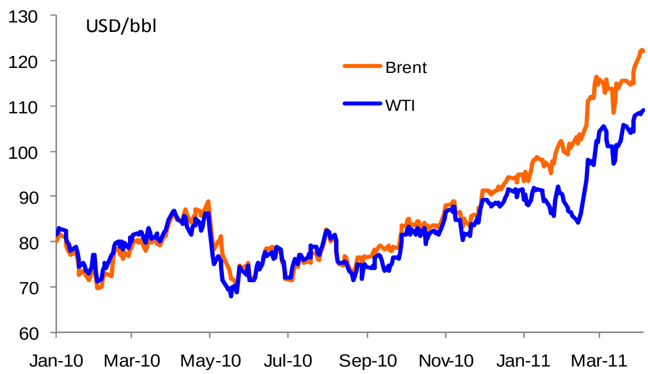
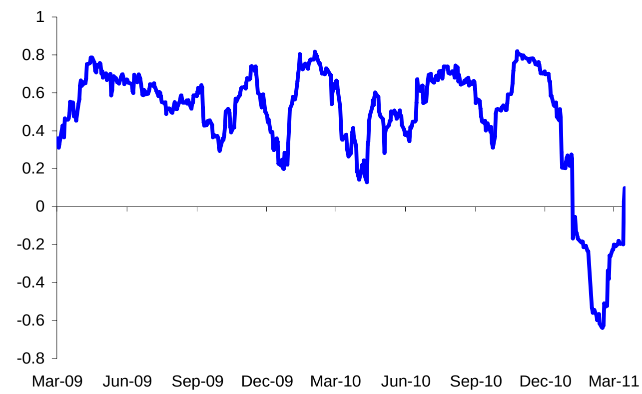
Figure 1: Crude oil prices continue to climb



Source: Bloomberg Finance LP, Deutsche Bank

Figure 2: WTI & SP500 30 day rolling correlation



Source: Bloomberg Finance LP, Deutsche Bank

Commodity Price Summary

Energy	WTI (bbl)	Brent (bbl)	Nat Gas (mmBtu)	RBOB Gas (g)	Heating Oil (g)	API 4 (t)
Close (USD)	110.30	122.67	4.06	3.19	3.21	124.06
Daily price change	1.4%	0.3%	-2.1%	-0.2%	0.5%	-0.4%
YTD price change	20.7%	29.5%	-7.9%	29.9%	26.0%	7.3%
Precious Metals & FX	Comex Gold	Comex Silver	Nymex Platinum	Nymex Palladium	EURUSD	USDJPY
Close (USD/oz) (level)	1458.50	39.55	1790.60	780.25	1.43	84.91
Daily price change	0.1%	0.4%	-0.4%	-0.6%	-0.2%	-0.7%
YTD price change	2.6%	28.0%	0.7%	-2.9%	6.9%	4.5%
Industrial Metals	Aluminium	Copper	Lead	Nickel	Tin	Zinc
LME close 3M (USD/t)	2672	9670	2790	26800	32550	2452
LME close 3M (USc/lb)	121.2	438.6	126.6	1215.6	1476.4	111.2
Daily price change	0.1%	0.7%	-1.1%	1.4%	1.4%	0.1%
YTD price change	8.2%	0.7%	9.4%	8.3%	21.0%	-0.1%
LME Stocks (t)	4,584,475	442,375	278,125	121,752	18,755	734,825
Daily change (t)	-4,525	1,500	-275	-1,164	185	-150
Agriculture & Livestock	Corn (bsh)	Cotton (lb)	Live Cattle (lb)	Soybeans (bsh)	Sugar (lb)	Wheat (bsh)
NY close (USc)	759.00	208.22	119.90	1363.50	26.50	773.25
Daily price change	-0.5%	0.1%	-0.8%	-0.9%	-0.8%	-1.2%
YTD price change	20.7%	43.8%	11.1%	-2.2%	-17.5%	-2.6%
Other prices	Baltic Dry Index	Iron Ore	Steel US HRC	Ethanol	EUA (CO2) Dec12 (Euro)	U3O8 USD/lb
Close (level)	1401	179.5	883	2.69	17.81	59.00
Daily change	-2.0%	1.9%	0.0%	-0.2%	-1.3%	0.0%
YTD change	-21.0%	5.5%	29.9%	13.3%	21.7%	-5.0%
Indices	DBLCI-OY	DBLCI-MRE	DB Harvest	SPGSCI	DJUBS	SPWCI
NY close (level)	1464	446	286	5661	345	435
Daily change	0.4%	-0.6%	0.0%	0.4%	0.0%	0.0%
YTD change	14.4%	4.0%	1.2%	14.5%	5.6%	21.6%

Source: Reuters, Bloomberg Finance LP, UxC, Metals Bulletin, Deutsche Bank

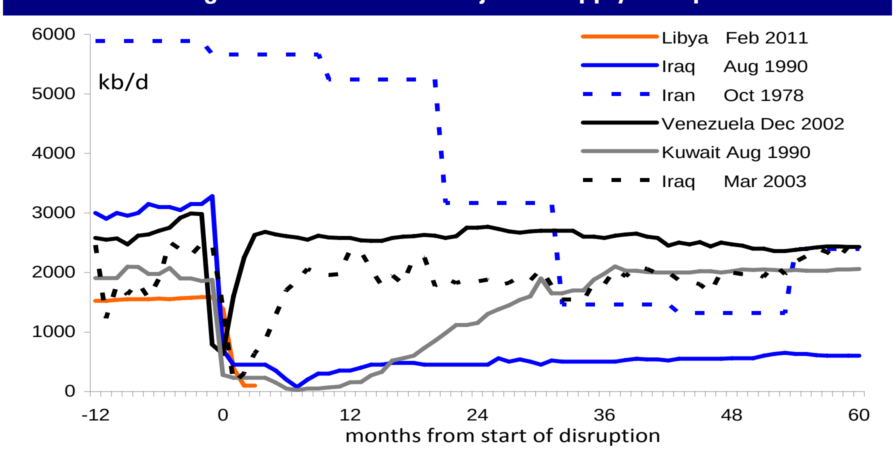
Global

8 April 2011

Commodities Weekly

- **Overview:** Like 2010, commodities have proved to be the best performing asset class on a total returns basis so far this year. Energy has been the engine room of performance within commodity index returns since the end of last year. We expect this to continue and view precious metals as another important source of positive returns heading into the second quarter.
- **Crude Oil:** We believe Libya will be out of the oil markets for the medium-term. Furthermore, we view underlying oil supply and demand fundamentals as tight with inventories are trending lower and spare capacity being squeezed. This portends further upside in high oil prices in our view.
- **US Natural Gas:** Another disappointing storage draw and relatively strong January production data continue to cast a shadow on the US gas markets. We remain constructive towards gas for late 2011 and 2012, but worry that that near-term pricing will be vulnerable to weather.
- **EU Power & Gas:** Initial estimates for Europe indicate ETS emissions are running at a slightly faster clip than initially thought. We believe this may be a reflection of stronger than expected economic activity. We believe the risk to ETS emissions continue to be to the upside not least given Germany's ongoing review of nuclear energy policy. We expect this will skew upside risks to EU emission and German power prices.
- **Precious Metals:** Gold and silver prices have hit new all time highs in nominal terms. We expect this trend to continue helped by ongoing US dollar weakness. We would view markets moving into bubble territory when prices move above USD2,000/oz and USD50/oz respectively.
- **Industrial Metals/Materials**: Weakness in the USD has provided unlooked for support for the complex over the past week. We expect that macro drivers could remain a key driver near-term and expect that aluminium could continue to outperform as energy (oil and coal) continue to re-rated.
- **Agriculture**: Despite the prospect of higher US plantings in corn, global inventory-to-consumption ratio for corn in the current crop year has fallen to its lowest level since 1973. In contrast, wheat inventories remain at comfortable levels suggesting the ongoing out-performance of corn relative to wheat.

The degree and duration of major oil supply disruptions



Source: Bloomberg Finance LP, Deutsche Bank (after US DOE/EIA)

Market Update

Table of Contents

Commodity Price Changes

	Price	%wk	%ytd
WTI	$110.3	3.4%	20.7%
Brent	$122.7	4.5%	29.5%
Nat Gas	$4.06	-7.6%	-7.9%
Gold	$1,458	1.8%	2.6%
Aluminium	$2,672	0.9%	8.2%
Copper	$9,670	2.6%	0.7%
Corn	$7.59	9.5%	20.7%
Soybeans	$13.64	-3.3%	-2.2%
Wheat	$7.73	1.3%	-2.6%
DBLCI-OY	1464.0	2.6%	14.4%
DBLCI	1134.6	2.5%	13.2%
DBLCI-MR	1972.0	2.5%	15.2%
DBLCI-MRE	446.1	-1.2%	4.0%
DBLCI-OY Balanced	489.2	1.9%	10.0%
DBLCI Allocator	631.0	-1.1%	3.8%
DB Commodity Harvest	286.1	-0.4%	1.2%
DB Commodity Harvest 10%TV	1016.8	-1.2%	4.7%

as of COB Thursday

Source: Deutsche Bank

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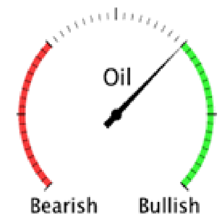
Commodity Views

Energy

USD	Level	Δ wk	Δ ytd	12M Low	12M High	5Y Avg
WTI (/barrel)	110.30	3.35%	20.70%	68.01	110.30	77.72
Brent (/barrel)	122.67	4.52%	29.47%	69.55	122.67	78.45
Heating oil (/gallon)	3.21	3.76%	26.04%	1.87	3.21	2.17
Gasoline (RBOB/gallon)	3.19	2.54%	29.89%	1.85	3.20	2.11
US natural gas (/mmBtu)	4.06	-7.56%	-7.90%	3.29	5.19	6.12
Coal (API#4/tonne)	124.06	4.08%	-0.35%	84.75	130.25	91.74
Uranium (/lb)	58.50	-2.50%	-4.88%	40.75	67.75	62.08
EUA Cal'12 (EUR/tonne)	17.81	-1.71%	21.74%	14.20	18.16	19.61
NGL basket (/mmbtu)	14.98	3.43%	13.86%	9.50	17.17	12.11

3M View



Precious Metals

Spot (USD/oz)	Level	Δ wk	Δ ytd	12M Low	12M High	5Y Avg
Gold	1458.07	1.80%	2.62%	1135.75	1459.70	920.04
Silver	39.55	4.39%	27.96%	17.29	39.55	16.19
Platinum	1785.00	0.95%	0.83%	1501.50	1859.25	1410.16
Palladium	776.50	1.70%	-3.15%	416.63	858.50	391.58

3M View

Industrial Metals

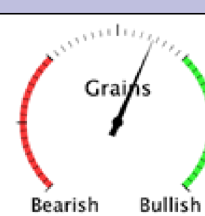
3M Fwd (USD/tonne)	Level	Δ wk	Δ ytd	12M Low	12M High	5Y Avg
Aluminium	2672	0.91%	8.18%	1868	2672	2362
Copper	9670	2.57%	0.73%	6101	10160	6948
Lead	2790	3.53%	9.41%	1554	2820	2045
Nickel	26800	2.70%	8.28%	17950	29300	24067
Tin	32550	2.36%	21.00%	15500	32550	16344
Zinc	2452	3.81%	-0.08%	1628	2615	2459

3M View

Agriculture

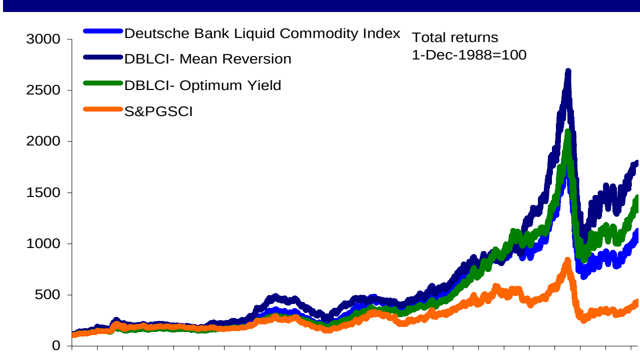
1st nearby (USc)	Level	Δ wk	Δ ytd	12M Low	12M High	5Y Avg
Corn	759	9.48%	20.67%	325	767	418
Lumber	27210	-10.32%	-9.90%	17790	32680	23952
Soybeans	1364	-3.32%	-2.17%	931	1451	997
Sugar	27	-2.25%	-17.50%	14	35	16
Wheat	773	1.31%	-2.64%	428	886	613

3M View



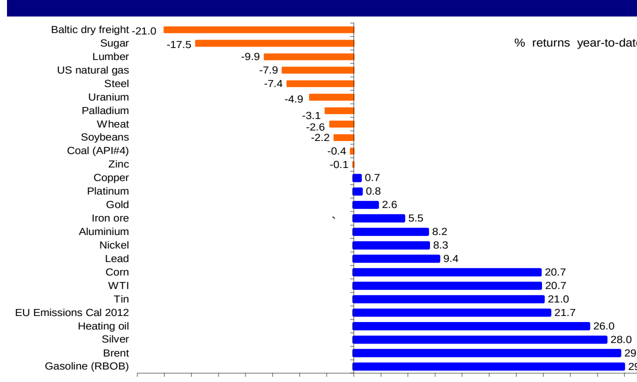
Source: DB Global Markets Research, Bloomberg Finance LP (Prices as of close of business Thursday)

Figure 1: Commodity returns in comparison



Source: Bloomberg Finance LP, Deutsche Bank

Figure 2: 2011 commodity scorecard



Source: Bloomberg Finance LP (data as of cob Thursday), Deutsche Bank

Asia China
Technology

8 April 2011

China TMT Daily

East meets west: mobile video; also 0941.HK, SNDA

(Please click through to the .pdf version of this document for a full overview of today's news and views.)

FEATURE:

Mobile video steadily gaining popularity in the US

Nielsen recently estimated that the US market had 25m mobile video viewers at the end of 2010 (for ~10% mobile penetration). The survey showed that the number of US consumers watching mobile video grew over 40% year-on-year in 3Q and 4Q of 2010. Not only is the number of mobile video users increasing, users are also spending increasing amounts of time on mobile video over time. Viewers age 13 and above spent an average of 4 hours 20 minutes per month watching mobile video in the 1H10, up from 3 hours 15 minutes in 3Q09 and 3 hours 37 minutes in 4Q09. The most preferred method of paying for both TV and video content on mobile is via subscription services. Sports and TV series are the most popular types of mobile content watched in the US.

China Mobile's video platform

Along with mobile payment/wallet, mobile reading, mobile gaming and music downloads, mobile video is a rapidly growing source of data revenues for the operators. Currently, we estimate that China Mobile generates about RMB80-100mn per month from its mobile video business. Channel checks suggest that the operator had nearly 9m users on mobile video as of the end of 2010, up 42% from 6m in 1H10 alone. The cumulative number of on-line video programs totaled 900,000 at 2010 year-end. CM is targeting more than RMB1bn in mobile video revenues in 2011, and RMB2bn in 2012. Monthly subscription is generally RMB6 per month and CM does not charge users for the underlying data usage. Users can also opt for pay-per-view (usually RMB1-3 per view). CM's mobile video user profile generally falls between the ages of 18-25. The ARPU of mobile video users (RMB100/month) is moreover generally higher than non-users (RMB60-70/month).

China Mobile currently works with two different types of partners on the mobile video platform: pure-play video verticals and SOE media partners such as CNTV, People's Daily, etc. The operator recently signed a mobile video pact with Disney to offer Disney content on its video services platform. Movies and TV series are the most popular video content, followed by original content. TV content is particularly popular when there are major events (i.e. World Cup, etc). China Mobile takes a 60% cut on the mobile video revenues and the content provider takes the rest.

Unicom's and Telecom's video platforms; Buy CT

China Unicom offers 120 channels and over 30,000 on-demand programs. Mobile video has about 20% penetration within CU's 3G subscriber base. China Telecom's "eSurfing" video subscribers grew by 33x from 1H10 to 3.4 million subscribers as of end-2010, largely on successful marketing campaigns, and other forms of promotion. Our top pick in Chinese telecoms is China Telecom itself, as we expect the operator to steadily improve offerings such as mobile video, while continuously optimizing its 3G CDMA network.

Periodical

TOP CHINA TMT PICKS

Company	Rating	Target Price
AsiaInfo-Linkage	Buy	USD 24.75
China Telecom	Buy	HKD 5.40
ZTE	Buy	HKD 42.78

CHINA TMT STOCKS

Company	Rating	Close Price	1D%	3M%
TELCOS				as on 07/04
China Comm Service	Hold	4.6	-1.1	-5.2
China Mobile	Hold	73.9	-0.1	-4.1
China Telecom	Buy	5.0	0.0	21.1
China Unicom	Hold	13.5	-0.4	21.3
INTERNET/ONLINE GAMING				
Alibaba.com	Hold	14.0	0.1	-8.8
Baidu	Buy	139.1	1.3	30.1
Ctrip.com Int'l	Hold	45.4	2.9	2.2
Netease.com	Buy	53.0	3.2	43.2
Shanda	Sell	44.0	0.6	9.7
Shanda Games	Hold	6.5	-1.7	7.4
Sina Corp	Sell	117.0	5.5	54.1
Sohu.com	Hold	97.4	3.1	41.8
Tencent	Buy	205.2	0.2	15.3
TECHNOLOGY				
AsiaInfo-Linkage	Buy	21.7	-1.7	11.8
Foxconn Int'l Hldgs	Hold	4.7	1.5	-19.0
HiSoft	Buy	20.4	0.9	-33.6
Lenovo Group	Hold	4.5	0.7	-10.0
Longtop	Buy	32.5	1.3	-8.4
Synnex Technology	Hold	73.5	2.1	-5.6
ZTE	Buy	34.4	-1.4	10.3

Indices	Close	1D%	3M%
			as on 07/04
HSI	24281.8	0.0	2.5
HSCEI	13647.8	-0.1	5.6
Nasdaq	2796.1	-0.1	3.4

Sources: DB, Bloomberg Finance LP

CALENDAR OF EVENTS

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Asia Hong Kong
Consumer

8 April 2011

Industry Update

China Consumer Staples

2010 review: strong sales but greater margin erosion in 2H

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Top picks	
China Mengniu Dairy (2319.HK),HKD24.00	Buy
Huabao Int'l (0336.HK),HKD11.48	Buy

Companies featured

	2010A	2011E	2012E
China Mengniu Dairy (2319.HK),HKD24.00			**Buy**
	2010A	2011E	2012E
P/E (x)	29.0	22.4	18.0
EV/EBITDA (x)	15.1	11.0	8.1
Price/book (x)	3.2	3.2	2.8
Huabao Int'l (0336.HK),HKD11.48			**Buy**
	2010A	2011E	2012E
P/E(x)	18.6	22.7	19.0
EV/EBITDA(x)	14.9	18.4	14.4
Price/book(x)	8.6	7.9	6.1
Tsingtao Brewery (0168.HK),HKD40.60			**Buy**
	2010A	2011E	2012E
P/E(x)	30.9	24.6	20.1
EV/EBITDA(x)	16.4	12.7	10.0
Price/book(x)	5.0	4.1	3.5
Hengan Intl. (1044.HK),HKD61.95			**Buy**
	2010A	2011E	2012E
P/E (x)	31.8	25.4	20.2
EV/EBITDA (x)	24.4	18.6	14.9
Price/book (x)	8.5	7.1	6.3
CRE (0291.HK),HKD32.55			**Buy**
	2010A	2011E	2012E
P/E (x)	37.5	29.9	22.7
EV/EBITDA (x)	11.7	8.4	6.7
Price/book (x)	2.5	2.4	2.3
Tingyi (0322.HK),HKD19.94			**Hold**
	2010A	2011E	2012E
P/E (x)	34.2	27.8	23.1
EV/EBITDA (x)	16.1	11.6	9.1
Price/book (x)	7.9	6.9	6.0
China Foods (0506.HK),HKD5.54			**Sell**
	2010A	2011E	2012E
P/E (x)	38.0	25.6	20.5
EV/EBITDA (x)	15.0	11.3	9.6
Price/book (x)	2.4	2.5	2.3

2010 results: overall in line; margin erosion worsened in 2H
More than half of the China consumer staples recorded net profit growth trailing top-line growth in 2010 as cost increases ran ahead of sales. Overall sales growth was strong, thanks to a better economy and consumers trading up. The majority have strong balance sheets (net cash, improved working capital). Headwinds are higher input costs and fierce competition. While some companies recorded margin erosion, some showed resilience via effective shifts in product mix. Our sector top Buy picks are: Mengniu Dairy, Huabao and Tsingtao Brewery.

Positives: strong sales growth, cash-rich, improved working capital cycle
Like what we saw in 1H10, 2010 results reveal strong sales growth for China's consumer staples companies, which we attribute to a better economy, a trade-up trend and aggressive promotions on some products such as soft drinks. Beverage, instant noodle, snack food, pork processing and HPC (except Bawang) companies' sales growth was the most outstanding, up in the range of 24-55%. A vast majority of staples companies were in net cash position (no near-term funding needs). The working capital cycle improved for most companies.

Negatives: costs ran ahead of sales, margin erosion, intense competition
The sharp increase in commodity prices in 2H10 caught many staples companies off guard. Hence, more than half of the consumer staples companies reported gross margin erosion last year (more obvious in 2H10). Tingyi and Uni-President China reported the biggest yoy drop in gross margin while sanitary napkin, baby diaper, beer, grape wine and infant formula companies posted a stable/expansion in gross margin as effective mix shifts eased cost pressure. Competition is strong, especially in beverages, with many new product launches and heavy promotions.

Trends ahead: production innovation is key, larger capex budget
A vast majority of consumer staples companies said most soft commodity prices have reached the record high level, but none of the management has a strong conviction that prices will drop from here. Cost headwinds remain a concern. Tingyi and Unilever have delayed implementing selling price hikes, indicating to us that the PRC government has not encouraged a high-profile price increase. Hence, we believe companies with strong product innovation can thrive in the current environment. Meanwhile, companies such as Tingyi, Uni-President, Tsingtao Brewery and CRE are in a strong cash position, are optimistic about market growth and have large capex budgets for 2011.

Valuation and risks; Our top Buys: Mengniu Dairy, Huabao and Tsingtao
In consumer staples, our sector top Buy-rated stocks are Mengniu Dairy and Huabao. We use DCF, PE/G and EV/EBITDA to calculate the intrinsic value of China's consumer staples companies. Key industry risks: input cost volatility, price wars, higher A&P spending to combat intense competition and product quality issues.

Asia China

Health Care Health Care

11 April 2011

China Healthcare

China Edge P18: EDL Anhui Model - Show Me the Data

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Industry Update

Companies featured

China Shineway (2877.HK),HKD19.74			**Hold**
	2010A	2011E	2012E
P/E (x)	19.2	15.8	14.1
EV/EBITDA (x)	13.4	10.0	9.0
Price/book (x)	5.0	3.6	3.0
The United Laboratories (3933.HK),HKD14.38			**Buy**
	2010A	2011E	2012E
P/E (x)	13.8	14.9	11.1
EV/EBITDA (x)	8.9	9.7	7.8
Price/book (x)	3.9	3.2	2.7

Implementation of Anhui model impairs growth of EDL drugs as a group
We continue to believe that implementation of the Anhui model is largely negative for growth prospects of the drugs in the Essential Drugs List (EDL) as a group. We publish our compiled data from public domains to show larger-than-expected price reductions of key drugs in the EDL. We recommend investors to stay on the sidelines for companies with large EDL exposure until gaining further clarity on the implementation of the Anhui model.

High likelihood Anhui model would be implemented in the majority of China
Implementation of the Anhui model has been accelerating since January 2011, as we track Anhui model implementation by province and municipality. In the last three months, there have been 10 provinces (excluding Anhui) that have released EDL guidelines, in which the Anhui model was implicated. We anticipate more provinces to release their EDL procurement guideline with the Anhui model, as tenders generally start in 2Q and complete in 3Q. Despite our bearish view relating to the impact of the Anhui model on the EDL subsector as a whole, we believe the majority of the pharmaceutical sector should enjoy healthy growth, as drugs included in EDL only represent 13% of total drugs sales in China.

Volume growth is unlikely to offset sizable price reductions as seen
We identified an average of 25-40% price reduction due to competitive underbidding under province-based centralized EDL procurement programs. As such, if one assumes 20-25% volume growth for EDL subsector as a whole, the large reductions may not be offset by volume increase. After implementation of EDL system, new risks are likely to emerge on three fronts to jeopardize the growth of EDL drugs under both EDL and non-EDL channels.

Multiples-based valuation preferred; risks relate mainly to policy/regulations
To reach the target prices for the stocks in our sector, we use a multiples-based valuation approach, given the sustainable growth in the sector. Industry risks relate primarily to government policies and regulatory changes in China, particularly healthcare reforms. We have a Hold rating on China Shineway with a price target of HK$21. We highlight that Shineway is one of the few pharmaceutical companies with large exposure to the EDL.

Asia China
Energy Oil & Gas

10 April 2011

China - Hydrocarbon Trade

Adding natural gas

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China's apparent demand for oil (Figures 1-11):

In 2010, China's apparent demand for oil grew 13.4% (+1.009 mm b/d) to 8.56 mm b/d (China Bureau of Statistics - CEIC). For 2011, we estimate China's apparent demand for oil will remain strong. DB China economist, MA Jun is forecasting 9.4% GDP growth 2011. China's LT elasticity of oil demand to GDP is 0.73x (Figure 25). For 2011, we estimate that China's apparent demand for oil will grow +10% to 485.1 mm tons or 9.435 mm bpd (+875k b/d).

Adding natural gas (Figures 12-17)

We are adding natural gas supply -"apparent demand" to our monthly China – Hydrocarbon Trade report. In this report we include data for the first time on China's natural gas (domestic) production, piped natural gas imports and LNG imports. Collectively these 3 supply sources provide us insight into China's monthly "apparent demand" for natural gas. The data is sourced by the National Bureau of Statistics and reported by CEIC. We have also included China's LNG re-gas capacity in an attempt to monitor utilization rates on re-gas capacity. Formally, the government has said nothing about developing a "strategic natural gas reserve". Informally, however, we read with interest that PetroChina (PTR) is developing underground natural gas storage facilities in Xinjiang province.

Figure 12 suggests that China's 2010 apparent demand for natural gas grew at 18.3%, almost 2x demand growth in 2009 of 9.3%. Reported 2010 growth looks a bit high considering PTR reported only a 5.2% increase in its 2010 "marketable natural gas output". Figures 13-14 are China's domestic production of natural gas. China's domestic production of natural gas has grown 3x from 2002 through 2010. Figure 15 suggests that China imported 3.5 Bcm of piped natural gas in 2010. This would be in line with PTR's reported 2010 natural gas imports from Turkmenistan. PTR tells us that their gas imports from Turkmenistan will be 9.0 Bcm for 2011. Figure 16 suggests that China imported 9.3 million tons of LNG in 2010 vs. re-gas capacity (Figure 17) of 11.9 million tons. The apparent utilization rate (78.6%) for China's LNG re-gas capacity is higher than we would have anticipated.

Continued strong demand for oil products

China oil demand was higher than anticipated in 2010 due to 1) stronger than anticipated GDP growth, 2) the ongoing shift to refine crude oil rather than fuel oil by China's teapot refiners, 3) the continued build of China's Strategic Petroleum Reserve, and 4) material increases of both refining and chemical capacity. Figures 10-11 suggest that oil continues to be diverted away from making products toward building China's SPR. In Aug. and Sept. 2010 we reported on PTR's plan to build a new 10 mm tpa oil import pipeline in Shandong province to supply teapot refiners. For 2011, we anticipate another +16 mm tpa of new refining capacity and +500k tpa of new naphtha cracking capacity to come on line in China. Reported, cumulative Ytd (February) growth in China's apparent demand for oil is 11.7%.

China's petroleum trade figures (Figures 21-27)

In 2009, China exported 25.7mm tons of oil products (+48% y/y). In 2010, China exported 27.67mm tons of product (+7.6% y/y) China's oil product exports go principally to Indonesia, Vietnam and Singapore. Growing oil product exports from China cannot be good for Asian refining margins (Figure 62). Notwithstanding, annualized Feb 2011 oil product exports (25.2 mm tons) are running -4.3% below annualized Feb 2010 product exports (26.3 mm tons).

Industry Update

Top picks	
CNOOC Ltd (0883.HK),HKD20.75	Buy
MIE Holdings Corp (1555.HK),HKD4.31	Buy

Companies featured			
CNOOC Ltd (0883.HK),HKD20.75			**Buy**
	2010A	2011E	2012E
P/E (x)	10.0	10.7	10.8
EV/EBITDA (x)	5.1	5.4	5.1
Price/book (x)	3.4	3.0	2.6
MIE Holdings Corp (1555.HK),HKD4.31			**Buy**
	2010A	2011E	2012E
P/E (x)	8.5	10.5	8.9
EV/EBITDA (x)	3.3	6.3	4.6
Price/book (x)	1.7	3.4	2.6
PetroChina (0857.HK),HKD12.00			**Hold**
	2010A	2011E	2012E
P/E (x)	10.4	10.2	9.7
EV/EBITDA (x)	5.5	5.4	5.2
Price/book (x)	1.8	1.8	1.6
Sinopec (0386.HK),HKD8.19			**Hold**
	2010A	2011E	2012E
P/E (x)	6.9	7.0	6.6
EV/EBITDA (x)	4.2	3.9	3.6
Price/book (x)	1.3	1.2	1.1
China Oilfield Services (2883.HK),HKD17.96			**Hold**
	2010A	2011E	2012E
P/E (x)	10.7	13.9	12.3
EV/EBITDA (x)	8.1	7.9	6.7
Price/book (x)	2.6	1.8	1.6

Deutsche Bank Group

Asia China
Property Property

10 April 2011

China State Construction

Reuters: **3311.HK** Bloomberg: **3311 HK** Exchange: **HSI** Ticker: **3311**

Achieved 69% growth in new contracts in 1Q11

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Reiterate Buy, TP HK$10.03; strong upside from public housing
The public housing system is now a priority of the central government. Through the provision of two value-added services – 1) public housing construction with good design, quality, safety and environmental protection, and 2) financing – to local governments, CSCI enjoys unique advantages over other contractors and developers when participating in China's massive public housing development. This should present strong and sustainable long-term earnings growth for CSCI.

CSCI achieved solid 68.6% YoY growth in new contracts awarded
In 1Q2011, CSCI recorded new contract value awarded of HK$6.62bn, up 68.6% YoY. CSCI is on track to achieve its new contract target of over HK$28bn for 2011. The strong growth in new contracts came from a strong increase in the higher-margin infrastructure investments (inc affordable housing), which offset decreases in new contracts in the lower-margin cash construction segments, reflecting the continued refocus of CSCI to maximize its overall margin. As at March 31, on-hand contract value was HK$58.73bn, among which the backlog was HK$38.3bn, up 29.5% YoY, which could allow for CSCI's works in the next 2 years.

CSCI is well positioned to expand its market share in public housing in China
With its strong record in construction & civil engineering (>35 years' experience), strong management team, strong financing capabilities (net cash now), and strong backing from parent CSCEC (the largest state-owned construction company), CSCI should enjoy unique advantages in grabbing market share in public housing via the BT model. Within a short time (July 2010-Jan 2011), CSCI has already obtained 3 large-scale public housing projects. CSCI's target is a 1% market share in public housing in 2011-15, and if achieved, should allow for a net profit CAGR of about 30% for 2011-15. A higher achieved market share may present further upside.

Our DCF-based target price implies 34% potential upside
Our HK$10.03 TP is based on our DCF analysis which factors in CSCI's achieving a 1% market share in public housing in 2011-15, and various margin assumptions resulting in overall net margins of 8-9% in 2011-15. Key company-specific risks include potential failure of CSCI to achieve its market share target and any weaker-than-expected implementation of public housing plans by local governments.

Forecasts and ratios

Year End Dec 31	2009A	2010A	**2011E**	2012E	2013E
Sales (HKDm)	9,706.1	11,982.9	**16,726.1**	25,873.2	30,268.3
EBITDA(HKDm)	535.3	1,003.4	**1,520.0**	2,341.6	2,824.5
Reported NPAT(HKDm)	674.1	1,036.3	**1,488.5**	1,990.4	2,355.9
DB EPS FD (HKD)	0.24	0.34	**0.43**	0.54	0.64
DB EPS growth (%)	32.3	41.6	**26.1**	26.5	18.4
PER (x)	10.7	11.6	**17.4**	13.8	11.6
EV/EBITDA (x)	9.6	13.1	**16.5**	10.0	7.7
Yield (net) (%)	2.8	2.8	**1.6**	1.7	1.9

Source: Deutsche Bank estimates, company data

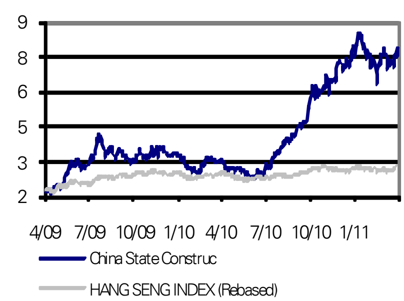
[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Breaking News

Buy

Price at 8 Apr 2011 (HKD)	**7.47**
Price target - 12mth (HKD)	**10.03**
52-week range (HKD)	**8.48 - 2.26**
HANG SENG INDEX	**24,396**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*-1.8*	*-2.7*	*149.0*
HANG SENG INDEX	*2.9*	*3.0*	*11.6*

Stock data

Market cap (HKDm)	**26,774**
Market cap (USDm)	**3,447**
Shares outstanding (m)	**3,584.2**
Major shareholders	–
Free float (%)	**36**
Avg daily value traded (USDm)	**0.0**

Key indicators (FY1)

ROE (%)	**21.4**
Net debt/equity (%)	**-13.8**
Book value/share (HKD)	**2.59**
Price/book (x)	**2.9**
Net interest cover(x)	–
Operating profit margin (%)	**8.4**

Asia China
Property Property

10 April 2011

COLI

Reuters: **0688.HK** Bloomberg: **688 HK** Exchange: **HKG** Ticker: **0688**

Strong March sales reflected strong execution ability

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Reiterate Buy; March sales showed solid MoM and YoY growth

Despite the tight policy and credit environments, COLI achieved 83% MoM and 13% YoY growth in contracted sales in March, reflecting its strong sales and execution, and its well-diversified high-quality development landbank. We are confident of COLI's delivering at least 20% p.a. growth in earnings for next 5 years, while COGO will deliver at least 30% p.a. growth. We see material upside potential to NAV as COLI continues its counter-cyclical expansions: Buy.

Strong sales in tougher markets highlight superior execution vs. competitors

For March, COLI achieved contracted sales of HK$7.8bn and 581,200sqm, up 13.2% and 19.7% YoY respectively. Compared to February 2011, sales value was up 83% MoM while volume was up 108% MoM. In 1Q11, total contracted sales amounted to HK$19.8bn and 1.4msm, up 44% and 40.4% YoY respectively. While a number of other Chinese developers were recording weak growth in March sales due to government tightening, the strong March sales of COLI reflected its strong execution and sales ability versus its competitors.

High earnings visibility; counter-cyclical expansions amid credit tightening

Based on our analysis, with the contracted sales achieved up to March 2011, COLI has already locked in over 90% of our estimated 2011 property sales revenue. With this high lock-in ratio for 2011, the company would have more time and flexibility to work on earnings for 2012 and beyond. Since the beginning of 2011, COLI, together with COGO, has already acquired nine pieces of new landbank with a total GFA of over 5.25 msm in eight Tier-2/3 cities at an average cost of only about RMB2,000psm – cheap in our view, given the prime locations.

Valuation looks undemanding at 24% NAV discount, 11.6x 2011E Core P/E

Our HK$19.60 target price is based on 10% discount to our NAV of HK$21.78, which factors in a 5%-20% drop in property prices from current levels. We see strong NAV upside as COLI continues to expand amid current credit tightening. On a P/B basis, COLI now trades at 2.5x 2010 P/B, similar to the "-1SD" level. On P/E, COLI trades at only 11.6x 2011E core earnings, cheaper than the "-1SD" level of the historical range. Risks: stricter-than-expected tightening, a weaker-than-expected volume pickup even after price cuts, and unexpected economic volatility.

Forecasts and ratios

Year End Dec 31	2009A	2010A	2011E	2012E	2013E
Sales (HKDm)	37,321.6	44,313.0	**60,358.9**	66,443.3	85,696.3
EBITDA (HKDm)	10,969.8	16,938.6	**20,407.0**	23,776.5	33,359.1
Reported NPAT (HKDm)	7,468.9	12,373.0	**11,671.0**	13,146.0	19,439.6
Reported EPS FD(HKD)	0.92	1.52	**1.43**	1.55	2.29
DB EPS FD (HKD)	0.92	1.52	**1.43**	1.55	2.29
DB EPS growth (%)	43.1	65.8	**-5.9**	8.4	47.9
PER (x)	16.6	10.4	**11.6**	10.7	7.2
Yield (net) (%)	1.3	1.7	**1.7**	1.8	1.9

Source: Deutsche Bank estimates, company data

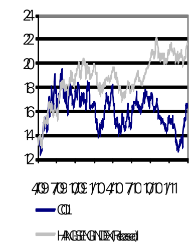
[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Breaking News

Buy

Price at 8 Apr 2011 (HKD)	**16.60**
Price target - 12mth (HKD)	**19.60**
52-week range (HKD)	**17.74 - 12.70**
HANG SENG INDEX	**24,396**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*21.0*	*7.1*	*-5.8*
HANG SENG INDEX	*2.9*	*3.0*	*11.6*

Stock data

Market cap (HKDm)	**135,606**
Market cap (USDm)	**17,458**
Shares outstanding (m)	**8,169.0**
Major shareholders	**China Overseas Holdings (53.2%)**
Free float (%)	**48**
Avg daily value traded (USDm)	**47.7**

Key indicators (FY1)

ROE (%)	**19.4**
Net debt/equity (%)	**33.5**
Book value/share (HKD)	**7.73**
Price/book (x)	**2.1**
Net interest cover (x)	**9.5**
Operating profit margin (%)	**33.7**

Asia China
Technology

11 Apr 2011 - 01:08:04 AM HKT

INDUSTRY ALERT

Industry Update

Technology

Access Asia: China TMT

Focus stocks

Baidu (BIDU.OQ),USD138.83 Buy, Price Target USD139.00

Ctrip (CTRP.OQ),USD41.65 Hold, Price Target USD43.00

Major 2011 Access Asia focus: China's dynamic internet sector . We are pleased to share with investors what we feel to be one of our strongest line-ups of China TMT corporates, consultants and luminaries in recent memory. Our 2nd Annual DB Access Asia Conference will be held at the Marina Bay Sands Resort & Casino in Singapore from 23 - 26 May 2011 (Monday - Thursday). The event will also feature keynotes from the likes of "The World's Greatest Living Explorer" Sir Ranulph Fiennes, and former National Security Advisor Zbigniew Brzezinski.

China TMT experts aplenty this year. We look forward to welcoming leaders across the China TMT space, including Vaishali Rastogi, BCG Partner and MD, who leads BCG's Asian Media and Telecoms practice. Ted Dean, President and Managing Director of leading China TMT consultancy BDA, will present his latest work. Nuno Goncalves-Pedro of McKinsey & Co, meanwhile intends to discuss the "Mobile Data Battlefield." Head of GfK China Andy Zhao will return this year to outline, among other things, the implications of the profusion of smartphones in China on mobile internet content and applications.

China's active internet IPO scene. We are also particularly pleased to have Chinese venture capital firm GSR Ventures' Managing Richard Lim presenting. Mr. Lim is likely to address innovation in online advertising, interactive entertainment (particularly mobile), e-commerce, and other areas. Richard serves on the boards of emerging private internet companies incl ad network AdChina, group-buying leader Lashou, intl ecommerce platform LightInTheBox, on-line search player Qunar, and others. Our internet program, Track #4, will largely be held on Monday, May 23rd.

Baidu, Ctrip, others presenting. Leading China internet names such as Baidu and Ctrip will be meeting with investors on a 1-on-1 and small group basis throughout the week.

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Asia Taiwan

Banking/Finance

08 Apr 2011 - 07:16:13 PM CST

COMPANY ALERT

Results

Cathay Financial

Hold

March results: another leg down

Reuters:2882.TW Exchange:TAI Ticker:2882

Price (TWD)	**47.55**
Price target (TWD)	**47.20**
52-week range (TWD)	**55.00 - 43.05**
Market cap (USDm)	**16,659**
Shares outstanding (m)	**10,154**
NPL/total loans (%)	**0.3**
Price/book (x)	**2.3**

FYE 12/31	2009A	2010E	2011E
Provisioning (TWDm)	0.0	-124.7	-12.2
Pre-prov profit (TWDm)	15,345	10,692	18,317
EPS (TWD)	1.14	0.98	1.51
PER (x)	40.6	48.4	31.5
Yield (net) (%)	1.1	1.1	1.7

Continuously dragged by the life insurance operations

In March, Cathay Financial reported a preliminary net loss of NT$0.76bn (-163% M/M), narrowing its 1Q11 net profit to NT$1.85bn. Flagship Cathay Life posted a net loss of NT$1.99bn (-965% M/M) in March, while Cathay United Bank witnessed a 28% M/M earnings expansion. The slowing momentum at both the parent and life insurance arm was attributed mainly to NTD appreciation (+1.1% against USD in March).

Suffering from hedging costs again; core insurance business intact, though

Cathay Life's sharp M/M earnings contraction was caused by higher hedging costs alongside ineffective proxy hedging amid strengthening NTD. On the other hand, product migration kept on, with first year premium equivalent (FYPE) growing 6% M/M in March and 30% Y/Y in 1Q11 thanks to increased high-margin exposure and growth in regular-paid FYP (+50% Y/Y in 1Q11).

Widening NIM, a larger book, sustained fees

Core banking revenue arrived as good as expected, evident by: 1) better-than-expected margin expansion (NIM up by around 10bps in 1Q11 upon our estimate) thanks to relatively lower funding cost; 2) corporate-driven loan growth (up 3% YTD in 1Q11, with corporate loans rising 5% YTD); 3) virtually zero credit cost; and 4) sustained fees (flat M/M).

Yet for a re-rating

We reiterate that earnings stability would remain a major concern for the insurance sector, through most of 2011, given NTD appreciation. We see little likelihood that earnings momentum will turn around in the near term, given continuously strengthened NTD (+1.45% against USD from April to date). Hold maintained on Cathay Financial.

Cathay FHC earnings snapshot

(NT$mn)	Jan-11	Feb-11	Mar-11	M/M	Y/Y	1Q11	Q/Q	Y/Y
Cathay Life Insurance	230	230	(1,990)	-965%	-124%	(1,530)	-170%	NM
Cathay United Bank	1,050	940	1,200	28%	15%	3,190	73%	25%
Cathay Financial	1,400	1,210	(760)	-163%	-430%	1,850	-54%	NM

Source: company data, Deutsche Bank

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Asia Taiwan
Technology Hardware & Equipment

08 Apr 2011 - 07:11:58 PM CST

COMPANY ALERT

Epistar

March sales inline; maintain Buy

Company Update

Buy

Reuters:2448.TW Exchange:TAI Ticker:2448

Price (TWD)	**109.00**
Price target (TWD)	**135.00**
52-week range (TWD)	**113.50 - 79.00**
Market cap (USDm)	**3,185**
Shares outstanding (m)	**847.5**
Net debt/equity (%)	**-19.9**
Book value/share (TWD)	**55.27**
Price/book (x)	**1.97**

FYE 12/31	2009A	2010E	2011E
Sales (TWDm)	12,849	20,888	25,931
Net Profit (TWDm)	1,871.5	5,744.1	5,935.8
DB EPS (TWD)	2.38	6.63	6.38
PER (x)	34.3	16.5	17.1
Yield (net) (%)	0.1	1.7	4.1

1Q11 sales on track

Epistar reported March parent sales of NT$1,698m (+25% MoM, +16% YoY) today. The company's 1Q11 parent sales came in NT$4,448m (-8% QoQ, +10% YoY). We think the March result is inline with our consolidated estimates of NT$4,719m. (Epistar's consolidated sales in 2010 was 6% higher than the parent sales). The company's March sales (+25% MoM) also echos our earlier takeway from DB's LED Corporate Day (see our April 1st note) that LED chip makers all guided strong chip demand for TV from March and should be positive on the sector sentiment. We expect sales in April will continue to grow MoM mainly driven by backlighting demand. We also expect 2Q11 sales of Taiwan LED companies will further grow driven by TV and tablet backlighting demand.

1Q11 margin is a trough; maintain Buy

In our March 18 note, we highlighted that the company's 1Q11 margin would be lower than the level of 4Q10 of 31% due to weak orders from TV customers, worse-than-expected ASP erosion, lower utilization, a worse product mix and chip spec transition in 1Q11. We expect Epistar's GM to trend up in 2Q11, thanks to better utilization in higher GM applications, improved production yield on new spec LED chips and a possibly lower sapphire substrate price. We think these are positives for Epistar's GM, given its better pricing power, cost structure and product mix. We maintain our positive thesis on Taiwan LED sector and suggest investors to accumulate the stock if any correction on stock price due to negative sentiment of 1Q11 GM result. Buy Epistar.

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Asia Taiwan
Technology Hardware & Equipment

08 Apr 2011 - 07:30:30 PM CST

COMPANY ALERT

Foxconn Technology

Better than expected March sales; maintain Buy

Company Update

Buy

Reuters:2354.TW Exchange:TAI Ticker:2354

Price (TWD)	**116.00**
Price target (TWD)	**130.00**
52-week range (TWD)	**136.00 - 91.70**
Market cap (USDm)	**4,451**
Shares outstanding (m)	**1,113.0**
Net debt/equity (%)	**-21.1**
Book value/share (TWD)	**46.91**
Price/book (x)	**2.47**

FYE 12/31	**2009A**	**2010E**	**2011E**
Sales (TWDm)	155,060	137,580	145,978
Net Profit (TWDm)	6,262.4	7,208.0	9,548.0
DB EPS (TWD)	6.17	6.48	8.58
PER (x)	15.3	17.9	13.5
Yield (net) (%)	0.8	2.0	2.6

0etter 1Q11 sales

FTC (2354.TT) reported March consolidated sales of NT$15.8bn (+46% MoM, +19% YoY) today. The company's 1Q11 sales were NT$36bn (-13% QoQ, +19% YoY), which was 6% higher than DB estimates of NT$33.9bn and 4% higher than consensus estimates of NT$34.6bn. We attribute the better than expected sales to strong iPad 2 and 3DS demand. Nintendo sold 303,000 3DS units across Europe and 113,000 units in the UK during the first two days. This number exceeded the UK launch for Wii and DS, which moved 87,000 units and 105,000 units during the period.

We foresee 4Q10 earnings upside

FTC's 4Q10 consolidated sales was of NT$41bn (+25% QoQ). For light metal sales - the highest GM among FTC's business portfolio - we estimate an increase of more than 30% QoQ (vs. +10-15% in the past three years), thanks to robust demand from Apple's iPhone, iPad and MacBook. We expect 4Q10 earnings upside to our estimates based on the strong light metal casing sales when FTC should report 4Q10 results by end of April.

Maintain buy and postive thesis on FTC

We maintain our positive view and believe FTC will continue to enjoy surging sales on the rise of tablets and smartphone. With Apple's strong product pipeline, we believe FTC will continue to ride on Apple's dominance in the smartphone and tablet markets in 2011.

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Banking/Finance

08 Apr 2011 - 07:00:31 PM CST

COMPANY ALERT

Fubon Financial

Mar-2011 results: dragged down by rising NTD; all else fine

Results

Buy

Reuters:2881.TW Exchange:TAI Ticker:2881

Price (TWD)	**39.50**
Price target (TWD)	**48.30**
52-week range (TWD)	**41.35 - 34.35**
Market cap (USDm)	**11,352**
Shares outstanding (m)	**8,560**
NPL/total loans (%)	**0.3**
Price/book (x)	**1.5**

FYE 12/31	2009A	2010E	2011E
Provisioning (TWDm)	4,312.8	454.9	401.0
Pre-prov profit (TWDm)	26,862	26,616	31,727
EPS (TWD)	2.52	2.94	3.32
PER (x)	12.0	13.4	11.9
Yield (net) (%)	6.6	4.8	5.5

M/M earnings contraction in line with expectation

Fubon Financial reported preliminary March net profit of NT$1.68bn (-52% M/M). 1Q11 net profit reached NT$10.27bn (+72% Y/Y), representing 36% of our full-year forecast. Among subsidiaries, Taipei Fubon Bank reported March net profit of NT$906mn (+29% M/M, +5% Y/Y) which contributed 54% of the parent's bottom line. Fubon Life, however, witnessed an 86% M/M earnings drop in the month.

Decent PPOP; minimal credit cost

The banking arm witnessed continued expansion in both net interest income and fees, leading pre-provision operating profit (PPOP) to grow 58% M/M in March and 10% Y/Y in 1Q11. Asset quality is the least worrisome, with the NPL ratio sliding to 0.22% at end-March. As opposed to a write-back of NT$129mn in Feb, loan loss provisions amounted to NT$39mn in March, translating into annualized credit cost of merely 5bps.

Strong NTD hurt; FYP tapering due to product mix adjustment

The sharp earnings drop at the life insurance arm was attributed to: 1) less realized investment gains: and 2) higher hedging costs due to NTD appreciation (+1.14% in March). Despite slowing momentum in first year premium (FYP, down 42% Y/Y in March and 25% Y/Y in 1Q11) due to termination of selling interest-sensitive products, underwriting essentially remained sound thanks to increased exposure to traditional policies. All told, the insurer's 1Q11 net profit grew 102% Y/Y.

Investment thesis unchanged

With better-than-expected YTD earnings progress, we remain positive about Fubon Financial's fundamental outlook, given its diversified business model which we believe should help weather different cycles. Currently at 1.4x 2011E P/BV, the shares could see further upside supported by the above-peer momentum. Buy maintained (12-m TP: NT$48.3).

Fubon FHC earnings snapshot

(NT$mn)	Jan-11	Feb-11	Mar-11	M/M	Y/Y	1Q11	Q/Q	Y/Y
Taipei Fubon Bank	1,206	704	906	29%	5%	2,816	474%	49%
Fubon Life Insurance	2,918	2,141	299	-86%	7%	5,358	117%	102%
Fubon Financial	5,102	3,488	1,679	-52%	3%	10,269	207%	72%

Source: company data, Deutsche Bank

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08 Apr 2011 - 11:13:55 AM CST

COMPANY ALERT

Company Update

MediaTek

Sell

Mar sales slightly above forecast, 1Q11 hit guidance low-end

Reuters:2454.TW Exchange:TAI Ticker:2454

Price (TWD)	**351.00**
Price target (TWD)	**233.00**
52-week range (TWD)	**579.00 - 318.50**
Market cap (USDm)	**13,321**
Shares outstanding (m)	**1,087.8**
Net debt/equity (%)	**-77.1**
Book value/share (TWD)	**104.35**
Price/book (x)	**3.4**

FYE 12/31	2009A	2010E	2011E
Sales (TWDm)	115,512	113,522	98,257
Net Profit (TWDm)	36,685.3	30,940.5	17,069.2
DB EPS (TWD)	34.01	28.44	15.52
PER (x)	12.1	12.3	22.6
Yield (net) (%)	6.3	7.4	6.1

(in NT$m)		Mar (A)	Accu. 1Q11A
Net sales	m	7,806	19,867
MoM/QoQ	%	72.2	(12.4)
YoY	%	(30.4)	(39.3)

Source: Deutsche Bank

Event: MediaTek reported March sales today.

Mar sales vs. DBe

(1) Mar sales up 72.2% MoM to NT$7.81bn, higher than our latest expectation of NT$7.5bn.
(2) Mar sales down 30.4% YoY % vs. Feb's down 42.5% YoY.
(3) Actual 1Q11 sales down 12.4% QoQ and down 39.3% YoY vs. DB f/c 1Q11 sales of down 13.1% QoQ vs. guided of down 7~14% QoQ.
(4) MediaTek considers its 1Q11 GM should be in the range of its guidance of 45-47% [vs. DBe of 46%].
(5) Visibility for 2Q11 is not much. We now feel MediaTek's sequential growth in 2Q11 may be just mild and we thus consider our forecast of NT $23.3bn (+17% QoQ) may not be a low handing fruit. Our checks with industry people suggested that 2Q11 should be still a low season for handset production in China.
(6) Our channel checks indicated that MediaTek's new SOC MT 6252 has been well received by customers so far. This product is priced at around the range of MT6253 (the previous generation), but it can save US$0.5-0.6 BOM cost for customers as MediaTek integrates some peripheral functions into the SOC. We see its MT6252 as a positive addition to its product portfolio. However, we think it plays a defensive role rather than helping MediaTek gain much market share back. We think how Spreadtrum's SC6610, the competing product on MT6252, is to be taken by customers later this quarter would be important to shape the competition landscape in the next two quarters.

DB research view on MediaTek

We think MediaTek's operation is stabilized lately. With its meeting the low-end of the 1Q11 sales guidance range, we think MediaTek's share price may not correct significantly in the near-term (the next watch point would be its reporting of 1Q11 results and 2Q11 guidance in late April or early May). We maintain our view that high-end product contribution this year should remain insignificant and it is too early to paint a rosy picture for 2012. We would suggest waiting for more concrete signals to turn positive. As its shares are traded at over 20x FY11-12 EPS, we think the valuation is expensive.

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08 Apr 2011 - 04:15:27 PM CST

COMPANY ALERT

MStar Semiconductor

March sales stronger than expected, positive on 2Q11

Company Update

Hold

Reuters:3697.TW Exchange:TAI Ticker:3697

Price (TWD)	**261.00**
Price target (TWD)	**243.00**
52-week range (TWD)	**330.00 - 209.00**
Market cap (USDm)	**4,362**
Shares outstanding (m)	**456.4**
Net debt/equity (%)	**-73.4**
Book value/share (TWD)	**72.23**
Price/book (x)	**3.6**

FYE 12/31	2009A	2010E	2011E
Sales (TWDm)	27,712	33,662	40,006
Net Profit (TWDm)	4,815.4	6,524.3	7,357.6
DB EPS (TWD)	14.10	14.30	15.19
PER (x)	–	18.3	17.2
Yield (net) (%)	–	1.1	3.4

Event: MStar reported March sales today.

Mar sales vs. DBe (1) Mar sales up 34.7% MoM to NT$3.20bn, 6.7% ahead of DB f/c of NT$3bn. (2) Mar sales up 0.2% YoY % vs. Feb's down 5.7% YoY. (3) Actual 1Q11 sales up 0.1% QoQ (down 2.0% YoY) vs. DB f/c 1Q11 sales of down 2.3% QoQ vs. guided of down 5.2% to flat ppt QoQ in the TWD term at FX rate of 29 (NT$7.77-8.24bn). (4) The 1Q11 sales were to the high-end of its guidance. We see upside to our 1Q11 earnings forecast of NT$1.45bn (EPS: NT$2.99) (5) MStar is positive on its near-term outlook and expects sequential sales growth in 2Q11.

DB research view on MStar We consider investors confidence in MStar is gradually increasing through its well prepared presentation delivered in its 4Q10 investor conference, recent treasury share buyback, and reaching the high-end of its 1Q11 sales guidance. We think MStar's shares look reasonably priced currently and will review our model after 1Q11 investor conference. Hold maintained.

(in NT$)		Jan. (A)	Feb. (A)	Mar. (A)	Accu. 1Q11A	Achieve %	DB 1Q11E
Net sales	m	2,631	2,375	3,198	8,204	102.5%	8,004
MoM/QoQ	%	17.7	(9.7)	34.7	0.1		
YoY	%	(1.3)	(5.7)	0.2	(2.0)		

Source: Deutsche Bank

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08 Apr 2011 - 12:24:17 PM CST

COMPANY ALERT

Company Update

Orise Technology

Buy

1Q11 sales below expectation, momentum building up in 2Q11

Reuters:3545.TW Exchange:TAI Ticker:3545

Price (TWD)	**60.20**
Price target (TWD)	**72.00**
52-week range (TWD)	**76.20 - 44.70**
Market cap (USDm)	**284**
Shares outstanding (m)	**135.6**
Net debt/equity (%)	**-48.7**
Book value/share (TWD)	**20.23**
Price/book (x)	**3.0**

FYE 12/31	2009A	2010E	2011E
Sales (TWDm)	4,454	5,572	6,532
Net Profit (TWDm)	299.4	484.8	580.4
DB EPS (TWD)	2.25	3.56	4.25
PER (x)	21.7	16.9	14.2
Yield (net) (%)	2.4	3.1	4.6

Event: Orise reported March sales today

Mar sales vs. DBe (1) Mar sales up 23.5% MoM to NT$415mn, in line with our latest expectation of NT$410-420mn. (2) Mar sales down 7.0% YoY vs. Feb's up 1.8% YoY. (3) Accumulated 1Q11 sales came in at NT$1.17bn, down 11.5% QoQ (down 3.5% YoY) vs. DB f/c 1Q sales down 7.7% QoQ. The shortfall was mainly due to the absence of orders from Nokia as this client scrapped its project of the most high-end product N9 (MeeGo-based) after deciding to focus on Windows phone. (4) We see downside to our 1Q11 earnings forecast of NT$72m (EPS: NT$0.53) on lower-than-expected sales and GMs. Orise expects GM to improve in 2Q11 on better sales mix (more contribution from higher-margin smart phone driver ICs). (5) Orise expects monthly sales to grow sequentially in 2Q11, with stronger momentum starting from May as it begins to ship to HTC and RIM. This is in line with our expectation.

DB research view on Orise Despite Orise's 1Q11 business was weaker than our expectation, we consider its outlook remains healthy. We suggest accumulating its shares now before its momentum picks up.

(in NT$)		Jan. (A)	Feb. (A)	Mar. (A)	Accu. 1Q11A	Achieve %	DB 1Q11E
Net sales	m	416	336	415	1,168	95.9%	1,218
MoM/QoQ	%	11.1	(19.1)	23.5	(11.5)		
YoY	%	(4.0)	1.8	(7.0)	(3.5)		

Source: Deutsche Bank, Company Data

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8 April 2011

Taiwan Financials Pulse

Monthly earnings; government-driven M&As

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What to watch for next?
We appreciate the government's intention to lead financial consolidations but are unexcited about such moves, which have rarely seen happy endings in the past. Uncertainties are also looming along with the upcoming presidential election. For now, fundamentals are more critical than catalyst-driven rallies, in our view. We prefer banks to insurers due to the former's sustained earnings momentum. Fubon FHC and Chinatrust FHC remain our top picks.

What happened during 4 April – 8 April?
This week, the banking index (TWSEBKI) ended 1.1% higher, versus the main board (TWSE) which increased by 2.2%. The financial sector underperformed the main board due mainly to sector rotation into the non-tech/non-bank areas, in our view. Currently, Taiwan's financial shares trade at 1.3x P/BV and 13.2x P/PPOP.

- FSC plans to impose a ceiling on Taiwan banks' lending and investment in China
- FSC watches closely banks' real estate lending
- China plans to loosen investment restrictions for foreign insurers
- Mega Financial is likely to acquire Chang Hwa Bank
- Fubon Financial plans to delist Fubon Bank (Hong Kong) on 8 June
- China Life (TW) was approved by CIRC for its JV acquisition of Pacific-Antai Life
- FSC offers several options to retain Aviva PLC
- Monthly earnings……

Figure 1: Deutsche Bank Taiwan financial services coverage universe

Company	Ticker	Price (NT$)	TP (NT$)	11E P/B (x)	11E P/E (x)	11E ROE (%)
Fubon FHC	2881.TW	39.50	48.30	1.4	11.9	12.0
Cathay FHC	2882.TW	47.55	47.20	2.3	31.5	7.3
Yuanta FHC	2885.TW	21.40	20.10	1.5	21.3	7.0
Mega FHC	2886.TW	23.45	22.60	1.2	14.0	9.0
Taishin FHC	2887.TW	16.95	15.40	1.2	11.8	10.5
Shin Kong FHC	2888.TW	12.50	12.40	1.2	24.8	4.9
SinoPac FHC	2890.TW	13.90	12.30	1.1	18.6	5.9
Chinatrust FHC	2891.TW	24.80	26.30	1.6	14.7	12.2
First FHC	2892.TW	25.20	25.50	1.4	16.3	9.0

Source: Bloomberg Finance LP, Deutsche Bank estimates. Price as at 8 April 2011

Industry Update

Top picks

Fubon Financial (2881.TW),TWD39.60	Buy
Chinatrust Financial (2891.TW),TWD24.85	Buy

Companies featured

	2009A	2010E	2011E
Fubon Financial (2881.TW),TWD39.60			**Buy**
	2009A	2010E	2011E
P/E (x)	12.0	13.5	11.9
Div yield (%)	6.6	6.3	7.1
Price/book (x)	1.5	1.5	1.4
Cathay Financial (2882.TW),TWD48.00			**Hold**
	2009A	2010E	2011E
P/E (x)	40.6	48.8	31.7
Div yield (%)	1.1	1.1	1.7
Price/book (x)	2.7	2.3	2.3
Yuanta Financial (2885.TW),TWD21.30			**Hold**
	2009A	2010E	2011E
P/E (x)	22.6	23.3	21.2
Div yield (%)	4.5	3.2	3.5
Price/book (x)	1.7	1.5	1.5
Mega Financial (2886.TW),TWD23.60			**Hold**
	2009A	2010E	2011E
P/E (x)	12.0	16.9	14.1
Div yield (%)	6.4	4.1	5.0
Price/book (x)	1.0	1.3	1.2
Taishin Financial (2887.TW),TWD16.75			**Hold**
	2009A	2010E	2011E
P/E (x)	9.0	11.9	11.7
Div yield (%)	0.0	3.4	3.4
Price/book (x)	1.0	1.3	1.2
Shin Kong Financial (2888.TW),TWD12.70			**Hold**
	2009A	2010E	2011E
P/E (x)	82.7	61.7	27.0
Div yield (%)	0.0	0.8	1.9
Price/book (x)	1.1	1.3	1.3
Sinopac Financial (2890.TW),TWD13.70			**Hold**
	2009A	2010E	2011E
P/E (x)	76.8	18.9	18.4
Div yield (%)	1.3	2.1	2.2
Price/book (x)	1.1	1.1	1.1
Chinatrust Financial (2891.TW),TWD24.85			**Buy**
	2009A	2010E	2011E
P/E (x)	118.7	17.0	14.7
Div yield (%)	0.0	1.7	2.0
Price/book (x)	1.6	1.9	1.7
First Financial (2892.TW),TWD25.30			**Hold**
	2009A	2010E	2011E
P/E (x)	41.1	23.0	16.4
Div yield (%)	2.8	2.6	3.7
Price/book (x)	1.2	1.5	1.4

Related recent research | **Date**

Mega Financial – Share upside capped; maintaining Hold
Nora Hou 08 Apr 2011

Upcoming events | **Date**

Financial Track Group Presentations, DB Access Asia Conference
Singapore 23-25 May 2011

Asia Taiwan
Technology Semiconductor & Semiconductor Equipment

8 April 2011

TSMC

Reuters: **2330.TW** Bloomberg: **2330 TT** Exchange: **TAI** Ticker: **2330**

Near-term supply issues should provide entry points

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Company Update

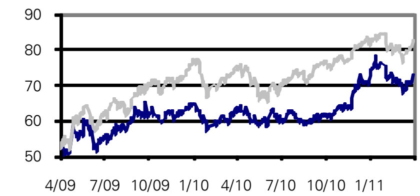
Buy

Price at 8 Apr 2011 (TWD)	**72.90**
Price target - 12mth (TWD)	**84.00**
52-week range (TWD)	**78.00 - 58.40**
TWSE	**8,895**

Key changes

Sales (FYE)	466,572 to 448,497 ↓	**-3.9%**
Op prof margin (FYE)	37.4 to 36.9 ↓	**-1.2%**
Net profit (FYE)	164,003.8 to 155,814.7 ↓	**-5.0%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*2.0*	*0.6*	*17.0*
TWSE	*1.7*	*1.3*	*10.4*

Stock data

Market cap (TWDm)	**1,889,349**
Market cap (USDm)	**65,187**
Shares outstanding (m)	**25,917.0**
Major shareholders	**Natl. Development Fund (6.38%)**
Free float (%)	**80**
Avg daily value traded (USDm)	**159.5**

Key indicators (FY1)

ROE (%)	**25.2**
Net debt/equity (%)	**-9.3**
Book value/share (TWD)	**25.4**
Price/book (x)	**2.9**
Net interest cover (x)	**–**
Operating profit margin (%)	**36.9**

EPS consensus

Year	2011E	2012E	2013E
EPS consensus (NT$)	6.21	6.67	6.86
Deutsche Bank EPS (NT$)	6.01	7.30	8.08
DB over consensus	-3%	9%	18%

Supply bottlenecks should ease from 3Q11
As we highlighted in our previous note, customers are pushing orders out, from 2Q11 to 2H11. This may lead to downside risks for 2Q11, but some upside surprise for 2H11. We stay positive that TSMC should benefit from strong demand for application processors in mobile devices, customers' accelerated shift to 45/40nm for mid/low-end smartphone chips, and AMD's market share gain in APU/CPU. We view near-term headwinds as buying opportunities.

1Q11 sales on track
Sales fell 4% QoQ in 1Q11, in line with our estimate and consensus and the guided 3-5% QoQ decline. We expect gross margin to dip to 48.4% in 1Q11 from 49.8%, due to currency appreciation, in line with the guided 47.0-49.0%. We forecast EPS to reach NT$1.40 in 1Q11, slightly below the consensus estimate of NT$1.44.

Weaker 2Q11; stronger 2H11
We now expect sales to fall 2% QoQ in 2Q11, vs. our previous estimate of 5% growth. Customers are shifting orders from 2Q11 to 2H11 in light of the component shortage of BT Resin and copper foil. We anticipate sales growing 8% QoQ in 3Q11 and 15% QoQ in 4Q11.

2012-13 growth outlook intact
We revise down our 2011 EPS forecast by 5% to NT$6.01, but maintain our 2012-13 EPS forecast. We believe the company's increased dominance in 45/40nm and 28nm and its enriched product/customer profile should help it deliver more sustainable margins and a ROE of 25-26% in 2012-13, higher than the levels seen in previous up-cycles. Our target price is based on 3.0x 2011-12E PB is derived by the Gordon Growth Model using the following assumptions: 23% long-term ROE, 9.3% cost of equity, and 2.5% long-term industry revenue growth rate. This is roughly in line with the 2004-10 average of 2.9x. Our analysis shows a favorable risk/reward (including a 2011E dividend yield of 4.1%) of 13% downside risk (a valuation of NT$60; a 2011-12 average utilization of 84%), versus 29% prospective upside (a valuation of NT$91; a 2011-12 average utilization of 108%). Downside risks: slower 28nm ramp-up, weaker end-demand and currency trends.

Forecasts and ratios

Year End Dec 31	2009A	2010A	**2011E**	2012E	2013E
Net Income (TWDm)	89,219	161,610	**155,815**	189,215	209,459
Reported EPS FD(TWD)	3.44	6.24	**6.01**	7.30	8.08
DB EPS FD(TWD)	3.44	6.24	**6.01**	7.30	8.08
DB EPS growth (%)	-10.3	81.1	**-3.6**	21.4	10.7
PER (x)	16.1	9.9	**12.1**	10.0	9.0
Price/BV (x)	3.4	3.2	**2.9**	2.5	2.1
DPS (net) (TWD)	3.00	3.00	**3.00**	3.00	3.00
Yield (net) (%)	5.4	4.8	**4.1**	4.1	4.1
ROE (%)	18.4	30.1	**25.2**	26.5	25.1

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Asia Taiwan

Technology Semiconductor & Semiconductor Equipment

8 April 2011

United Microelectronics

Reuters: **2303.TW** Bloomberg: **2303 TT** Exchange: **TAI** Ticker: **2303**

Maintaining Hold on fair risk/reward

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Supply issues should be short-lived

We cut our 2011 EPS forecast by 7% to NT$1.48 to factor in near-term supply chain disruption in 2Q11. We believe 2H11 should see a sales momentum recovery, driven by demand for smartphones, tablet PCs, low-end notebook/netbook, and cloud-related applications. We retain our Hold rating as we view the stock as fairly valued.

1Q11 momentum met our estimate

Sales fell 10% QoQ in 1Q11, in line with our and consensus estimates of a 9-10% QoQ decline. We expect gross margin to drop to 27.5% in 1Q11 from 32.1% in 4Q10 due to currency appreciation and a lower utilization rate. We forecast EPS to reach NT$0.34 in 1Q11, in line with the consensus estimate of NT$0.33.

Muted 2Q11; momentum should resume in 2H11

We now expect sales to fall 5% QoQ vs. our previous estimate of 10% QoQ growth. This stems from customers' order shift from 2Q11 to 2H11. We expect gross margin to fall to 25.3% in 2Q11 from 27.5% in 1Q11 in light of continued NTD appreciation vs. USD and a lower utilization rate (82% in 2Q11E vs. 88% in 1Q11E). We forecast sales growth of 6% QoQ in 3Q11 and 13% in 4Q11.

Valuation and risks

Our target price of NT$16 is based on 0.9x 2011-12E average P/B, which is in line with the 2006-09 trough average. This reflects our concerns about the company's long-term growth prospects in light of its challenging outlook for advanced nodes (45/40nm and 28nm). Up/downside risks include the pace of 45/40nm ramp, the magnitude of wafer price decline, stronger/weaker demand, and the magnitude of NTD appreciation vs. USD.

Forecasts and ratios

Year End Dec 31	2009A	2010A	2011E	2012E	2013E
Sales (TWDm)	88,618	120,431	**115,155**	117,163	118,720
DB EPS FD(TWD)	0.31	1.91	**1.48**	1.30	1.31
OLD DB EPS FD(TWD)	0.31	1.91	**1.60**	1.30	1.31
% Change	0.0%	0.0%	**-7.4%**	0.2%	0.2%
DB EPS growth (%)	–	517.3	**-22.7**	-12.0	0.8
Price/BV (x)	1.0	0.9	**0.9**	0.8	0.8
EV/EBITDA (x)	3.5	3.1	**3.8**	4.0	3.7
DPS (net) (TWD)	0.50	1.12	**0.85**	0.70	0.70
Yield (net) (%)	3.9	7.4	**5.4**	4.5	4.5
ROE (%)	1.9	11.0	**8.3**	7.2	7.0

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Company Update

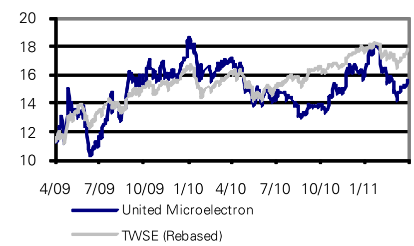
Hold

Price at 8 Apr 2011 (TWD)	**15.60**
Price target - 12mth (TWD)	**16.00**
52-week range (TWD)	**18.10 - 12.95**
TWSE	**8,895**

Key changes

Sales (FYE)	123,627 to 115,155	↓	**-6.9%**
Op prof margin (FYE)	16.8 to 16.7	↓	**-1.0%**
Net profit (FYE)	19,890.1 to 18,420.0	↓	**-7.4%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*0.6*	*-1.9*	*-8.5*
TWSE	*1.7*	*1.3*	*10.4*

Stock data

Market cap (TWDm)	**194,938**
Market cap (USDm)	**6,726**
Shares outstanding (m)	**12,496.0**
Major shareholders	**Hsun Chieh Investment (3.5%)**
Free float (%)	**85**
Avg daily value traded (USDm)	**39.7**

Key indicators (FY1)

ROE (%)	**8.3**
Net debt/equity (%)	**2.1**
Book value/share (TWD)	**18.0**
Price/book (x)	**0.9**
Net interest cover (x)	**–**
Operating profit margin (%)	**16.7**

EPS consensus

Year	2011E	2012E
EPS consensus (NT$)	1.67	1.72
Deutsche Bank EPS (NT$)	1.48	1.30
DB over consensus	-11%	-24%

Asia Korea, Republic of
Consumer Food & Beverage

8 April 2011

Hite Brewery

Reuters: **103150.KS** Bloomberg: **103150 KP** Exchange: **KSC** Ticker: **103150**

Operating synergy with Jinro to be maximized

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Maintaining our Buy on operating synergies from merger

We are maintaining our Buy on Hite Brewery, as we see 30% upside potential to our target price. We believe Jinro's merger with Hite Brewery will enable both to achieve operating synergies more effectively, as they plan to consolidate their sales forces to utilize each entity's regional strengths; Hite Brewery is strong in the Southern part of Korea whilst Jinro is dominant in Seoul & Gyeonggi province. In terms of Hite Brewery's own earnings, we are confident that momentum will start to return from 2H11 with a market share recovery and price hike.

Hite Brewery and Jinro to merge as of 1 September

Hite Brewery announced that Jinro (000080.KS, not rated) will merge with Hite Brewery as of 1 September in order to maximize operating synergies, after the lifting of the anti-trust regulation in February 2011. Both companies are currently under HIte Holdings (000140.KS). The merger ratio between Jinro and Hite Brewery will be 1:3.0303911 for both common and pref shares. The company will hold an IR meeting on 26 April to offer more detail on the merger.

Better structure for both entities to achieve synergies

In our view, the merger will have a positive impact on both companies' operations and earnings. First, as the FTC's ban on joint marketing was lifted in February, the company was preparing to set up a joint-marketing effort for both its wholesale and retail networks. We believe the merger will facilitate joint marketing endeavors, as the company will now act as one company, and will not be subject to the minor regulations that can hinder such efforts. Second, we expect the merger to cut out redundant costs from overlapping resources such as sales forces, headquarters and other costs that came from operating as two separate companies.

Retaining our target price of W150,000

We maintain our target price for Hite Brewery at W150,000. Our target price is based on 16x 2011E P/E, which is the average for global peers. Key risks: 1) harsher competition from Oriental Brewery; and 2) potential increases in SG&A costs, due to new product launch costs.

Forecasts and ratios

Year End Dec 31	2008A	2009A	**2010E**	2011E	2012E
Sales (KRWbn)	1,027	1,018	**1,021**	1,071	1,142
Reported NPAT (KRWbn)	134.2	99.2	**70.5**	87.8	109.0
DB EPS FD (KRW)	14,282	10,774	**6,911**	9,367	11,638
DB EPS growth (%)	–	-24.6	**-35.9**	35.5	24.2
PER (x)	13.6	14.7	**16.7**	12.3	9.9
EV/EBITDA (x)	10.2	9.4	**9.8**	8.7	7.9
DPS (net) (KRW)	2,500	2,750	**3,000**	3,250	3,500

Source: Deutsche Bank estimates, company data

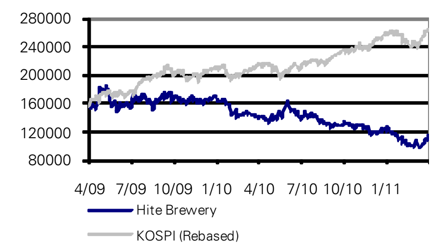
[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Breaking News

Buy

Price at 7 Apr 2011 (KRW)	**115,500**
Price target - 12mth (KRW)	**150,000**
52-week range (KRW)	**162,000 - 98,000**
KOSPI	**2,122.14**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*17.9*	*-8.3*	*-18.1*
KOSPI	*7.2*	*1.7*	*22.9*

Stock data

Market cap (KRWbn)	**1,082**
Market cap (USDm)	**994**
Shares outstanding (m)	**9.4**
Major shareholders	**Park, Munduk (18.5%)**
Free float (%)	**66**
Avg daily value traded (USDm)	**1.773**

Key indicators (FY1)

ROE (%)	**9.0**
Net debt/equity (%)	**138.7**
Book value/share (KRW)	**78,329**
Price/book (x)	**1.47**
Net interest cover (x)	**2.9**
Operating profit margin (%)	**13.6**

Asia ASEAN Singapore

Property

10 Apr 2011 - 02:21:47 PM GMT

COMPANY ALERT

Company Update

City Developments

Sell

Changing partners

Reuters:CTDM.SI Exchange:SES Ticker:CTDM

Price (SGD)	**11.76**
Price target (SGD)	**10.67**
52-week range (SGD)	**13.70 - 10.08**
Market cap (USDm)	**8,507**
Shares outstanding (m)	**909.3**
Net debt/equity (%)	**23.0**
Book value/share (SGD)	**7.66**
Price/book (x)	**1.5**

FYE 12/31	2010A	2011E	2012E
Sales (SGDm)	3,129	3,436	3,616
Net Profit (SGDm)	749.0	685.3	691.2
DB EPS (SGD)	0.65	0.72	0.72
PER (x)	17.9	16.4	16.2
Yield (net) (%)	1.6	1.1	1.1

Partnership structure for South Beach streamlined. CDL announced that the acquisition of Dubai World's 1/3 stake in South Beach has been completed for a cash consideration of S$155m (c. 5% disc) after having received notice of its intention to sell in Feb (this brings CDL's stake to 2/3). IOI Corp has also completed the acquisition of Elad's 1/3 stake on 1 April for approximately S$174m (c.7% premium). Following this, CDL and IOI have entered into a restructuring agreement whereby IOI will take a 49.9% stake with CDL holding the majority 50.1%.

Further funding required. Both CDL and IOI may be required to provide further funding of around S$500m each to redeem the existing mezzanine notes (S$400m convertible notes were issued to refinance the initial bridge loan in which 49% was taken by CDL and the remaining sold to 3 other parties including Nan Fung), working capital requirements and/or for the construction. They are also in the process of securing a new S$1.6bn financing facility to be provided by the existing consortium of banks which previously extended a S$800m facility in Jun 09. Based on the provisional permission granted by URA, the project will have 171 apartments, 560 hotel rooms, 632,164sf and 158,014sf of office and retail GFA respectively. We estimate total development cost of around S$2,460m.

Project ready to proceed; ample balance sheet capacity. The resolution of the shareholding structure should help kickstart the project which has been delayed since 2007 (it was initially scheduled to be completed in 2012 but will now be completed in 2015 with construction to commence this year). CDL has ample balance sheet capacity to meet further funding requirements with around S$1bn in divestments over the past year and net gearing of 29% (20% including fair value gains). With no material change to the land cost post-restructuring, the transaction is not expected to alter the economics of the project. The consolidation of this project does however increase CDL's net gearing, with pro-forma 4Q10 net gearing of 43% or 31% including fair value gains.

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Asia ASEAN Singapore

Conglomerates

08 Apr 2011 - 09:52:41 AM GMT

COMPANY ALERT

Keppel Corp Ltd

Dyna-Mac corporate briefing takeaways

Company Update

Buy

Reuters:KPLM.SI Exchange:SES Ticker:KPLM

Price (SGD)	**12.68**
Price target (SGD)	**14.20**
52-week range (SGD)	**12.78 - 8.37**
Market cap (USDm)	**16,022**
Shares outstanding (m)	**1,599.3**
Net debt/equity (%)	**-13.6**
Book value/share (SGD)	**4.36**
Price/book (x)	**2.9**

FYE 12/31	**2010A**	**2011E**	**2012E**
Sales (SGDm)	9,783	10,782	12,210
Net Profit (SGDm)	1,623.0	1,432.3	1,512.4
DB EPS (SGD)	0.88	0.89	0.94
PER (x)	10.5	14.3	13.5
Yield (net) (%)	4.5	3.5	3.7

In early Mar-11, KEP announced that it had acquired a 27.77% stake (250m shares) in Dyna-Mac (DMHL SP, Not rated, S$0.64) via an equity placement, resulting in DMHL becoming an associate company. KEP's total investment of S$87.5m was based on the invitation price of S$0.35/sh. DMHL was listed on the Singapore Exchange on 2 Mar-11.

At their recent results briefing, DMHL highlighted that 3QFY11 net income grew 11% yoy to S$7.2m. Excluding variation orders which benefited 3Q11, their gross margin of about 23-24% is similar to FY09 and FY10 levels. Post listing, gearing has declined from 0.71x in FY10 to 0.15x as at 9M11. Management appears optimistic on prospects following higher oil prices and the resumption of drilling in the Gulf of Mexico. The group has seen increased levels of customer enquiries and has raised their tender bid participation. The order book as at 28 Feb 2011 is S$90m and the group currently has a total tender book (in the bidding process) of about S$1.4b. They are planning to upgrade/expand their existing yard facilities and extend their presence overseas in Brazil and China.

DMHL has strong relationships with four of the largest FPSO leasing companies in the world SBM, Modec, Prosafe, and BW Offshore (together they account for 49% of the world's fleet of 85 vessels for lease). Out of SBM's fleet of 15 FPSOs, 13 of them have Dyna-Mac topsides; Modec (5 out of 13); Prosafe (2 of 8); BW Offshore (1 of 6). According to International Maritime Associates, depending on the oil price, the industry could see orders of between 120 and 185 units of FPSOs/FSOs over the next five years. In the near term, there are 37 out of 52 projects in the bidding/final stage potentially requiring FPSO/FSO (any major hardware contracts likely awarded within 12-24 mths), with another 144 projects currently planned or under study.

DMHL's collaboration agreement with KEP in the module business allows them to tap into KEP's wider network and contacts, numerous affiliated yard facilities in different parts of the world, and expertise in related fields. The group plans to expand in China and Brazil, and estimates the total cost of setting up operations there to be about S$20m (to be funded from their IPO proceeds). Dyna-Mac is also looking to potentially expand in Batam, Indonesia. In China, they entered into a MOU with JV partner Guangzhou Dockyards, and in Jan-11, jointly tendered for 2 projects in the PRC.

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Deutsche Bank Group

Asia ASEAN Singapore

Property

10 Apr 2011 - 09:58:52 AM GMT

INDUSTRY ALERT

Industry Update

Property

Small units; big demand

Focus stocks

Allgreen Properties (AGRN.SI),SGD1.12 Hold, Price Target SGD1.12

City Developments (CTDM.SI),SGD11.76 Sell, Price Target SGD10.67

Wing Tai Hldgs (WTHS.SI),SGD1.60 Hold, Price Target SGD1.81

Keppel Land (KLAN.SI),SGD4.53 Buy, Price Target SGD5.08

CapitaLand Ltd (CATL.SI),SGD3.50 Buy, Price Target SGD4.87

We met Mr Ching Chiat Kwong, Executive Chairman and CEO of Oxley Holdings. Oxley is a niche property developer specialising in residential cum commercial projects and is credited for popularising small-format "shoebox" units. Mgmt highlighted 3 key industry trends:

Catering to changing demographics. Prior to listing Oxley end last year, Mr Ching had undertaken 12 projects in SG such as Parc Sophia and Robertson Edge with the first project launched in 2007 with sizes around 400sf. Noting the robust demand due to the relative affordability, units were downsized further in some cases to <300sf with more sites acquired (URA regulations subsequently specify a min size of 380sf). All launches have seen strong take-up with the latest launch of Devonshire Residences (84 units) 71% sold at c.S$2,400psf. Buyer profile comprises single working professionals (in their 30's) and the elderly looking for lifestyle and amenities with a significant proportion buying for owner-occupation. A few projects have been handed over with high occupancy levels sustained and there have been no complaints so far on the liveability. Achieved rentals are relatively high at around S$3,200 per mth at Tyrwhitt 139 for a typical 350sf unit (gross yield>6.4%).

Reduced speculation after latest measures. The level of speculation in this segment has fallen with buyers mainly owner-occupiers and long term investors. Prior to the measures, there were speculators who acquired multiple units in multiple projects with the intention of "flipping" for a quick profit. Foreigners currently comprise around 20-25% of buyers, with the majority from China. Most projects have buyers with private addresses although selected projects also attract HDB upgraders.

Rising competition for residential land, diversifying into office & industrial. With competition in the residential land market intensifying, Oxley has diversified into the industrial & office segments. It has acquired a few industrial sites and plans to develop small-format industrial units to cater to SMEs. Its first project, Oxley BizHub @ Ubi, 500m from Tai Seng MRT will house 728 warehouse & production units (800-1,000+sf) and 2 canteen units and will be equipped with swimming pool, gym and basement car park. Oxley also acquired Corporate Office & Corporate Building on Robinson Road from CDL recently for S$215m and S$57m respectively with the latter to be redeveloped into strata-titled offices.

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Asia ASEAN Malaysia

10 Apr 2011 - 11:55:26 AM GMT

COMPANY ALERT

Breaking News

IOI Corp

Hold

Another property venture in Singapore

Reuters:IOIB.KL Exchange:KLS Ticker:IOIB

Price (MYR)	**5.65**
Price target (MYR)	**6.20**
52-week range (MYR)	**6.05 - 4.69**
Market cap (USDm)	**11,929**
Shares outstanding (m)	**6,381.6**
Net debt/equity (%)	**-0.2**
Book value/share (MYR)	**1.89**
Price/book (x)	**3.0**

FYE 6/30	**2010A**	**2011E**	**2012E**
Sales (MYRm)	12,543	15,429	16,940
Net Profit (MYRm)	2,035.7	2,345.0	2,489.6
DB EPS (MYR)	0.31	0.35	0.38
PER (x)	17.1	16.0	15.0
Yield (net) (%)	3.2	3.0	3.2

Acquired South Beach project in Singapore

IOI announced that it has acquired a 33.3% interest in South Beach Consortium (SBC) from Elad Group for S$173.9m cash. IOI would later transfer this stake to Scottsdale, which is 49.9% owned by IOI and the remaining 50.1% owned by City Development (CDL) after a share subscription exercise. Earlier, Scottsdale has acquired a 33.3% stake in SBC from Istithmar. Post these acquisitions and share subscription exercise, IOI will hold a 49.9% interest in SBC (via Scottsdale) while CDL will hold the remaining 50.1%. The acquisition of SBC will entails a total investment of S$816.8m (RM1.96bn) by IOI.

Background of SBC

SBC is the lessee and developer of the South Beach project at Beach Road, Singapore. The land was successfully acquired back in 2007 for S$1.689bn. The total land area is 376,295sf (total gross floor area of over 1.6m sf) and has a leasehold tenure of 99 years. The development will comprise of premium office space, luxury hotel, high-end retail outlets and prestigious city residences. The total development cost has yet to be ascertained as SBC is in the progress of refining the design plans to enhance South Beach's development cost efficiency.

Diluting IOI's exposure to the plantation sector

Given a healthy balance sheet (net cash position with an estimated cash balance of RM5bn for FY11), IOI is not expected to have any issues with funding. At about 7% premium to Elad's equity cost, we feel IOI has acquired the 33.3% stake at a fair price. However, further diversification into property development would dilute IOI's appeal as a plantation stock (a key risk that we have highlighted earlier). Plantation is only accounting for 50% of IOI's total profit.

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Asia India

Automobiles & Components

9 April 2011

Bajaj Auto Limited

Reuters: **BAJA.NS** Bloomberg: **BJAUT IN** Exchange: **NSI** Ticker: **BAJA**

Stock outperformance likely to sustain in medium term

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Growth to moderate; Bajaj likely to maintain market share
Our FY12E volume of 3.98m for 2W and 0.5m for 3W are slightly below guidance. However, our domestic growth expectation of 12-13% p.a. in the medium term (vs. 25% p.a. in FY09-11E) is in line with management's view. Bajaj's aim remains a 500-600bps margin differential with competition. We forecast EBITDA margin to fall 130bps to 18.3% by FY13E, partly driven by an increase in competitive intensity from Honda (Buy, JPY 2927). Our 4Q11 estimates are Rev (Rs42bn), EBITDA (Rs8.3bn) and PAT (Rs6.4bn). We maintain Buy on TP upside.

Lower penetration in smaller towns should drive volume growth
Bajaj estimates that small towns and villages (<100K population) account for 60% of the industry and 50% of Bajaj's two-wheeler (2W) sales. Household penetration is 11% in these markets vs. a national average of 35%. Demand is driven by crop prices and rural employment schemes rather than interest rates.

Bajaj may be over segmenting the domestic motorcycle market
Bajaj is embarking on a model strategy in the mid-segment of the 2W market which is reminiscent of its past efforts. It has recently launched Discover125 after phasing out Discover135. Currently, Bajaj sells Discover100 and Discover150. The new model will likely co-exist along with Platina125 and Pulsar135, which are motorcycles from a different model family. We believe the multiplicity of models 'crowds' the executive segment and makes it difficult to sharply position the motorcycles, potentially diluting the brand's value. We note that over the last four years, multiple Discover models (110, 125 and 135) were phased out due to weak sales volumes.

Two-year core EPS CAGR (FY11-13E) of 12%; FY12E FCF yield of 6%
Our DCF-based target price is Rs1,650/share (RFR 6.7%, ERP 8.1%, CoE 12.9% and terminal growth rate 4%), implying 18xFY12E core EPS (net of financial income) plus Rs150/share of surplus cash. Risks include increased competitive intensity due to the dissolution of the Hero Honda JV and a loss of market share in three-wheelers.

Forecasts and ratios

Year End Mar 31	2009A	2010A	2011E	2012E	2013E
Sales (INRm)	84,369.4	115,085.0	**160,036.0**	190,444.1	218,894.0
EBITDA (INRm)	10,792.5	24,829.5	**31,709.4**	36,083.0	40,642.3
Reported NPAT (INRm)	6,802.6	16,827.3	**25,762.7**	29,882.9	33,324.5
Reported EPS FD (INR)	23.51	58.15	**89.03**	103.27	115.17
DB EPS FD (INR)	29.78	64.46	**89.03**	103.27	115.17
OLD DB EPS FD (INR)	29.78	64.46	**88.33**	100.43	111.60
% Change	0.0%	0.0%	**0.8%**	2.8%	3.2%
DB EPS growth (%)	0.4	116.5	**38.1**	16.0	11.5
PER (x)	8.3	10.4	**15.9**	13.7	12.3
Yield (net) (%)	4.4	3.0	**2.1**	2.5	2.8

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items; 2 Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Company Update

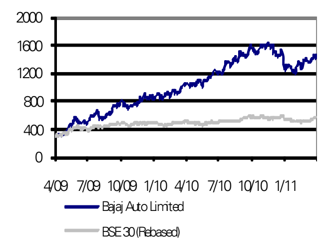
Buy

Price at 8 Apr 2011 (INR)	**1,416.95**
Price target - 12mth (INR)	**1,650.00**
52-week range (INR)	**1,636.75 - 1,006.12**
BSE 30	**19,591**

Key changes

Sales (FYE)	166,197 to 160,036	↓	**-3.7%**
Op prof margin (FYE)	19.0 to 19.0	↑	**0.3%**
Net profit (FYE)	25,560.6 to 25,762.7	↑	**0.8%**
Net profit (FYE)	25,560.6 to 25,762.7	↑	**0.8%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*1.9*	*7.6*	*36.6*
BSE 30	*6.2*	*-0.5*	*10.6*

Stock data

Market cap (INRm)	**410,009**
Market cap (USDm)	**9,304**
Shares outstanding (m)	**289.4**
Major shareholders	**Bajaj Holdings (30%)**
Free float (%)	**50**
Avg daily value traded (USDm)	**19.9**

Key indicators (FY1)

ROE (%)	**69.5**
Net debt/equity (%)	**-80.5**
Book value/share (INR)	**155.13**
Price/book (x)	**9.1**
Net interest cover (x)	**–**
Operating profit margin (%)	**19.0**

Asia India
Strategy Update

8 April 2011

India Equity Strategy

Rural prosperity set to continue

Food grain production in India to touch record high in FY11
According to the Government of India's recently released third advance estimates, India's food grain production is likely to touch a new record in FY11, rising by an estimated 8% to 236mn tonnes. Production of wheat, pulses, oilseeds and cotton is expected to touch a record high in FY11. Increasing production of foodgrains remains critical to India where rising rural prosperity (particularly at the bottom of the pyramid) has resulted in surging demand for foodgrains.

Higher agricultural production to add further momentum to rising rural prosperity
Rural income in India is likely to witness a meaningful jump in FY11 driven by the sharper-than-anticipated growth in agricultural production, coupled with a continuing – albeit modest- increase in minimum support prices (MSPs which have risen at an average of ~5%). We estimate that minimum support prices of food grains have risen at a CAGR of 10% since UPA-1 came to power in FY05 – which is 400bps higher than the average inflation during the same period. Income from crops under MSP regime is likely to show a 17% yoy rise in FY11, which would be among the highest in the past 6-7 years - despite the fact that the government has not raised support prices materially in FY11.

Rural prosperity has also been fuelled by the National Rural Employment Guarantee Scheme
Landless laborers have also benefited from the government's National Rural Employment Guarantee Scheme and a successive increase in minimum wages across different states. In most of the populous states minimum wages under NREGS have risen at a rate much higher than the average inflation during FY07-10. The state of Maharashtra has witnessed the maximum growth of 39% CAGR (FY07-10) followed by Gujarat and Orissa at 35% and 31%, respectively. On the other hand, we attribute India's sticky food inflation to higher rural prosperity

High likelihood of normal Indian monsoon in 2011
Based on meteorological trends and other weather factors, the prospects of a normal Indian monsoon appear to be high. Any positive forecast on the Indian monsoon is likely to be seen positively by the market given elevated food inflation. According to DB's meteorologist, La Nina conditions are expected to persist through the summer and early fall of 2011. Empirically we have observed that such La Nina conditions are generally conducive to a good monsoon.

Key beneficiaries: M&M, Bajaj Auto, ITC, United Phosphorous, SBI, Shriram Transport, PNB,
Higher agri-income, coupled with continued focus of government to stimulate rural India, should, in our view, lead to continuing consumption demand from the rural economy and benefit the following companies: M&M, Bajaj Auto, ITC, United Phosphorous, and as a derivative SBI, Shriram Transport Finance and PNB.

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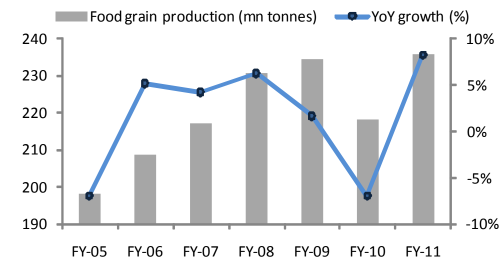
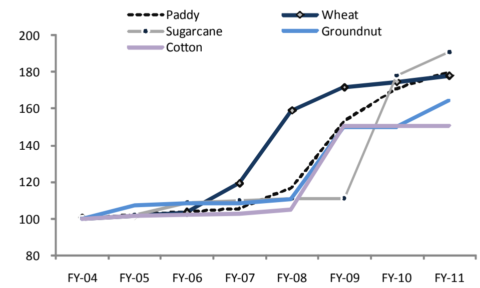
Trend in foodgrain production and yoy growth



Minimum support prices of key crops



Deutsche Bank Group

Japan
Technology Electronics/Industrial

8 April 2011

Hitachi

Reuters: **6501.T** Bloomberg: **6501 JT** Exchange: **TYO** Ticker: **6501**

Changing rating from Buy to Hold

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Changing rating to Hold and target price to ¥420

We lower Hitachi's rating to Hold. Reforms to Hitachi's cost structure have driven earnings growth but the company should give high priority to the restoration of operations in the wake of the comparatively large direct earthquake damage that it and group companies sustained. We are concerned about supply chain disruptions and a slowdown of the domestic economy from a power shortage. We rate the stock Hold as we believe the market has factored these risks into the share price.

Broad impact from the disaster

Factories under the parent company's control have largely resumed operations, but some listed group subsidiaries' factories have not. The electricity shortage in Kanto may prevent factories in the region from rapidly restoring full operations. We believe earthquake damage may inhibit the stable supply of parts from vendors. We believe a time-out is unavoidable for the uptrend in profits, which has been supported to date by reforms to the cost restructure.

We lower our earnings forecasts

We lower our FY3/11E OP from ¥460bn to ¥400bn due to direct earthquake damage and delays to year-end inspections of delivered goods. We forecast FY3/12 OP to decline 15% yoy to ¥340bn, followed by a recovery to ¥400bn in FY3/13E when production normalizes. See p. 3.

Valuation and risk

We base our ¥420 (previously ¥550) target price on our FY3/13E EPS (FY3/12E) and a 12x P/E multiple, the average of peers based on Bloomberg Finance LP forecasts (unchanged). We see profit-based valuation as appropriate as changes in the business portfolio and restructuring of loss-making businesses could support continuous profit growth. We expect a lighter tax burden and more assets sold over the next few years. Upside risks: early end to power shortages, accelerated restoration of group-wide production activity and large-scale reorganization of businesses. Downside risks: loss of restructuring momentum, emergence of new unprofitable businesses and delays in private-sector capital spending recovery.

Forecasts and ratios

Year End Mar 31	2010A	2011E	2011CoE	2012E	2013E
Sales (¥bn)	8,968.5	**9,200.0**	9,300.0	8,900.0	8,800.0
YoY (%)	-10.3	**2.6**	3.7	-3.3	-1.1
Operating profit (¥bn)	202.2	**400.0**	440.0	340.0	400.0
YoY (%)	59.0	**97.9**	117.7	-15.0	17.6
Recurring profit (¥bn)	63.6	**390.0**	430.0	520.0	380.0
Net profit (¥bn)	-107.0	**203.0**	230.0	264.0	163.0
EPS (¥)	-22	**42**	48	55	34
P/E (x)	–	**10.1**	8.9	7.7	12.5
EV/EBITDA (x)	5.1	**4.7**	–	4.6	3.9
CFPS (¥)	74	**136**	–	154	140
P/CFPS (x)	4.1	**3.1**	–	2.8	3.0

Source: Deutsche Securities Inc. estimates, company data

Recommendation Change

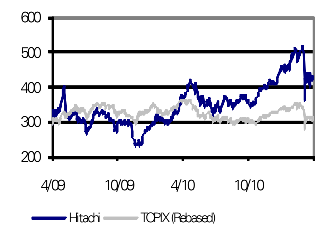
Hold

Price at 7 Apr 2011 (¥)	**424**
Price target - 12mth (¥)	**420**
52-week range (¥)	**514 - 315**

Key changes

Rating	Buy to Hold ↓	
Target price (¥)	550 to 420 ↓	**-23.6%**
EPS (¥)	51 to 42 ↓	**-17.5%**
OP (¥bn)	460.0 to 400.0 ↓	**-13.0%**
RP (¥bn)	450.0 to 390.0 ↓	**-13.3%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*-16.0*	*-7.0*	*14.0*
TOPIX	*-10.7*	*-9.2*	*-15.5*

Stock data

Market cap (¥bn)	**1,911**
Shares outstanding (m)	**4,508**
Foreign shareholding ratio (%)	**42.1**
TOPIX	**841**

Key indicators (FY1)

ROE (%)	**14.8**
BPS (¥)	**322**
P/B (x)	**1.3**
EPS growth (%)	**–**
Dividend yield (%)	**2.4**

Japan

8 April 2011

Japan Economics Weekly

Disasters and Grand Coalitions: Lessons from past

The government and DPJ say that they are exploring the idea of a Grand Coalition between the ruling DPJ and the opposition LDP in order to lift the economy from its post-quake woes.

LDP President Sadakazu Tanigaki has twice rejected coalition requests from the DPJ, but a growing number of LDP members led by party veterans are taking a more positive stance.

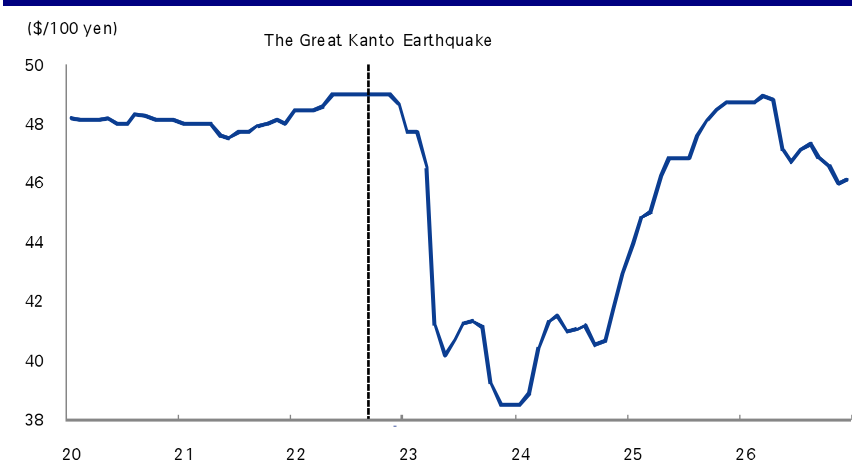
The real focus of a Grand Coalition scheme is to squeeze out some amount of disaster reconstruction funds while maintaining the government's fiscal structural reform goals. We suspect that a priority will be how to introduce tax hikes, a delicate subject prior to the upcoming election.

As such, the constraints placed on reconstruction spending from fiscal problems will not be easily resolved.

A Grand Coalition was formed in the pre-war era just after the Great Kanto Earthquake of 1923, but this cannot be characterized as a success.

The main point to be watched, based on the experience of the Great Kanto Earthquake, is whether authorities switch to an overly rapid tightening in an attempt to avoid a weak yen.

FX rate in the first half of the 1920s



Sources: Toyo Keizai, Deutsche Bank Global Markets Research

Economics

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Thematic reports

· FY2011 economic outlook revised down again on prolonged power shortages and nuclear plant problems	1 Apr
· Restoration demand and "Japan crash thesis" revisited	25 Mar
· Lowering our economic forecast	18 Mar
· Monetary Policy and Stagflation Risk	11 Mar
· Population aging and the household savings rate	4 Mar
· Winds of change in Japanese politics	25 Feb
· Further upward revision to Japan's economic outlook	18 Feb
· JPY appreciation in 2011:Testing the "three definites"	15 Feb
· EM monetary tightening and the Japanese economy	10 Feb
· DB Leading Indices: December 2010	4 Feb
· Demography, general prices and house prices	28 Jan
· Prices, wages and business cycles	21 Jan
· New upward revision in economic forecast	14 Jan
· End of decline in DB leading indices	7 Jan
· Transformation of the "Global Iron Hexagon" in 2011	24 Dec
· Upgrade in economic forecast Corporate earnings forecast for FY2010-2013	17 Dec
· Politics: - Inflation target alliance or fiscal reform coalition	10 Dec
· DB leading indices: Peak in inventory-shipment ratio?	3 Dec
· Avg. duration of BoJ's govt. security holdings	29 Nov
· Slight downward revision in forecast for 4Q 2010-1Q 2011	19 Nov

Economic forecasts are included in

1 Apr 2011
18 Mar 2011
18 Feb 2011
14 Jan 2011
17 Dec 2010
19 Nov 2010

Monetary Policy Watch

14 Mar 2011
5 Nov 2010
28 Oct 2010
5 Oct 2010
30 Aug 2010, vol. 2
30 Aug 2010, vol. 1

Japan
Strategy Update

8 April 2011

Japan Equities Weekly

Unclear trend up through results season

This week's factor and sector trends
Technical factors, fundamentals, and sectors

This week's comments

Our hearts go out to the victims of the recent earthquake in Eastern Japan and their families. We wish them a speedy recovery.

Export manufacturers – a likely buy after results season
The stock performance of exporting manufacturers has not improved much despite the yen's recent depreciation. However, we believe the performance of these stocks will improve after results announcements allow investors to quantify the impact of the earthquake disaster on supply chains, and because the Fed's second round of quantitative easing (QE2) is likely to expire in June.

Risk tolerance declines in the corporate bond market
The low-rated bond preference index, a measure of the risk tolerance of corporate bond investors, declined to a two-year low of -13.4% at the end of March. TOPIX returns are typically negative in the month after this index falls below -5%. We expect TOPIX to be top-heavy in April as a result.

This week's recommendation: We urge caution regarding post-quake rebuilding-related stocks over the near term, but buying on dips
We expect cyclical trading in most post-quake rebuilding-related stocks up through the results season on fragile investor sentiment. However, we caution investors not to chase upside as these stocks have outperformed TOPIX by 30% since the earthquake struck. That said, we still expect positive catalysts to emerge as the government's supplemental budgets over the next two years are likely to total ¥10trn. We therefore recommend buying rebuilding-related stocks on dips.

Factor returns: High OP growth and low volatility stocks are strong
High OP growth stocks and low volatility stocks are favored by investors who appear to have adopted a defensive stance.

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This week

	Price	Return
TOPIX	853.13	-1.10%
Nikkei 225	9,768.08	0.61%
TPX 30	460.79	-0.52%
TPX 100 (Large)	590.71	-0.76%
TPX Mid	872.81	-1.01%
TPX Small	884.01	-3.86%
TPX Value	1,026.03	-1.43%
TPX Growth	1,025.17	-0.76%
JASDAQ	50.56	-1.08%
S&P 500	1,333.51	0.08%
USD/JPY	85.26	1.34%
JGB Yield	1.32	0.040
Oil - WTI	110.30	2.19%

Note: Weekly returns of S&P 500 and WTI are calculated as thursdays.

Sector Returns (weekly)

		(%)
Outperform		
1	Foods	2.52
2	Insurance	1.33
3	Communication	1.17
4	Rubber Products	1.06
5	Retail	0.87
Underperform		(%)
29	Mining	-3.49
30	Oil & Coal Products	-3.51
31	Other Products	-3.89
32	Steel Products	-3.93
33	Marine Transport	-5.43

Valuation

	PER	EPS growth	3mth return
TOPIX	12.0	15.2%	-9.2%
S&P 500	13.1	14.5%	4.9%
STOXX Europe 600	10.6	13.3%	-0.1%
Hang Seng	11.4	12.7%	2.5%

Note: PER and EPS growth are IBES 12-month forward forecast basis.

TOPIX	PER	ROE
FY1	14.1	7.6
FY2	12.2	8.8
FY3	10.7	9.9

Note: IBES, P/B of 1.07 is used to obtain ROEs above.
Source: DataStream, Nikkei Astra, Deutsche Securities

Appendix 1

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Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:
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2. Ratings definitions prior to 27 January, 2007 were:
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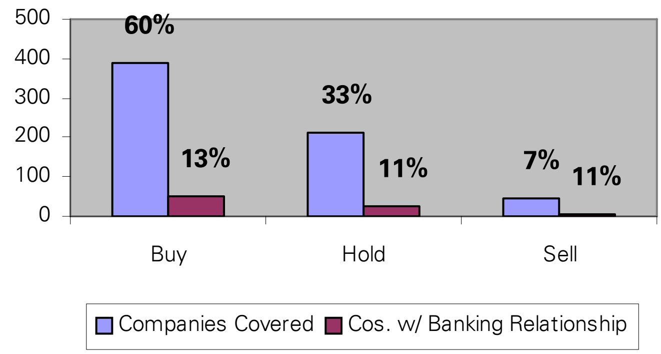
    Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
    Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Asia-Pacific Universe

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