

## BRIC markets weekly (1 – 5 Mar 2010)

### Summary

- ▶ Brazil's Bovespa stock index rose as positive jobs data in the US spurred a rise in commodities and the rebound in production in Brazil added to the improved outlook.
- ▶ Russia's RTS Index rose for five consecutive days, boosted by the strength in oil, which traded above US\$81 a barrel in New York after data showed the US lost fewer jobs than forecast in February.
- ▶ India's benchmark Sensex index gained, driven by reports of higher tax collections and that manufacturing output rose the most in 18 months while exports gained for the third month.
- ▶ China stocks listed in Hong Kong, or H shares, rose last week as the government announced plans to rebalance the economy through measures to encourage consumption while reducing reliance on infrastructure and exports.

### Brazil

The Brazil Bovespa Stock Index returned +3.52%\* for the period.

- ▶ Brazil's Bovespa stock index rose as positive jobs data in the US spurred a rise in commodities and the rebound in production in Brazil added to the improved outlook.
- ▶ Unemployment in the US, Brazil's second-biggest trade partner after China, held at 9.7% versus expectation of an increase to 9.8%.
- ▶ Brazil's industrial output rebounded in January after contracting for two consecutive months. Output in January rose 1.1% from December, the national statistics agency said last week.
- ▶ Brazil's vehicle production rose 24% to 253,176 units in February from a year earlier, the country's automakers association said.
- ▶ Brazil's manufacturers reduced the use of installed capacity to 81.4% in January, the National Industrial Confederation said. The use of installed capacity in January fell from a revised 81.5% in December, the confederation said in a report. Economists expected capacity utilisation to rise to 81.7%, according to the median of nine forecasts in a Bloomberg survey.
- ▶ Brazil posted a US\$394 million trade surplus last month after a deficit in January as exports rose more than imports, the Trade Ministry said. Brazilian exports rose 7.9% in February from a month earlier to US\$12.2 billion while February imports rose 2.9% to US\$11.8 billion, the Trade ministry said. The surplus comes after a US\$166 million deficit in January.
- ▶ Brazilian President Luiz Inacio Lula da Silva said his government will expand a project to build low-income homes for workers, bringing the total number of new homes planned to 2 million, up from an original target of 1 million.

### Russia

The Russian RTS Index returned +8.48%\* for the period.

- ▶ Russia's RTS Index rose for five consecutive days, boosted by the strength in oil, which traded above US\$81 a barrel in New York after data showed the US lost fewer jobs than forecast in February.
- ▶ Russia's inflation rate fell to the lowest in nearly 12 years in February as rising unemployment damped consumer spending, paving the way for the central bank to cut rates. The rate dropped to an annual 7.2% from 8% in January, the Federal Service of State Statistics said last week. The median estimate in a Bloomberg survey of 14 economists was for 7.1%. Prices fell 0.9% from January. Inflation decelerated to an annual 5.6% in July, 1998.
- ▶ Russian power consumption rose 5.7% in February to 89.8 billion kilowatt-hours, compared with a year earlier, state-run OAO System Operator said. Power generation increased 5.6% to 91.1 billion kilowatt-hours last month, the Moscow-based company said.
- ▶ Russian service industries from banks to food retailers expanded in February at the weakest pace since July as new business fell for a second month and companies fired staff.
- ▶ The Purchasing Managers' Index fell to 51 last month from 51.9 in January, VTB Capital said last week. The index, which is based on a survey of about 300 purchasing managers, shows expansion with a reading above 50.

## India

The India Sensex Index returned 3.44%\* for the period.

- ▶ India's benchmark Sensex index gained, driven by reports of higher tax collections and that manufacturing output rose the most in 18 months while exports gained for the third month.
- ▶ India's direct tax revenue in April to February period rose 7.5% from a year earlier to 2.78 trillion rupees, according to the finance ministry.
- ▶ India's wholesale food inflation rate was 17.87% in the week ended 20 February following a 17.58% gain in the previous week, according to a government statement last week. Food-price inflation rate stayed above 17% for a sixth week.
- ▶ Meanwhile, India's truckers raised the rates they charge to transport goods by as much as 15%, citing higher fuel prices, potentially stoking inflation further.
- ▶ India's manufacturing output climbed the most in one-and-a-half years in February. HSBC Holdings and Markit Economics' Purchasing Managers' Index rose to 58.5 last month from 57.6 in January. That was the 11<sup>th</sup> monthly reading above 50, which indicates a gain in factory production.
- ▶ India's exports rose in January for a third straight month. Overseas shipments rose 11.5%. Exports are rebounding after an average 17.8% drop in 2009.

## China

The HSCEI Index returned +3.32%\* for the period.

The China A-Share markets returned -0.68%\* for the period.

- ▶ China stocks listed in Hong Kong, or H shares, rose last week as the government announced plans to rebalance the economy through measures to encourage consumption while reducing reliance on infrastructure and exports.
- ▶ China pledged to pare spending on roads, railways and airports and boost outlays on health and social security by 8%, Premier Wen Jiabao said at the National People's Congress as he seeks to raise the role of consumer spending to drive growth in China. Spending on transportation will fall by 2.7%.
- ▶ At the same time, Premier Wen indicated no roll-back in the fiscal stimulus that spurred a rebound: the government targets a deeper budget deficit for 2010 of RMB1.05 trillion versus RMB950 billion in 2009.
- ▶ China's rural-urban income gap grew to the widest last year since the nation began economic reforms in 1978, the *China Daily* newspaper reported last week. The ratio between urban and rural incomes was 3.33 to 1 last year. The ratio was 3.31 to 1 in 2008 and 3.32 to 1 in 2007, according to the report.
- ▶ China's manufacturing grew at a slower pace in February, reducing the risk of overheating. A Purchasing Managers' Index released by the government slid to a one-year low. Another PMI, from HSBC Holdings and Markit Economics, showed the weakest expansion in three months. A weeklong Chinese holiday last month may have affected the numbers, according to a Bloomberg report.
- ▶ Similarly, China's official purchasing managers' index for non-manufacturing sectors plunged to a one-year low at 46.4 in February from 55.1 a month earlier, the China Federation of Logistics and Purchasing said last week.

Source: HSBC Global Asset Management, China Daily and Bloomberg as at 5 March 2010.

\* Performance of indices are expressed as price returns in local currency terms.

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