

Asian companies well-equipped for shocks

BY DAVID LIM

CORPORATIONS in Asia have strong balance sheets which enabled them to sail through recent financial storms and face potential shocks, said analysts at a business forum yesterday.

Mr Hugh Young, managing director of Aberdeen Asset Management Asia, said: "The Asian crisis was a fair bit of shock to most (companies in Asia), as compared to the recent crisis. Many companies in this part of the world are (now) on a par with those in the West.

"Certainly, their balance sheets are ahead of those in the West."

He was speaking to about 200 members of the business community at the ninth Business Outlook Forum, held at the

Singapore Chinese Chamber of Commerce & Industry (SCCCI) and jointly organised by the SCCCI and The Business Times.

Mr Young attributed the resilience to "dramatic improvements" in the quality of corporate management throughout Asia, due to "very hard" lessons learnt from the Asian crisis of 1997.

Fellow speaker Kelvin Tay, chief investment strategist of UBS Wealth Management, added weight to this view. He noted that Asia, excluding Japan, has been growing in its contribution to the global gross domestic product.

Mr Young said that these companies have become much more focused on their core businesses and are also "a bit paranoid about putting in a lot of money in the bank now".

On the subject of this year's investment opportunities, Mr Tay said that UBS is "quite optimistic that the United States will make a recovery" and he expects this year to be a good year for equities.

He said: "We believe that (investors) should still invest in equities, of which we prefer emerging-market equities to developed-market equities."

Mr Tay cautioned that investors need to be selective on emerging-market bonds and corporate bonds.

He picked Taiwan, China and Hong Kong, when asked to name three of his favourite equity markets.

Mr Tay also suggested investing in cyclical sectors such as retail, materials, financial, industrial and IT.

This is because these sectors are leveraged towards the US economic recovery and are expected to drive earnings growth.

On Asian bubbles, Professor Deng Yongheng, director of the Institute of Real Estate Studies at the National University of Singapore, said that there are no well-developed tests to detect them and cited the Chinese housing market as an example.

Mr Young sounded a note of caution against avoiding a country's corporations because of the state of the country's economy.

He said: "When the US economy is in a mess, does that mean its corporations should be avoided? Absolutely not, because some of them get a lot of their growth from outside, like the Nestles and Unilevers of the world."

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