

Press release: Thursday 4<sup>th</sup> February 2010



## More bad news on the horizon for AsiaPac markets

Peter Beuttell, founder and MD, MTS Research

Thursday 4th February (London): Two weeks ago, we forecast a continuing drop in the Asia Pacific markets (see our Global Markets Review, p6-9), which is summarised as follows:

Whilst equity markets globally are nearing short-term oversold levels, most Pacific markets have only recently completed the rally patterns which began in late 2008 or early 2009, so they are merely in the early stages of the largest correction for 9 to 15 months. **Individual markets such as Singapore should correct at least another 5%, and quite a lot more amongst some of the higher-beta stocks.**

The corrective patterns across the region do not look nearly developed enough, and underlying support is not as immediately strong at current levels as in Western indices, suggesting that it is more vulnerable to a larger correction than we have already seen.

The most obvious scenario globally would be for Western markets to bottom not too far from current levels, and then trade sideways. **The risk for the Pacific is that it bounces more weakly, and has a longer and deeper correction whilst Western indices merely return to the bottom of their recent range.**

Subsequent action is summarised in the table below:

|                    | Index -<br>22nd Jan<br>2010 | Index –<br>3rd Feb<br>2010 | Points<br>drop | % change<br>since 22 <sup>nd</sup><br>Jan | Target<br>Given | Intra-<br>day low | %<br>Remaining<br>to Target |
|--------------------|-----------------------------|----------------------------|----------------|---|-----------------|-------------------|-----------------------------|
| Hang Seng<br>Index | 20726.18                    | 20722.08                   | 4.1            | -0.02                                     | 19850           | 19845.93          | HIT                         |
| Seoul Comp.        | 1684.35                     | 1615.02                    | 69.33          | -4.12                                     | 1520            | 1602.55           | -5.15                       |
| Straits Times      | 2819.7                      | 2765.15                    | 54.55          | -1.93                                     | 2595            | 2736.18           | -5.16                       |
| Taiwan<br>Weighted | 7927.31                     | 7547.98                    | 379.33         | -4.79                                     | 7350            | 7441.92           | -1.24                       |
| NSE Nifty          | 5036                        | 4931.85                    | 104.15         | -2.07                                     | 4590            | 4831              | -4.99                       |
| ASX 200            | 4750.6                      | 4647.9                     | 102.7          | -2.16                                     | 4510            | 4619              | -2.36                       |

Since our initial comment, equity markets have become short-term oversold, and quite deeply so in the case of the Asia Pacific region. Their problem is that downside momentum has been extreme, and markets don't usually bottom on such extremes. In addition, few of them have so far hit our downside targets (which are up 5% below recent intra-day lows), so the **regional correction has probably not run its course.**

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See page 6-9 of the attached report for detailed review of regional markets.

To arrange an interview or to speak with Peter Beuttell, please see contact details below

### **Notes to editors**

#### **Media Contacts**

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#### **About MTS Research**

MTS Research is an independent research consultancy which since 1989 has been providing specialist technical analysis of stocks and other financial instruments to buy side institutional clients across the world's major financial markets.

MTS provides a range of reports – including its weekly Global Markets Review – alongside consultancy advice catering for a number of different investment approaches from absolute or relative returns to long-only and long/short. Research focuses on the UK, Europe, Japan, the Pacific and the US, with coverage of South America and Eastern Europe planned for 2010. As well as its regular reports, MTS offers tailored research in line with clients' individual portfolio needs.

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