

Emerging Financial Market Watch

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Overview

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The upward trend in the financial markets in emerging economies has slowed its pace after going straight up for three consecutive months. Concerns on global recovery have re-emerged. The World Bank revised down its forecast on global growth falling 2.9% in 2009 and warns on emerging markets growth, while it raised its forecast on China and India to 7.2% and 5.1% respectively in 2009.

Focus: India: new government, new hope

After the May election in India, Manmohan Singh won a surprisingly thumping victory to be re-elected as the prime minister. Best-known as the architect of India's economic opening in 1991, Singh with his cabinet aims to carve out, instead of the shorthand inclusive growth, a new path that if successful, could provide a road map for developing countries worldwide. The prime minister has a big weapon helping him in his current campaign: he knows what he's talking about. Just as important as his qualifications, Singh wins a high level of support from Sonia Gandhi and her son Rahul, the dynasty's emerging heir. With Sonia managing the internecine rivalries within the party and Rahul focused on rebuilding Congress's grassroots network, the prime minister can concentrate on policy, not the next campaign.

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Here we present the current economic condition in India and we identify three reasons for the resilience of India economy:

- Its high level of diversity
- The stability of its banking system
- The efficiency of its public policy

As a stable government is in place at the center and reforms are expected to be implemented at a rapid pace, we expect a boost in confidence as far as markets, corporate and individual consumers are concerned. We are likely to see a rise in FII flows, improvement in demand, pickup in private investments and a rise in FDI flows. Increasing interest of western investors will flow into India amid the global recession. We expect that India economy will remain resilient under robust growth engine with a GDP growth rate of 6.8% in 2009.