

# It just gets better

Investors in the Asia Pacific region believe that the economic situation improved in the third quarter, and they're optimistic that it will get better, according to an ING survey

Investor sentiment across markets in the Asia Pacific has continued to rise through the September quarter, as the economic outlook has improved, lifting the performance of financial markets across the region, according to a study by ING Investment Management.

The sentiment index has risen by 11 points since the previous survey, from 132 in the June quarter to 143, maintaining the optimism across most markets. Sentiment improved in all but two countries, India and Japan. But while India continued to be the most optimistic country in the region, followed by China, Japan was at the bottom of the spectrum. With three successive quarters of steady increase, the sentiment index has crossed the Q4 2007 level, when the US sub-prime crisis became apparent. The investment sentiment score, derived from the median of 13 markets, gauges the confidence of private investors, ranging from very pessimistic to very optimistic, and varies between 0 and 200.

The improvement in sentiment is

## Optimistic

The investment sentiment index shows growing optimism in most markets

	Q2 '09	Q3 '09	Change (%)
China	158	162	4
Hong Kong	125	139	14
India	182	168	-14
Indonesia	129	131	2
Korea	122	145	23
Malaysia	122	133	11
Philippines	116	135	19
Singapore	120	149	29
Taiwan	136	153	17
Thailand	113	113	0
Japan	99	91	-8
Australia	116	143	27
New Zealand	84	125	41

reflected in the rise in stock markets across most countries, this despite a forecast of GDP contraction for most countries in the region. Investors in all countries (with the exception of Japan

and India) believe that domestic economic conditions improved in Q3 2009 and their outlook for the next quarter is mainly positive. There is also a feeling that the US economy (the focus of most of the problem over the past year) is improving and that the negative impact from US factors is diminishing.

The latest sentiment scores are either at or near the top of the country sentiment ranges and could be a sign that investors believe the worst is over. A majority of investors replying to the survey said that the return on their investments had improved and that there had been a significant improvement in their personal financial and household financial situations. However, Indian investors were the exception. The outlook for property has also been promising. In all but four countries, the proportion of investors expecting a rise in real estate prices has gone up.

A little strangely though, despite the overall optimism, most investors said that they were investing less and reserving more in cash.

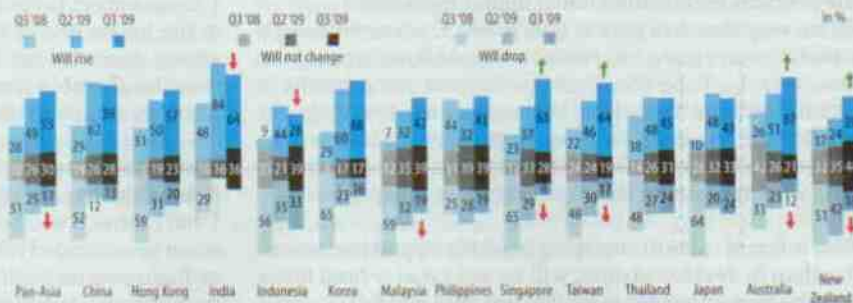
## Better and better

About 60 per cent of respondents in the survey believe that their local economic situation has improved over the last three months, the most notable being China, Singapore and Australia. A majority also expect the economic conditions to improve over the next three months.



## Stock talk

Improvement in sentiment has been driven by the continued rise in the stock markets. Significantly more investors believe that their local stock market will rise further in the next quarter, with the exception of India.



The investment sentiment score which varies between 0 and 200 is based on answers to questions asked in the survey.

## New aggression

In nearly half the markets there are significantly more investors tending towards high risk/high return investment, led by China, India and Taiwan. In general, the view on medium risk/return investment has also been growing, but low risk/return investment has remained steady in the region, except in India.



## Favourite sectors

Across markets, financial services and energy have been the most common sectors that investors have invested in and these are likely to remain the most popular sectors in the next three months also.



## Beating inflation

The impact of inflation has stabilised in most countries, but more than half the investors in the region think that it will rise going into 2010. Domestic assets continue to be the most favoured investment tools to beat inflation and gold has become an important component of investors' portfolio in some countries.



## Interest matters

In general, investors believe domestic interest rates will stay the same in the next quarter, but in India and Korea investors expect they will rise. This survey was completed before the interest rate rise announced in Australia on October 6, but a majority of Australian investors had anticipated this possibility.



## Different options

Investors have different preferences with regard to the choice of investment tools to use in the context of domestic interest rates. Cash/deposits, stocks and properties are the more popular options.

