

Buy CDL, Hang Seng Bank, SHKP as Yield Plays: CS Private Bank
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By Jennifer Tan

Oct. 20 (Bloomberg) -- Investors should adopt defensive strategy in Oct., which tends to be seasonally volatile, by focusing on high-div. plays, Credit Suisse Private Banking & Wealth Management's Asia-Pacific Chief Investment Officer Cheuk Wan Fan says in interview.

- Likely to see "risk-on" strategy return in final 2 mos. of yr; so investors should start accumulating fundamentally attractive, oversold stks by end of mo. or early Nov. for historically strong mo. of Dec.
- Credit Suisse favors Singapore REITs CDL Hospitality Trust and Fraser Centrepoint Trust, high div. stks Hang Seng Bank and AIA, undervalued blue chips Sun Hung Kai Properties and Hutchison Whampoa
- Also likes PetroChina and Longyuan Power, which will benefit from SOE reforms

CHINA

- China stks at their most undervalued vs historical valuation range
- Valuation discount not likely to close any time soon due to concerns over structural headwinds from shadow banking and secular growth slowdown
- Expect valuation discount to narrow from current levels due to targeted policy easing and progress in structural reforms
- Expect further slowdown in China property sector; signs of stabilization in Sept. exports and policy loosening in real estate sector will mitigate magnitude of downturn
- NOTE: Credit Suisse upgraded China to overweight in Aug. from neutral
- Top picks:
 - Health care
 - New energy
 - New economy

TAIWAN

- Taiwan is Credit Suisse's preferred mkt in Asia due to its exposure to U.S. growth recovery; rated overweight since start of yr
- Taiwan will continue to see supportive fundamental drivers and lead consensus earnings upgrades in region; investors should look for buying opportunities during short-term technical pullback this mo.
- Likes Apple suppliers, e.g. TSMC, as new iPhones will support tech sector earnings; click for iPhone suppliers, iPad suppliers

INDONESIA, INDIA, THAILAND

- Indonesia cut to underperform vs neutral, India downgraded to neutral vs outperform on Sept. 22
- More cautious on Indonesia than India as latter has more convincing reform story and better outlook for reform implementation; political uncertainty persists in Indonesia as Jokowi still faces challenges in winning control of Parliament
- Would wait for valuations to fall further in India before buying more aggressively; Sensex breached Credit Suisse's 12-mo. index target of 27,000 last mo.
- Credit Suisse raised Thailand to outperform vs neutral on Sept. 22
- Mkt expected to outperform due to economy's cyclical rebound
- Favor cyclical stks PTTEP and Siam Cement

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