

# Asia Materials: Scope for Rotation

Report date: 4<sup>th</sup> March 2010

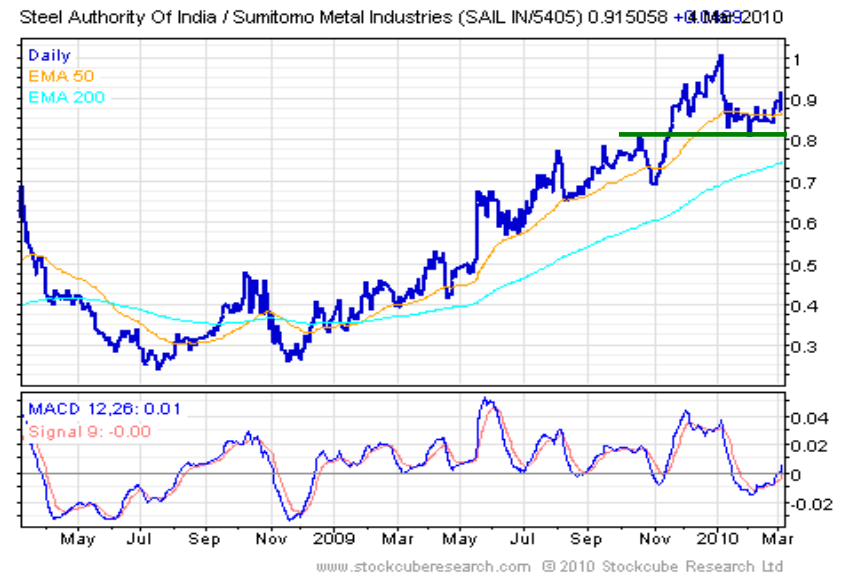


## Regional Summary:

- This report highlights potential rotations between the **Asia-Pacific Materials** sectors.
- For the sector rotations, we have used various regional materials indices; **S&P/ASX Materials, Hang Seng Materials, MSCI India Materials, TPX Iron & Steel, Korea Basic Metallic, CSI 300 Materials** and **TWSE Plastics**.
- On a relative basis (to the **Bloomberg Asia Pacific Basic Materials** index), we rank the indices:
  1. **India** – maintains its uptrends versus all its peers having unwound from overbought.
  2. **Taiwan** – maintains its medium term relative uptrend, develops a potential medium term base vs. Korea.
  3. **Australia** – develops a short term base formation versus the benchmark and vs. Hong Kong.
  4. **Korea** – loses relative uptrend momentum versus the benchmark, but continues to outperform Japan.
  5. **Hong Kong** – develops a relative top formation with bearish momentum divergence versus the benchmark.
  6. **China** – reasserts its short term downtrend relative to the benchmark.
  7. **Japan** – maintains its long term downtrend vs. the benchmark at its peers.

## Conclusion:

- On a relative basis, we favour the **Indian** materials sector as it continues to outperform its peers.
- The laggard however, is **Japan** which has the worst relative trend.
- For example: we recommend long **Steel Authority of India** against a short in **SMI** (see right).
- Whilst **Korea** loses long term relative momentum, the index maintains its outperformance vs. **Japan**.
- We anticipate a longer term base formation in the **Taiwan/Korea** ratio as it loses downtrend momentum.
- We expect outperformance in **Australia** vs. **Hong Kong** as the ratio develops a base formation.



Charts are available on our website at [www.stockcuberresearch.com](http://www.stockcuberresearch.com)

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## Australia Materials

The **S&P/ASX Materials** index tests its medium term price uptrend but finds support at its 200 day EMA and exhibits bullish VAD. Against the **Bloomberg Asia Pacific Basic Materials (BPRBMAT)**, the index loses downtrend momentum and develops a potential base formation above medium term support.

AUST Materials (AS51MATL) 12362.40 +124

4 Mar 2010



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AUST Materials / Bloomberg Asia Pacific Basic Materials Index (AS51MATL/BPRBMAT) 103.613771 +



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## Hong Kong Materials

The **Hang Seng Materials** currently trades a sideways price range after finding medium term support at 9,350. Against the **Bloomberg Asia Pacific Basic Materials (BPRBMAT)**, the index develops a top formation with bearish momentum divergence.

HANG SENG Materials (HSCIMT) 10504.16 -115.51 4 Mar 2010



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HANG SENG Materials / Bloomberg Asia Pacific Basic Materials Index (HSCIMT/BPRBMAT) 47.39020



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## India Materials

The **MSCI India Materials** index maintains its medium term uptrend after regaining support at its 50 day EMA. Against the **Bloomberg Asia Pacific Basic Materials (BPRBMAT)**, the index makes a new all time high.

Materials - India (MXINOMT) 952.18 +13.09 3 Mar 2010



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Materials - India / Bloomberg Asia Pacific Basic Materials Index (MXINOMT/BPREMAT) 2016.0313 +0.01



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## Japan Materials

The **TPX Iron & Steel** index currently trades a sideways range (600-770) but does not make a new low above support. Against the **Bloomberg Asia Pacific Basic Materials (BPRBMAT)**, the index maintains its long term downtrend.

TPX Iron & Steel (TPIRON) 684.52 -9.67 4 Mar 2010



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TPX Iron & Steel / Bloomberg Asia Pacific Basic Materials Index (TPIRON/BPRBMAT) 3.07818 +0.02



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## Korea Materials

The **Korea Basic Metallic** index broke its medium term uptrend and currently tests resistance at its 50 day EMA. Against the **Bloomberg Asia Pacific Basic Materials (BPRBMAT)**, the index loses uptrend momentum in the short term, but maintains its longer term uptrend.

KOREA Basic Metallic (KOSPBMET) 6493.17 +62.58 4 Mar 2010



KOREA Basic Metallic / Bloomberg Asia Pacific Basic Materials Index (KOSPBMET/BPRBMAT) 29.052



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## China Materials

The **CSI 300 Materials** index trades a medium term sideways range, but in the short term, rallies into potential downtrend resistance at 3,150. Against the **Bloomberg Asia Pacific Basic Materials (BPRBMAT)**, the index has developed a medium term top formation and now reasserts its short term downtrend.

CSI 300 Materials Index (SH000909) 2983.76 -86.959 4 Mar 2010



CSI 300 Materials Index / Bloomberg Asia Pacific Basic Materials Index (SH000909/BPRBMAT) 13.35



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## Taiwan Materials

The **TWSE Plastics** index maintains its medium term uptrend but encounters potential resistance at its previous high at 315. Against the **Bloomberg Asia Pacific Basic Materials (BPRBMAT)**, the index now nears the top of a medium term sideways relative range.

TWSE Plastic Index (TWSEPLAS) 209.52 -0.91 4 Mar 2010



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TWSE Plastic Index / Bloomberg Asia Pacific Basic Materials Index (TWSEPLAS/BPRBMAT) 0.937451



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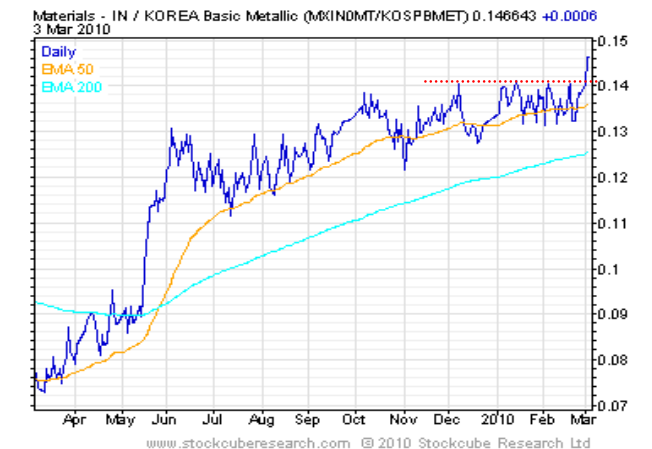
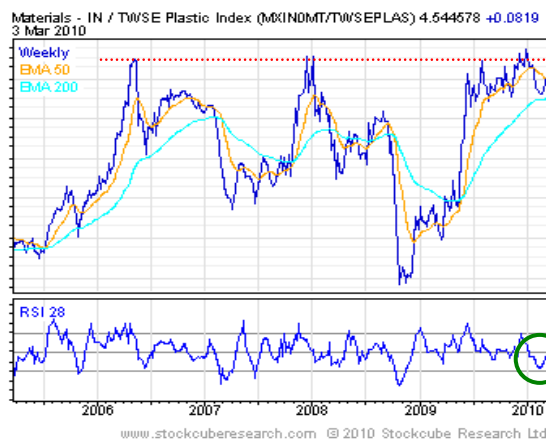
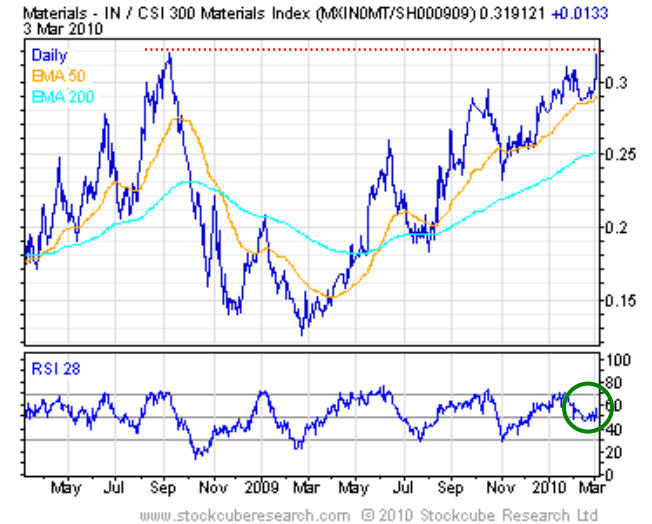
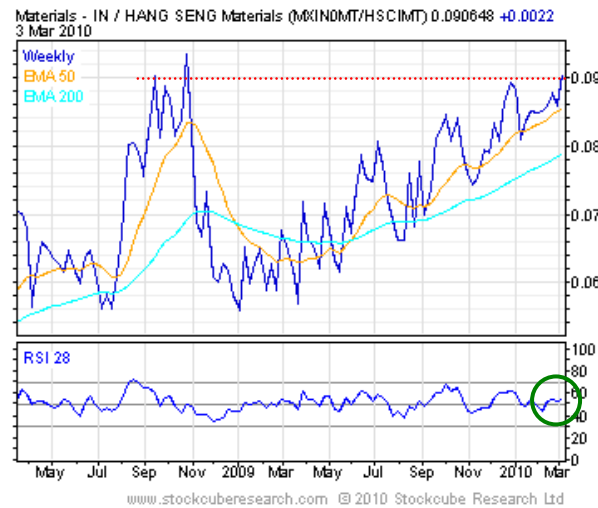
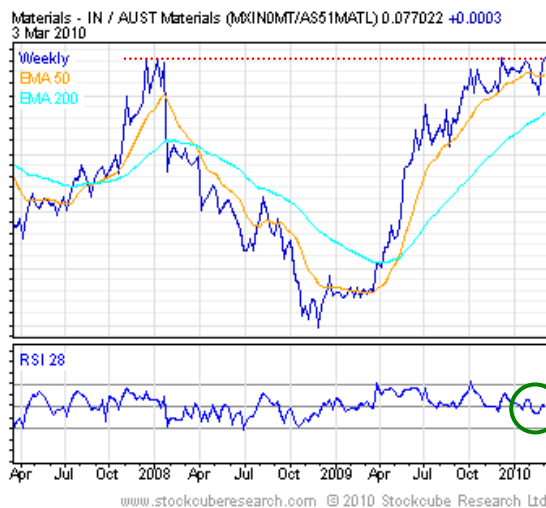
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## Potential Sector & Stock Rotations – India

The **MSCI India Materials** index reasserts its medium term uptrends versus all of its peers. The index currently tests its longer-term highs versus the Australian, Hong Kong, China and Taiwan Materials but we anticipate a break to new highs as all of the ratios have unwound from overbought.



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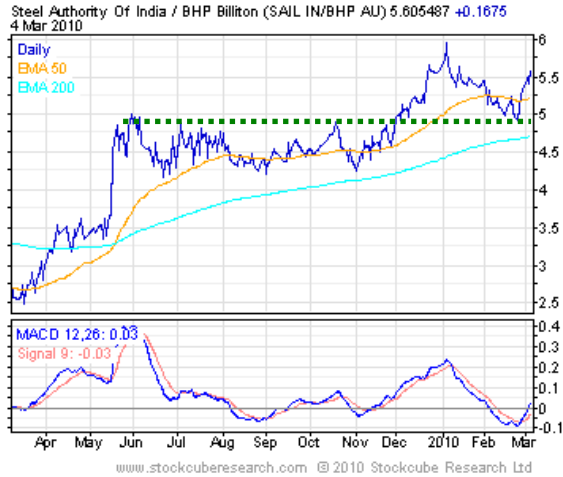
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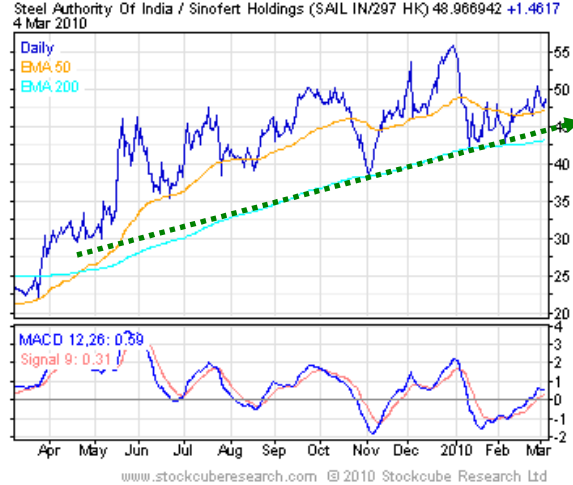
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## Steel Authority of India/BHP Billiton



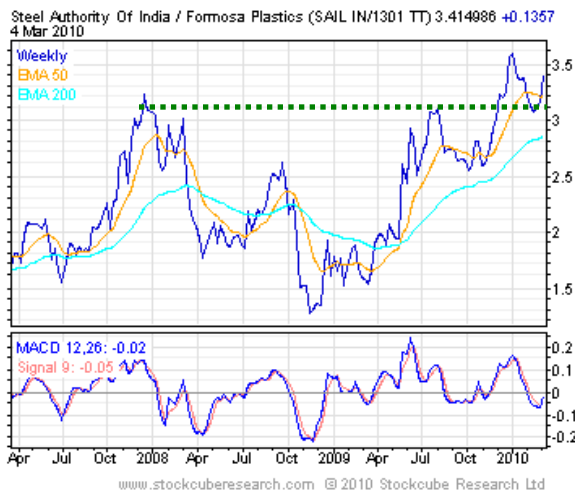
## Steel Authority of India/Sinofert Holdings



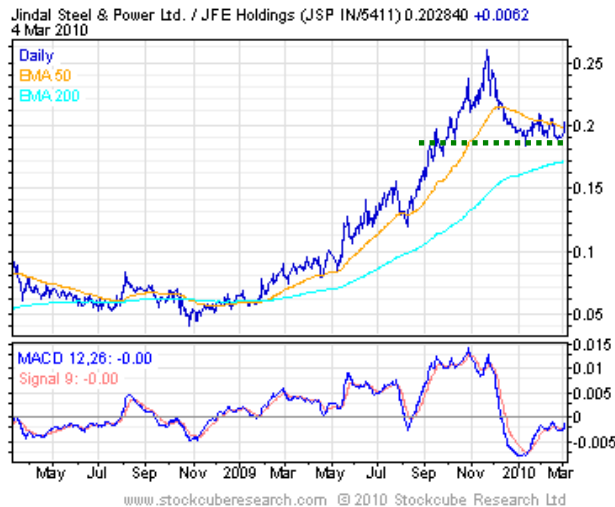
## Jindal Steel & Power/Bao Steel



## Steel Authority of India/Formosa Plastics



## Jindal Steel & Power / JFE Holdings



## Jindal Steel & Power / POSCO



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## Potential Sector & Stock Rotations – **Australia/Hong Kong**

The **S&P/ASX Materials** index develops a base formation versus the **Hang Seng Materials** index, and exhibits bullish momentum divergence.



**Stock Example: BHP Billiton** develops a short term base formation versus **Nine Dragons Paper**.



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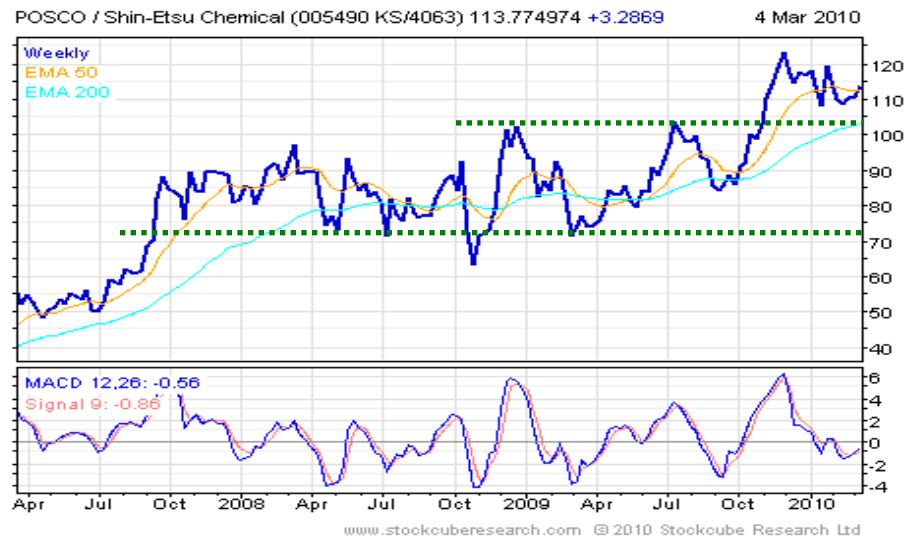


## Potential Sector & Stock Rotations – **Korea/Japan**

The **KOSPI Basic Metallic** index develops unwinds to its long term uptrends versus the **Topix Iron & Steel** index.



Stock Example: **POSCO** consolidates to medium term support at its previous breakout level versus **Shin-Etsu Chemical** with bullish MACD divergence.



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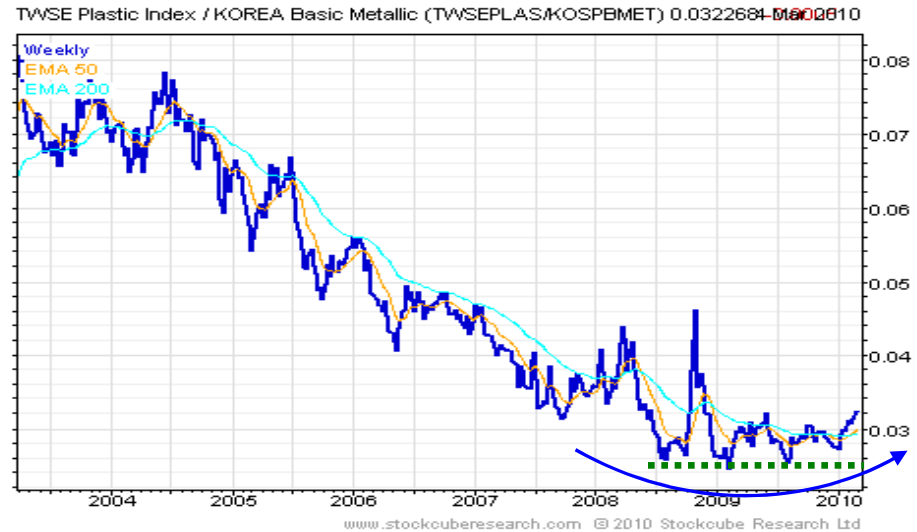
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## Potential Sector & Stock Rotations – Taiwan/Korea

The **TWSE Plastic** index does not make new short term lows and develops a potential base formation versus the **Korea Basic Metallic** index.



Stock Example: **Formosa Chemicals** develops a medium term base formation versus **POSCO**.



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