

## PRESS RELEASE

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# Hong Kong Investor Sentiment Down 16% as Global Recovery Slows and China Implements Tightening Measures

ING Investor Dashboard Survey shows that Hong Kong investors are concerned about the Eurozone debt crisis with 62% expecting it to impact economic growth in Asia

### Key Highlights of the Quarterly ING Investor Dashboard Survey

- **Pan-Asia Index drops 6% to 136 for Q2 2010 from 145 for Q1 2010; the Index remains in optimistic territory and registers an 86% increase from the financial crisis low of 73 for Q4 2008**
- **Investor sentiment in Hong Kong and China the hardest hit in Q2 2010; Hong Kong Index falls to 124 for Q2 2010 from 148 for Q1 2010**
- **Hong Kong investors remain cautious of economic developments in the U.S. and Europe; 47% indicated their investment decisions have been negatively impacted by the performance of the U.S. economy**
- **Eurozone debt crisis adds to Hong Kong investors' concerns with 96% expecting the crisis to impact global economic growth and 47% expecting the crisis to impact growth in China in 2010**
- **Hong Kong and China investors' outlook on the local economy, stock and property markets softens for Q3 2010**
- **Despite concerns about tightening measures in China, 41% of Hong Kong investors and 45% of China investors think that China's economy may be overheating**
- **Concerns on inflation and interest rate hikes abate slightly in Hong Kong while more investors expect inflation to increase in China**

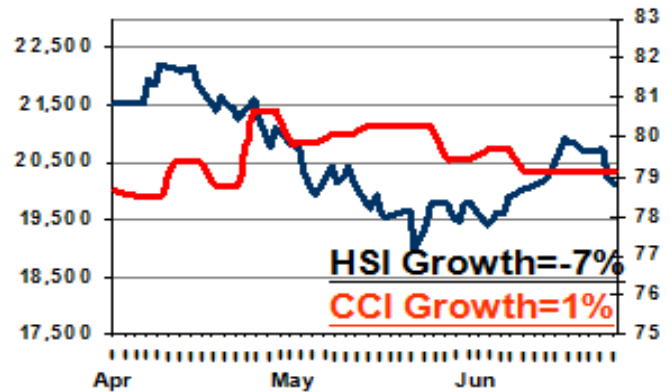
ING, the global financial services group, today released data from its quarterly ING Investor Dashboard Survey showing a drop of 16% in investor sentiment in Hong Kong to 124 for Q2 2010 from its all-time high of 148 for Q1 2010 possibly due to investors weighing in on China's tightening credit and monetary policies, signs of a slowdown in the U.S. economy and impact of the Eurozone debt crisis.

The overall pan-Asia (ex-Japan) ING Investor Dashboard Sentiment Index falls 6% to 136 for Q2 2010 from 145 for Q1 2010. Despite the drop, investor confidence continues to remain in the optimistic territory for the fifth consecutive quarter and the Index registers an 86% increase from the financial crisis low of 73 for Q4 2008.

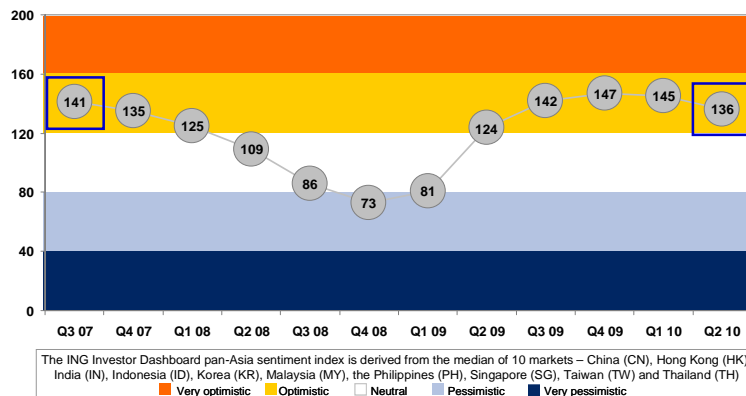
ING Investor Dashboard Sentiment Index Scores for Hong Kong (Fig. 1)



Hong Kong Investor Sentiment Score Index vs the Hang Seng Index (Fig. 2)



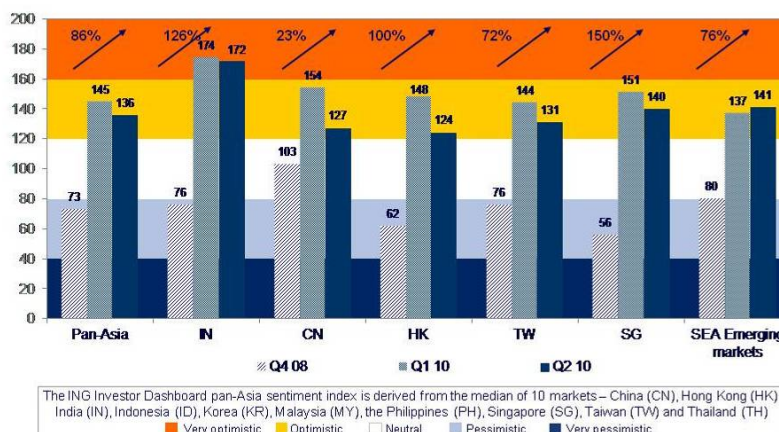
Pan-Asia Index (Fig. 3)



### Investor sentiment in Hong Kong and China the hardest hit while Southeast Asia (SEA) emerging markets lead

Investor sentiment in China, Hong Kong and Taiwan, as well as export-oriented Singapore, show the largest quarter-on-quarter fall in Q2 2010; possibly impacted by the recent credit and monetary tightening measures implemented in China. Hong Kong investor sentiment falls from fifth position to ninth position against other Asian markets while sentiment in China falls 18% to 127 for Q2 2010 from 154 for Q1 2010, shifting China's ranking from second to seventh position.

Market Index Scores (Fig. 4)



Investor sentiment across the SEA emerging markets remains buoyant – with the SEA Emerging Market Index rising 3% to 141 for Q2 2010 from 137 for Q1 2010. *(Please refer to the Appendix for the market index scores and ranking.)*

Commenting on the market Index scores, Mr. Michael Chiu, Senior Investment Manager, ING Investment Management Asia/Pacific said, “In spite of the positive overall fundamentals, including the strength of corporate earnings growth, negative market sentiment dominated Q2 2010. Investor sentiment in China and Hong Kong has been impacted more than the other Asia markets as investors fear aggressive tightening measures in China and Hong Kong on the property market. Given the backdrop of a slower than expected U.S. economic recovery, the Eurozone debt crisis, and slower than expected manufacturing growth in China for the month of June, it is likely that further measures to cool the Chinese economy will be paced out by the Chinese government.”

### **Hong Kong investors cautious of economic developments in the U.S. and Europe**

Along with signs of a slowdown in the U.S. economy, more Hong Kong investors have indicated that the U.S. economy has had a negative impact on their investment decisions, and an increasing number of investors expect the U.S. economy to have a negative impact on their investment decisions in the next quarter.

<b>Hong Kong investors’ views</b>	<b>Q2 10</b>	<b>Q1 10</b>
Negative impact of the U.S. economy on investment decisions	47%	23%
Negative impact of the U.S. economy on investment decisions in the next quarter	37%	23%

*(% of Hong Kong investors)*

The survey also shows that Hong Kong investors are watching the Eurozone crisis closely.

<b>Hong Kong investors’ views</b>	<b>Q2 10</b>
Eurozone crisis will have an impact on economic growth in Asia	62%
Eurozone crisis will have an impact on global economic growth	96%
Eurozone crisis will slow down China’s economic growth in the 2 <sup>nd</sup> half of 2010	47%

*(% of Hong Kong investors)*

“Hong Kong’s economy, and to a lesser extent China’s, will be slightly impacted as the fiscal stimulus in the U.S. begins to wear off, and the European debt crisis calls into question the impact on Asian exports as the Euro weakens and austerity measures curb overall economic activity in the Eurozone. However, we still expect China’s economy to grow by about 9.5% for 2010 and with sound economic fundamentals in Asia and strong global financial liquidity, Asia will continue to outpace the developed economies,” commented Mr. Chiu.

### **Hong Kong and China investor outlook on stock and property markets softens as China implements tightening measures**

Looking ahead, fewer investors in Hong Kong expect the U.S. economy, local economy, stock market and property market to improve in the next quarter, signalling concerns of a possible double-dip recession as well as fears that tightening measures by China may be too aggressive. Investors in China reflect the same sentiment.

<b>U.S. economy will improve in the next quarter</b>	<b>Q2 10</b>	<b>Q1 10</b>
Asia (ex-Japan)	51%	57%
Hong Kong	45%	52%
China	50%	61%
	<i>(% of investors)</i>	

<b>Local economy will improve in the next quarter</b>	<b>Q2 10</b>	<b>Q1 10</b>
Asia (ex-Japan)	68%	70%
Hong Kong	60%	71%
China	60%	79%
	<i>(% of investors)</i>	

<b>Stock market will fall the next quarter</b>	<b>Q2 10</b>	<b>Q1 10</b>
Asia (ex-Japan) (by an average of 9.95%)	21%	17%
Hong Kong (by an average of 10.6%)	23%	14%
China (by an average of 10.8%)	27%	15%
	<i>(% of investors)</i>	

<b>Property market will fall the next quarter</b>	<b>Q2 10</b>	<b>Q1 10</b>
Asia investors (ex-Japan) (by an average of 6.67%)	19%	13%
Hong Kong (by an average of 6.83%)	25%	7%
China (by an average of 8.13%)	40%	15%
	<i>(% of investors)</i>	

Despite possible concerns about tightening measures in China and Hong Kong, 67% of Hong Kong investors believe that a property asset bubble is taking place in Hong Kong while 77% believe that the same is taking place in China. 41% of Hong Kong investors and 45% of China investors also think that China's economy may be overheating.

"In Hong Kong, mortgage rates are still low, between 1.5 to 2%, so investors will continue to purchase property. However, in China we expect a 10% drop in the market in Q3 2010 as transaction volume eases due to the tightening measures by the Chinese government. As for the stock markets, we believe Q2 2010 was period of market correction and this has opened up opportunities for long-term investment. Investors will need to watch for signs of strong corporate earnings by both U.S. and local companies as the company reporting season begins," commented Mr. Chiu.

In line with their outlook on the U.S. and local economies, Hong Kong investors' concerns of inflationary pressures and interest rate hikes in 2010 have abated slightly. In China, more investors expect inflation to increase in 2010.

<b>Hong Kong investors' views</b>	<b>Q2 10</b>	<b>Q1 10</b>
Expect domestic inflation to rise in 2010	93%	96%
Expect U.S. interest rates to rise in 2010	31%	42%
Expect domestic interest rates to rise in 2010	41%	65%
	<i>(% of Hong Kong investors)</i>	

**China investors' views**

	<b>Q2 10</b>	<b>Q1 10</b>
Expect domestic inflation to rise in 2010	85%	81%
Expect U.S. interest rates to rise in 2010	46%	55%
Expect domestic interest rates to rise in 2010	65%	69%

*(% of China investors)*

**Hong Kong and China investors see return on investments fall but continue to invest in cash, equity and property**

Fewer investors in Hong Kong and China saw an increase in the return on their investments in Q2 2010 compared to the quarter before.

**Increased return on investments**

	<b>Q2 10</b>	<b>Q1 10</b>
Asia (ex-Japan)	48%	56%
Hong Kong	38%	68%
China	38%	58%

*(% of investors)*

Hong Kong and China investors continue to hold on to cash/deposits and equities as safe havens.

**Top choice of investment tools used**

	<b>Q2 10</b>	<b>Q1 10</b>
Cash/deposits	82%	79%
Local equities/stocks	81%	80%
Foreign currency	61%	56%

*(% of Hong Kong investors)*

**Top choice of investment tools used**

	<b>Q2 10</b>	<b>Q1 10</b>
Cash/deposits	73%	81%
Local equities/stocks	62%	66%
Local residential real estate (self-occupied)	53%	61%

*(% of China investors)*

Currently, of the Hong Kong investors investing in equities, 78% have invested in the financial services sector, 48% in energy and 43% in resources (gold, precious metal, water, etc.).

"Equity markets in Asia are still looking interesting as valuations are not high, especially for the developing emerging markets that have a robust domestic story and governments with strong fiscal balance. Asian banks are looking attractive as valuations are currently not excessive. The commodities sector – including gold mining and energy – and the real estate sector will continue to remain robust as economies in Asia continue to grow in 2010," concluded Mr. Chiu.

For an introduction of the ING Investor Dashboard Sentiment Index and latest detailed (high-resolution) data charts, please visit [http://www.ing.asia/investor\\_dashboard](http://www.ing.asia/investor_dashboard).

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## About the ING Investor Dashboard

Published for over two years, the ING Investor Dashboard survey measures and tracks investor sentiment and behaviour of mass affluent investors each quarter from 12 Asia Pacific markets (including China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Japan and Australia). It is the first quarterly survey in Asia Pacific which provides a pan-Asia (ex-Japan) investor sentiment index and it provides market insights into investor attitude and outlook and allows each market to be specifically benchmarked and tracked against the overall investor sentiment across Asia using the Index.

While the survey was conducted across 12 markets in Asia Pacific, the pan-Asia investor sentiment index excludes Japan and Australia.

The Q2 2010 survey was conducted in June 2010 and involved online interviews with a total of 3,792 mass affluent investors across the 12 Asia Pacific markets. The respondents are aged 30 years and above, and have disposable assets or investments of US\$100,000 and above, with the exception of Indonesia (disposable assets or investments of US\$60,000 and above) and the Philippines (disposable assets or investments of US\$60,000 or monthly income of Php200, 000 and above).

The survey is conducted by international and independent research firm The Nielsen Company and is tracked extensively by major financial and business media organisations across all 12 markets in Asia.

## About ING

ING is a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services to over 85 million private, corporate and institutional clients in more than 40 countries. With a diverse workforce of about 107,000 people, ING is dedicated to setting the standard in helping our clients manage their financial future.

## About The Nielsen Company

The Nielsen Company is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related assets. The privately held company has a presence in approximately 100 countries, with headquarters in New York, USA. For more information, please visit, [www.nielsen.com](http://www.nielsen.com).

## APPENDIX

	Market	Q2 10 Index Score	Q1 10 Index Score	Q4 09 Index Score	Q3 09 Index Score	Q2 09 Index Score	Q1 09 Index Score	Q4 08 Index Score	Q3 08 Index Score	Q2 08 Index Score	Q1 08 Index Score
Markets included in the pan-Asia index	India	172	174	169	168	182	133	76	156	163	168
	China	127	154	158	162	158	124	103	88	117	136
	Singapore	140	151	150	149	120	58	56	71	90	88
	Hong Kong	124	148	144	139	125	58	62	79	123	107
	Malaysia	141	146	139	133	122	60	65	87	82	128
	Taiwan	131	144	153	153	136	95	76	65	109	105
	The Philippines	157	139	134	135	116	89	95	138	110	121
	Thailand	127	135	150	113	113	65	59	84	81	131
	Indonesia	140	133	137	131	129	96	109	123	108	131
Korea	121	129	128	145	122	73	69	65	87	96	
Region-wide		136	145	147	142	124	81	73	86	109	125
Markets not included in the pan-Asia index	Australia	113	154	148	143	116	62	66	95	105	89
	Japan	84	89	71	91	99	55	52	53	73	60

Note: The ING Investor Dashboard Sentiment Score gauges the confidence of private investors in investment across 12 Asia Pacific markets.