



Q: Several Asian governments and Central Banks are starting to complain about Japan's new policy and the steep depreciation of the yen. Do you think this will start a currency war and competitive devaluations in the region?

No. Japan is not doing anything different from what the US and Europe have already done. They are just doing it two decades late. It is the same formula: a loose monetary policy, fiscal stimulation. For them it is much more important because they are in a deflationary scenario.

Q: But this will create trade imbalances in the region with the yen depreciating by 10 per cent since mid-November?

Indeed. That is the repercussion of a loose monetary policy. But all they are trying to do is to kick start their domestic economy. Of course it has pressures on their competitors like Korea and Taiwan because it competes with them in the global markets. But the basic fact of matter is that Japan has been in deflation for a decade and they have to get this done to stabilize global growth.

Q: They are doing a lot of catching up over the last few decades. What are the other risks in the region? One of them will be the contraction of the US economy.

I think the headline numbers don't represent the underlying strength. If you strip away the defense spending and the inventories, the underlying data was very strong. Private spending was strong, housing and business expenditure was strong, so it confirms the US economy is actually on a very strong trajectory.

Q: Strong trajectory, strong underlying numbers. So can this be sustained in the first quarter of this year and going forward?

Probably you will see a debt and obviously there is a sequestration which is on the agenda on the 1st of March but the important thing to realize is that the underlying private economy is very

strong. Even if the US does go ahead with sequestration on the 1st of March, the most important thing is that the biggest cut in defense spending have been taken in the fourth quarter. So actually let sequestration happen, the growth of economy is still relatively stable.

Q: Here in Asia, what are the key risks you are looking at for 2013?

Actually I think the key risks are outside of Asia. Asia has been doing relatively well. Industrial production has been on an uptrend and exports have been on an uptrend. As long as the global economy stabilizes, Asia actually has a favorable situation for all of the major economies.

Q: Favorable economic situation. Which particular economies are you recommending to your investors?

I think the three biggest economies China, Japan and India are our favorites. India, because I think it is in a turning point. We have seen the monetary cycle turn. We have seen the two political leaders emerge which will perhaps take away the policy paralysis India had in 2012. China, because I think profits are picking up and the fact that the concerns about the lack of stabilization in China have gone.

Q: Are the key South Asian economies such as Thailand, Malaysia and the Philippines overheating?

They are. I think they are overvalued from a market standpoint. They are still very strong economically but from a market standpoint you have to be a little bit contrarian and say you don't want to go into an overvalued stock. You want to go where value is and which still has some uptick to be had.