Asian Stocks Pare Advance After China Manufacturing Data
By Jonathan Burgos - Apr 23, 2014

Asian stocks pared gains after a Chinese manufacturing report signaled persisting weakness in the world’s second-largest economy.

China Overseas Land & Investment Ltd., the largest mainland developer traded in Hong Kong, sank 3.4 percent, leading declines on the Hang Seng Index. China Mobile Ltd. fell 2.5 percent after the world’s biggest phone company posted its third straight drop in quarterly profit. Resona Holdings Inc. climbed 2.5 percent after Greenlight Capital Inc., a hedge fund run by David Einhorn, said it bought shares in the Japanese lender.

The MSCI Asia Pacific Index added 0.1 percent at 138.79 as of 2:15 p.m. in Hong Kong, trimming gains of as much as 0.6 percent. The preliminary Purchasing Managers’ Index from HSBC Holdings Plc and Markit Economics was 48.3 in April, matching the median estimate of analysts surveyed by Bloomberg News. While that was higher than the final March figure of 48, the reading remains below the level of 50 that is the dividing line between expansion and contraction.

“Asian indices are coming off their highs as Chinese manufacturing data continue to contract,” Desmond Chua, a Singapore-based strategist at CMC Markets said by phone. “It seems China’s 7.5 percent GDP growth target is too optimistic.”

China’s Shanghai Composite Index (SHCOMP) lost 0.5 percent, while the Hang Seng China Enterprises Index of mainland stocks traded in Hong Kong declined 1.3 percent. The city’s benchmark Hang Seng Index dropped 0.9 percent.

Growth Target

Premier Li Keqiang last week said China isn’t considering “strong” stimulus, and reiterated that economic growth a bit higher or lower than the government’s 7.5 percent target is within a reasonable range. The government yesterday lowered reserve ratios at some rural lenders.

There are “now expectations that the target of 7.5 percent Chinese GDP growth for this year might be the top end of guidance,” Tony Farnham, an economist at Patersons Securities Ltd. in Perth, said by phone. “The actual growth number may be a little below that.”

South Korea’s Kospi index and Taiwan’s Taiex index both lost 0.2 percent. Singapore’s Straits Times Index slipped 0.8 percent, retreating from a 10-month high. Japan’s Topix index rose 1 percent and New Zealand’s NZX 50 Index gained 0.7 percent.
Australian Inflation

Australia's S&P/ASX 200 Index climbed 0.7 percent to its highest close since June 2008. The nation’s core consumer prices gained less than economists forecast last quarter, allowing the central bank to extend a period of steady interest rates. The trimmed mean gauge of core prices rose 0.5 percent from the previous quarter, the Bureau of Statistics said in Sydney today, compared with the median forecast of 25 economists for a 0.7 percent gain.

The MSCI Asia Pacific Index yesterday traded at 12.6 times estimated earnings compared with 16.1 for the Standard & Poor’s 500 Index, according to data compiled by Bloomberg.

Futures on the S&P 500 were little changed today. The U.S. equity gauge climbed 0.4 percent yesterday, rising for a sixth day as health-care shares surged amid a $45.7 billion bid for Allergan Inc. and earnings from companies including Netflix Inc. and Harley-Davidson Inc. topped estimates.

Chinese developers and lenders led losses in Hong Kong as a fourth month of contraction for mainland factory activity added to concern the nation may miss its economic-growth goal.

China Mobile

China Overseas Land declined 3.4 percent to HK$19.36. China Resources Land Ltd. slipped 2.5 percent to HK$15.86. Industrial & Commercial Bank of China Ltd., the nation’s biggest lender by market value, dropped 1.5 percent to HK$4.73.

China Mobile fell 2.5 percent to HK$70.05. Net income fell 9.4 percent to about 25.24 billion yuan ($4 billion) in the first quarter, the Beijing-based company reported yesterday. Profit was expected to be 27 billion yuan, based on the median of five analysts’ estimates compiled by Bloomberg News.

Among stocks that advanced, Resona gained 2.5 percent to 493 yen in Tokyo. Einhorn’s Greenlight said it bought the stock at 547 yen per share and described the Tokyo-based bank as “cheap on both an absolute and relative basis,” according to a letter sent to clients yesterday.

Seibu Holdings Inc., operator of Japan’s biggest hotel chain, jumped 11 percent to 1,770 yen on its trading debut on the Tokyo bourse after pricing its public offering at the bottom of its planned range.

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