

Recession in Asia is 'unlikely'

July 4, 2008

SINGAPORE (Thomson Financial) - Singapore shares may open firmer on Monday as investors pick up select stocks after the benchmark Straits Times Index lost more than 2.0 percent last week.

Gains will likely be capped by persistent concerns inflation will continue rising amid high oil prices, hurting the global economy.

'There will be a drag from rising consumer prices,' said David Cohen, economist at Action Economics, adding that rising input costs will hurt corporate earnings.

This week, investors will be looking forward to the release of the government's advance estimate for the second-quarter economic performance on Thursday. Economists are expecting growth to decelerate to 5.0 percent, according to a Thomson IFR poll of economists, from a 6.7 percent clip in the first quarter as manufacturing slumped.

HSBC (nyse: HBC - news - people) economist Robert Prior-Wandesforde expects annual growth for the June quarter at a much slower 2.7 percent, with a quarter-on-quarter fall of 3.0 percent.

'So far the key monthly economic numbers covering the second quarter have disappointed significantly, pointing to a contraction in second quarter GDP at the same time as inflation is running at a 26 year high - not a particularly pleasant combination and certainly a very unusual one for Singapore,' Prior-Wandesforde said in a note.

On Friday, the Straits Times Index closed up 12.09 points or 0.4 percent at 2,892.54. For the week, the index was down 2.1 percent.

Decliners outnumbered gainers 294 to 226, with 888 stocks unchanged.

There were 879.3 million shares traded, valued at S\$913.3 million.

Source: Forbes

<http://www.forbes.com/afxnewslimited/feeds/afx/2008/07/06/afx5186468.html>