APAC Equity Strategy

Commodity crunch: Asia's earnings beneficiaries

Equity Strategy

Asia Pacific

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A silver lining: the benefits of weak commodities for Asian equities

We've highlighted all year that weak commodity prices are something to focus on. Rising commodity prices in the last 15 years have been a serious headwind to margins. But as a key cost input (we estimate 30% of costs) the drop in commodities underpins margins and provides a cushion to EPS estimates. Our view all year has been that valuations won't change much but markets will be driven by earnings. In turn, we've expected earnings to be supported by weak commodities. That's happening right now: the move in commodities is a reason to be positive, not negative for most of Asia.

Crucially, this is a supply driven drop not a broad based demand drop

Unusually, the drop in commodities is not being driven by broad based collapsing demand (which normally offsets any positive drop in costs for earnings). Instead, supply is strong in key commodities (oil, iron ore) while demand weakness is largely contained to narrow areas of the global economy such as Chinese residential investment. While some prices may have overshot in the short-term, we continue to think commodities prices will remain very subdued long-term (e.g. Oil $100/bbl, Iron Ore $75/t).

Sector implications

Lower commodity prices will of course be a drag on the oil & gas and mining names, and their equipment suppliers, but in this region many more sectors and stocks will benefit. For example utilities will be supported by lower input costs, OEMs from cheaper steel and aluminium prices, transport from cheaper fuel, and falling rubber prices will help tire and shoe manufacturers. We summarise the sector implications in Figure 13 on page 7.

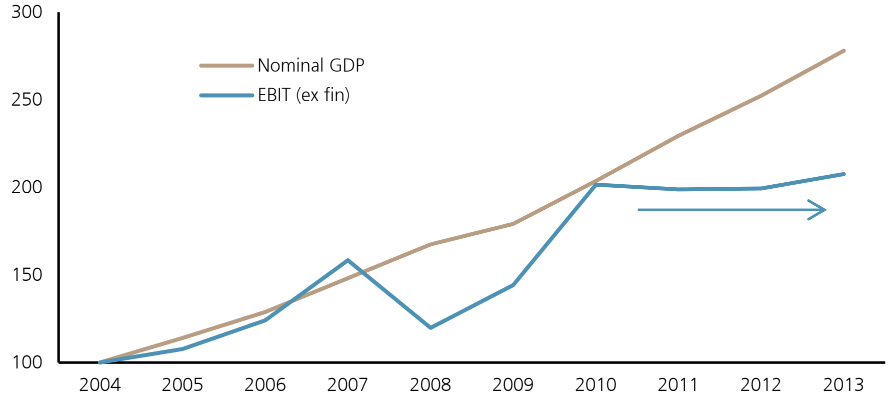
A comprehensive stock guide to winners and losers

With the help of our analysts, we've compiled a detailed guide for almost 300 stocks in the region (AxJ and Japan), with key commodities each stock is exposed to and the positive/negative implications. Adding in other elements such as valuation, earnings momentum and fundamental views, we would highlight the following as looking particularly interesting right now: Datang Power, Cathay Pacific, Hyundai E&C, Kepco, Dongfeng Motor, Tata Motors, Tingyi, Mazda, Japan Airlines, Mitsubishi Heavy, Sekisui House and Sumitomo Chemical.

A decade of disappointing earnings

It's been a tough decade for earnings in Asia. Despite a period of strong economic growth, earnings on the whole have underachieved. While earnings have basically doubled from 2004 to 2013, revenues and nominal GDP have almost trebled over the same period. The last three years in particular have been tough with Asian companies achieving virtually no EBIT growth, sharply underperforming the macro - see Figure 1.

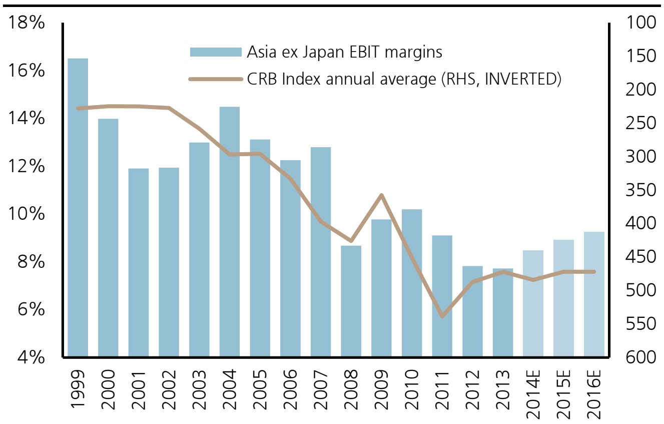
Figure 1: Asia ex Japan earnings have lagged GDP growth



Source: Worldscope, Thomson Datastream, UBS Equity Strategy

The problem has been margins. This is partly a result of rapid wage growth, but more importantly for this region commodity prices. Figure 2 below shows the inverse relationship of commodity prices (the CRB index is inverted on the below chart) and EBIT margins. The positive impact of commodity prices is often underappreciated by many investors. In mid-2009 UBS research estimated that energy and raw material costs were around twice as large an input cost in Asia than labour (32% of costs vs. 16%). While labour costs are likely more significant today, we still believe commodities are the single biggest driver of costs for Asian companies. The good news is that even labour costs are more subdued today, and less of a headwind to corporates (Figure 3). The recent collapse in commodity prices is therefore a major event in this region. This has been a key theme of ours, and we want to remind investors that it can provide a significant, and much needed, support to earnings growth.

Figure 2: Asia ex Jp EBIT margins vs CRB index (inverted)



Source: Worldscope, IBES, Thomson Datastream, UBS Equity Strategy

Figure 3: Wage growth is also slowing

Source: CEIC, UBS Economics. Note: simple average of USD year/year manufacturing wage growth for Singapore, Malaysia, Thailand, Indonesia, Philippines, China, Taiwan, Korea and India

But commodities are now in structural decline

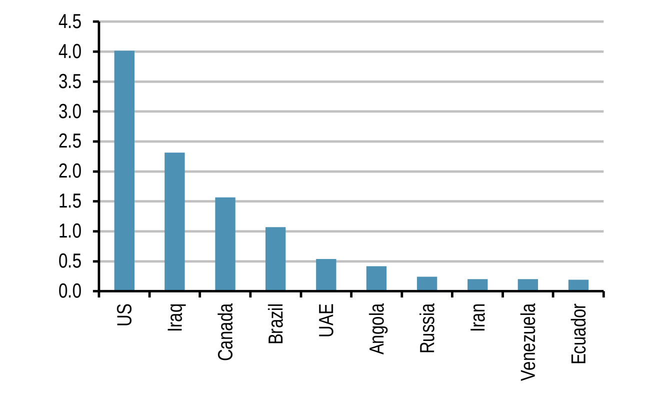
We have shifted into a structural downtrend for commodities. Although more recently demand concerns have sparked a new leg down in prices, the bigger picture trend is more structural as a result of oversupply in a backdrop of slowing China demand, and US dollar strength.

US Oil supply growth between 2013-2020 is expected to far exceed growth from OPEC countries, and even more so if we consider Canada's growth too (Figure 4). Earlier this month, our Energy Sector team, led by William Featherston, lowered their medium-term natural gas and crude oil price forecasts on US supply growth and the stronger US Dollar. For further details please see: "Lowering medium-term natural gas and crude oil price forecasts" – William Featherston, 6 October 2014.

By now we are only all too familiar with the China slowdown story. Weakening property investment and construction activity has posed the greatest drag on growth so far this year, and will remain the key risk to China growth for the rest of 2014 and 2015. As Tao Wang, our China economist, has pointed out, this slowdown is not only cyclical but also structural in nature for a number of reasons: 1) construction has increased more rapidly relative to underlying demand in the urban area, shifting market balance compared with a few years ago; 2) investment demand, which has helped to plug the gap between strong property supply and much lower underlying demand for the past decade, is being eroded by financial sector reform, the opening of China's capital account, and weakening sentiment caused by stagnant property prices; 3) excess inventory, particularly in Tier 3 and 4 cities; and 4) deteriorating financing conditions faced by property developers.

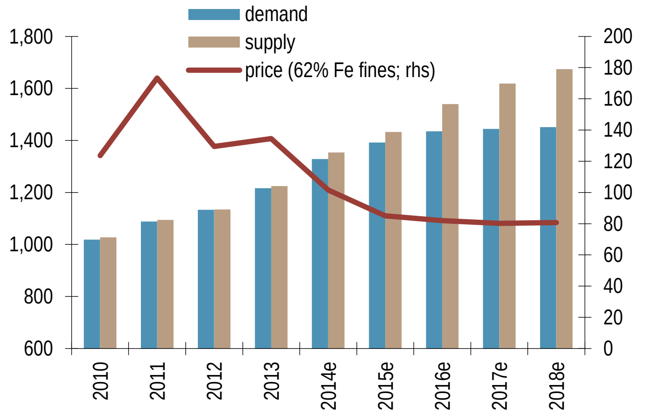
This construction/property slowdown remains a significant drag on steel used for construction and has been a major component in the fall in iron ore demand. At the same time our commodities analysts forecast iron ore supply to continue to surge 6% p.a. to 2018, predominantly from the majors in Australia as they battle for market share. This will likely drive an oversupply situation which will heavily weigh on prices - see Figure 5. Our commodities analysts, led by Daniel Morgan, last week cut their iron ore price forecasts to US$80-85/t for the next few years and their long-term price forecast to US$75/t (from US$89/t). For further details please see: "Iron ore: Game Changer" – Daniel Morgan, 15 October 2014.

Figure 4: Oil supply growth 2013-20E (MMBbld)



Source: IEA, EIA, Wood Mackenzie, UBS

Figure 5: UBS iron ore model



Source: UBS Commodities team estimates

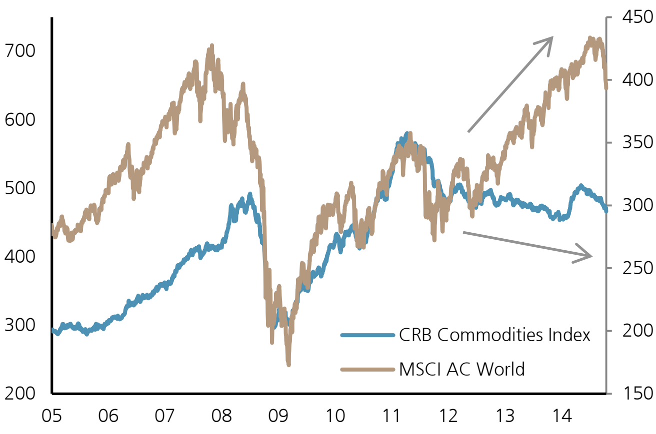
Although these are just two commodities, the fall in prices has been broad based across both hard and soft commodities. Also we shouldn't underestimate the impact of oil prices on so many sub-sectors, including lower transportation and

energy costs, fertilizer costs for agriculture, plastics used in packaging and auto manufacturing, notwithstanding the impact it can have on driving consumption.

Weak commodities, but no demand shock

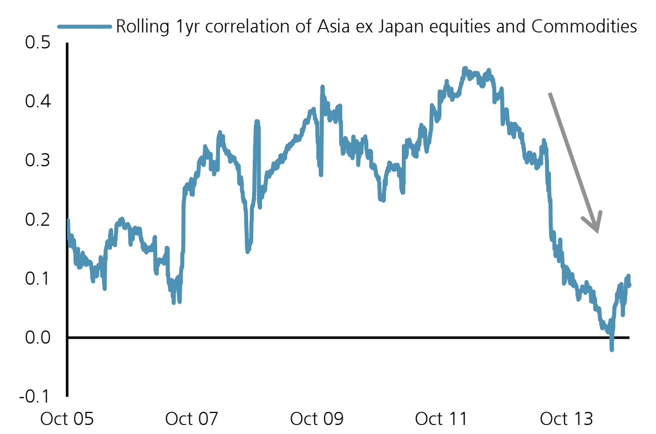
Importantly though, unlike previous episodes of commodity price weakness, we don't see this coinciding with a global demand shock. Yes, China growth will slow and recent European data has been weak, but US growth data has remained relatively firm. We still see the global economy growing modestly and leading indicators of growth are not, at present, consistent with any major slowdown in the world economy. Consequently commodity prices have decoupled from equity markets – see Figure 6 and Figure 7.

Figure 6: The CRB commodities index versus global equities



Source: Thomson Datastream, UBS Equity Strategy

Figure 7: The correlation between commodities and equities has broken down

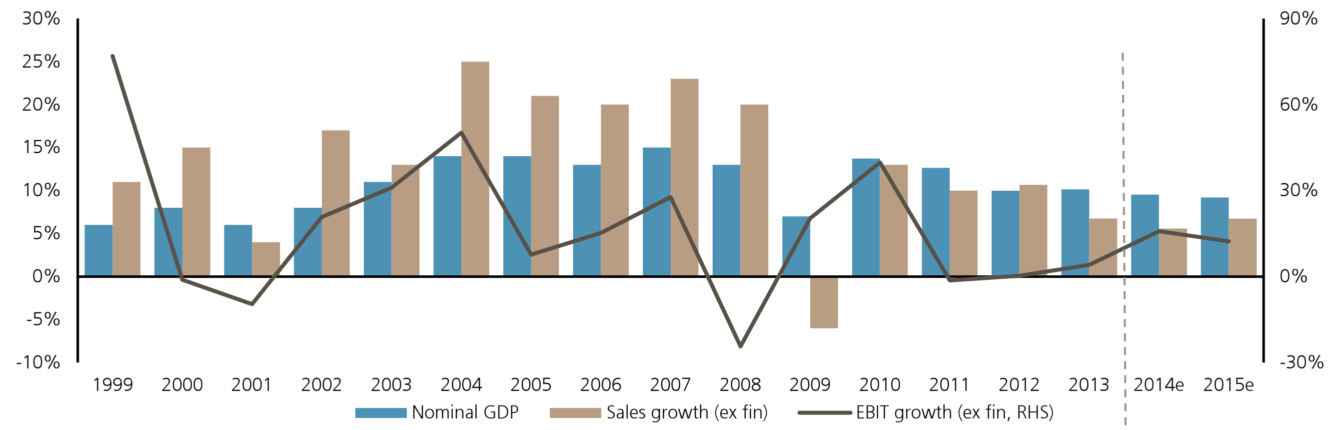


Source: Thomson Datastream, UBS Equity Strategy

What does this mean for Asian equities?

Given the importance of commodity prices as an input cost for companies in this region, lower prices should be a welcome boost for margins and corporate earnings. Margins stabilised last year, and look likely to expand in 2014. This should support close to 10% earnings growth in the region for both this year and next (we are a little below current consensus bottom-up expectations).

Figure 8: Asia ex Japan GDP, sales and EBIT growth

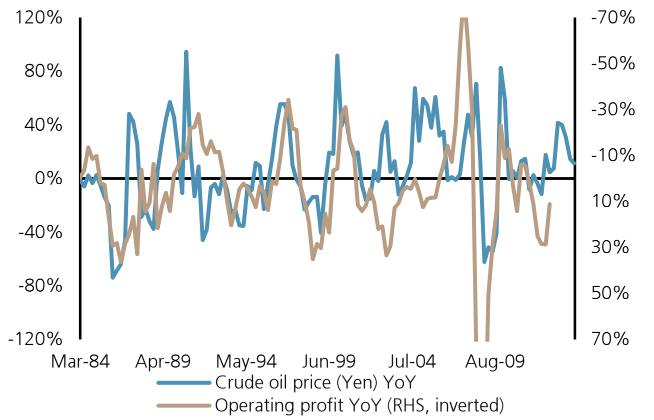


Source: Worldscope, IBES, Thomson Datastream, UBS Equity Strategy

We expect earnings to continue to drive modest index returns over the next year. Current market valuations are consistent with historic recession valuations and therefore reflect our credit cycle concerns (Debtopia) in this region. As such we see limited scope for further downside to multiples in Asia in the absence of a global shock, although neither do we expect multiples to re-rate, but equities can still post high single-digit / low double-digit returns driven entirely by earnings growth. Lower commodity prices should support margin expansion and enable margins to pick up the baton from revenues in driving earnings growth.

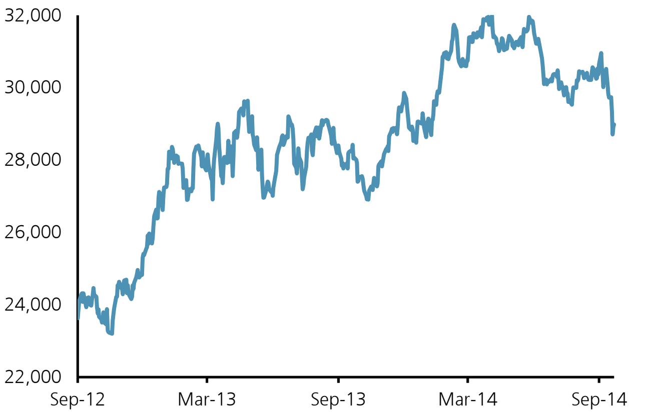
While we have been keener on the story of falling commodity prices in Asia ex Japan than Japan, that is not to say that commodity prices don't have an impact for Japanese earnings. Historically, weakening oil prices (in Yen) have correlated with positive operating profit growth (Figure 9). Even with the weaker yen, the CRB index indicates that commodity prices today still are lower than what they were in the first half of this year (Figure 10) and hence should be a positive for Japan as well as Asia in the coming months provided commodity prices remain subdued versus the Yen.

Figure 9: Oil price vs Japanese companies operating profit growth Y/Y (lagged 6 quarters and inverted)



Source: Bloomberg, Ministry of Finance

Figure 10: CRB index in Yen

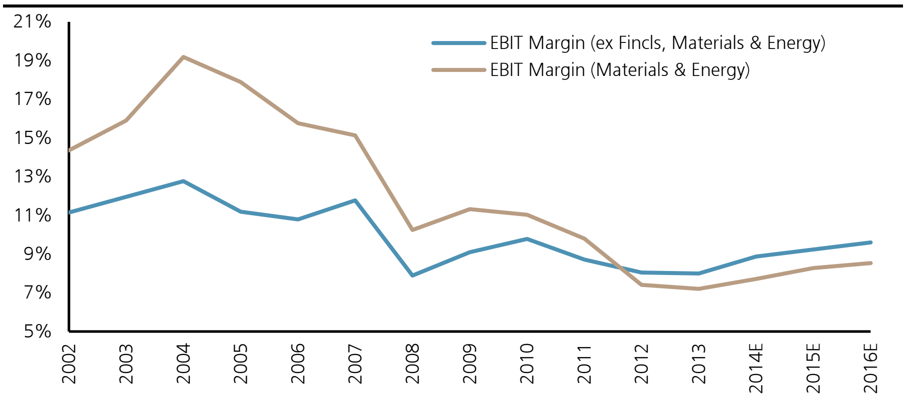


Source: Bloomberg

Sector implications

Broadly speaking, lower commodity prices should be a drag on the resources sectors where margins are being eroded and now see lower margins than the non-resource sectors.

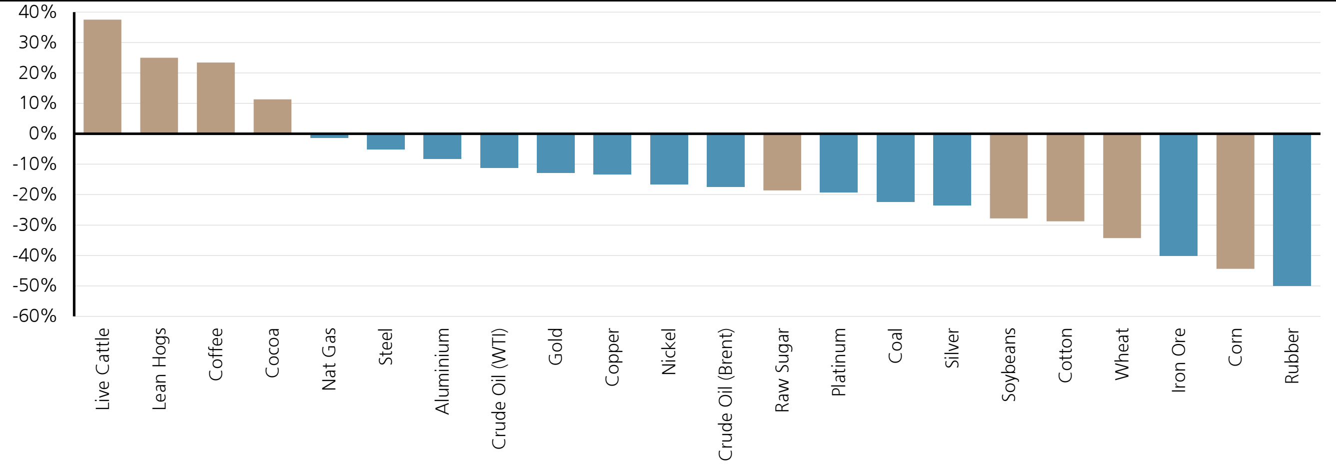
Figure 11: Asia ex Japan EBIT margins: resources versus non-resources



Source: Worldscope, IBES, Thomson Datastream, UBS Equity Strategy

Up to now we have talked more about the hard commodities, but the commodity price weakness has been broad based, encompassing many soft commodities too. At the back of this publication we look at the impact of each of the major commodities on almost 300 companies and our analysts have discussed the potential impact on profitability.

Figure 12: Major commodities: current prices versus 5-year average (hard commodities shown in blue)



Source: Thomson Datastream

Figure 13 below summarises the sector impact from falls in the major commodities. In general the **utilities** companies should benefit from lower input costs with coal and gas in some cases representing up to 80% of their operating expenses. **Original equipment manufacturers** (OEMs) in autos and machinery should benefit from lower steel and aluminium costs in particular. **Construction & engineering** companies are also significant beneficiaries of lower steel prices, but also along with other energy intensive industries will receive a welcome boost from lower energy costs on the falling oil price. **Transport** will also benefit significantly from lower oil prices with fuel accounting for almost 40% of operating costs for some airlines. Falling rubber prices will also provide margin support to **tire manufacturers** and **shoe makers**.

The read-through is more mixed for **chemicals**, where on the one hand operating profits will be boosted by lower input costs, but it may lead to lower product prices and falls in natural rubber and cotton prices will also decrease demand for synthetic rubber and polyester.

The key sectors that are likely to suffer are the **oil & gas** and **mining** companies whose revenues are heavily reliant on commodity prices, but also the equipment providers are likely to be impacted negatively on lower production volumes and/or lower investment.

In this publication we focus on the direct impact for companies in Asia, but there are notable second round effects, and lower energy and fuel costs will be supportive for household disposable income. In the developed world this could prolong the consumption boom that has already taken hold in recent years on the back of low interest rates and low inflation.

Figure 13: Sector winners (✓) and losers (×) of falling commodity prices

	Oil & Gas	Coal	Steel / Iron Ore	Copper	Aluminium	Rubber	Wheat	Corn	Cotton
Utilities	✓	✓		✓					
Machinery & Equipment manufacturers			✓	✓	✓				
Automobile manufacturers	✓		✓		✓				
Tire manufacturers	✓					✓			
Food & Beverage producers	✓				✓		✓	✓	
Footwear manufacturers	✓					✓			✓
Homebuilders			✓						
Construction & Engineering	✓		✓	✓					
Energy intensive industries	✓	✓							
Transport	✓								
Cement producers	✓	✓							
Electrical Equipment			✓	✓	✓				
Shipbuilding			✓						
Apparel retailers									✓
Steelmakers	✓	✓	×✓						
Agricultural Chemicals	✓						×	×	×
Chemicals and refining	✓×					×			×
Agricultural machinery			✓		✓		×	×	
Oil & Gas companies	×								
Oil drilling equipment suppliers	×		✓						
Mining equipment suppliers		×	✓×	×	×				
Miners	✓	×	×	×	×				

Source: UBS estimates

Stocks: who benefits?

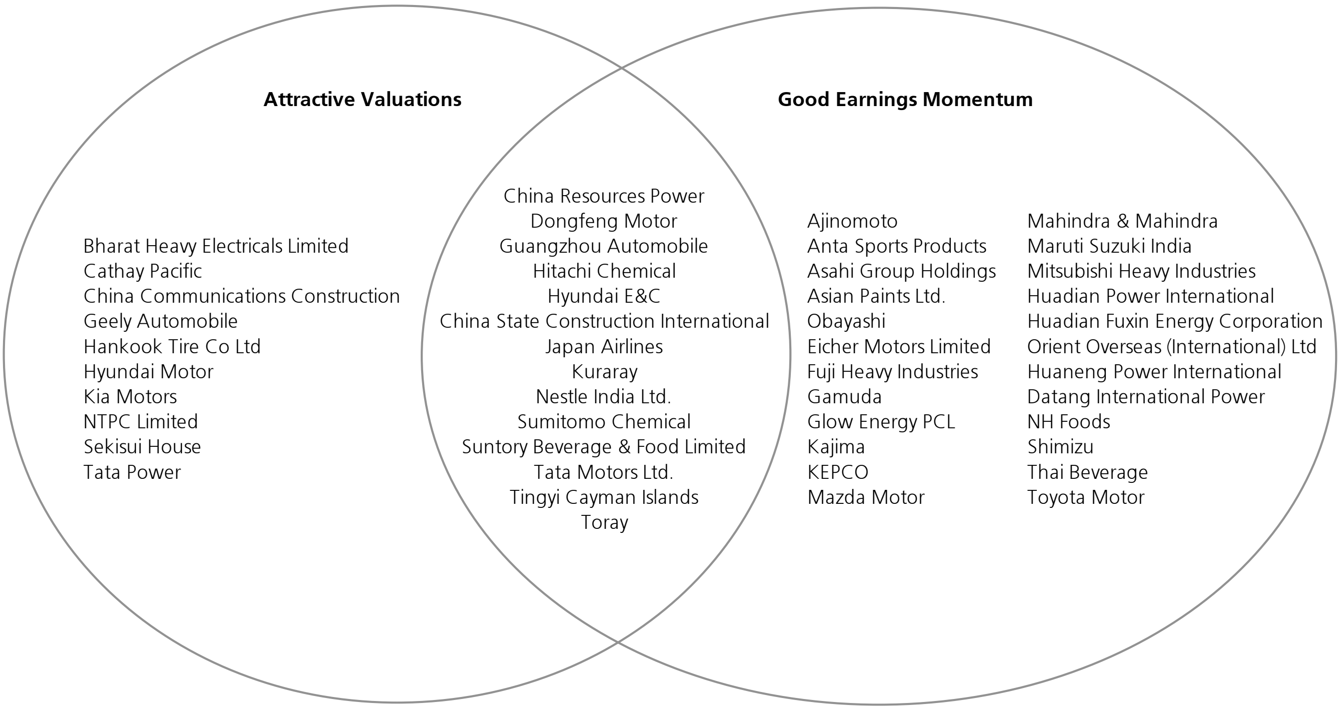
At the back of this publication we have summarised the impact of falling commodity prices on almost 300 companies where we believe the impact is meaningful and our analysts have estimated the potential read-through to operating profits where possible.

In Figure 14, below we highlight some key names that should benefit, where our analysts have a positive view on the stock and which have either positive earnings momentum or P/Book relative valuations are trading at a discount to history. Amongst this list we would highlight 7 companies that stand out in Asia ex Japan and 5 in Japan. 11 of these 12 names were also listed our list of 40 preferred names in our recent publication: "The correction in context and where next" (16 October 2014)

In Asia ex Japan we would highlight **Tingyi Cayman Islands** which was added to the UBS Key Call list last week given our analyst, Christine Peng, sees a 2014 margin turnaround and believes that a 10% fall in all major raw materials could see operating profits rise 40%. **Hyundai E&C, Tata Motors** and **Dongfeng Motor** should all benefit from lower steel prices, and in the case of Dongfeng Motor where steel makes up c.43% of cost of goods sold (COGS) a 1% fall in commodity prices could boost net profits 5%. Our analyst, Eric Lin, has highlighted just how sensitive the airlines could be to falls in fuel costs. **Cathay Pacific** for example could see EPS rise 11.5% for every $1/bbl decline in the oil price given that 38% of its Opex is fuel. **KEPCO** should also benefit from lower oil prices and **Datang Power** should be a major beneficiary of lower coal prices.

In Japan, we would highlight Key Call **Mazda Motor** where commodities are a key input cost for the business. **Sekisui House**, the home construction contractor should benefit from falling steel prices and lower energy costs. **Mitsubishi Heavy Industries** uses a lot of steel in shipbuilding and aircraft parts for example. **Sumitomo Chemical** will be an indirect beneficiary of lower oil prices given Naphtha is c.10% of their costs, and **Japan Airlines** will be a more direct beneficiary given 28% of its business costs are fuel and a $1/bbl; decline in the oil price is expected to increase operating profit by approximately JPY1bn.

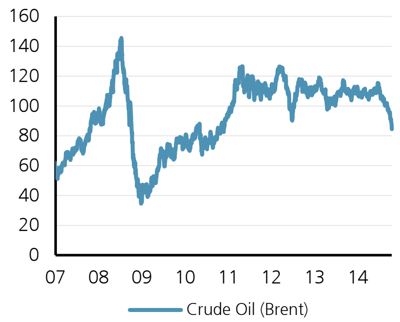
Figure 14: A selection of Buy rated stocks that should benefit from lower commodity prices



Source: UBS estimates. Stocks shown are UBS Buy rated, have market cap >$3bn and meet at least one criteria of positive earnings momentum over past three months or current P/Book relative is at a discount to its 5-year average

Commodity by commodity impact

Figure 15: Brent crude oil US$/bbl



Source: Thomson Datastream, UBS estimates

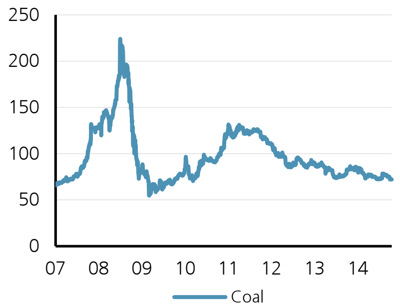
Falling prices should benefit:

- Transport (lower fuel costs)
- Utilities
- Some chemicals and refiners
- Tire manufacturers
- Plastics used in autos or food/bev packaging
- Agriculture (lower fertilizer costs)
- Energy intensive industries

Falling prices are bad for:

- Oil & Gas companies
- Drilling equipment suppliers
- Some chemicals and refiners

Figure 16: Coal ICE US$/MT



Source: Thomson Datastream, UBS estimates

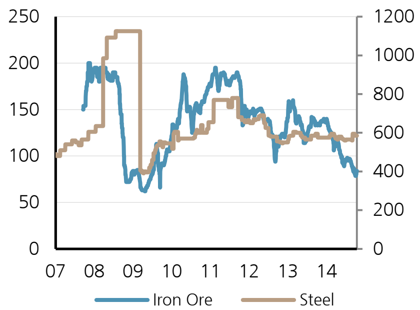
Falling prices should benefit:

- Utilities
- Steel producers
- Cement producers
- Electricity intensive industries

Falling prices are bad for:

- Coal miners
- Mining equipment suppliers

Figure 17: Iron Ore US$/MT and Steel HR Coil US$/MT



Source: Thomson Datastream, UBS estimates

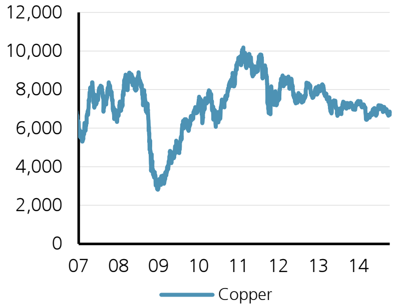
Falling prices should benefit:

- Shipbuilding
- Automobile manufacturers
- Machinery/Equipment manufacturers
- Steelmakers (lower iron ore cost)
- Homebuilders
- Construction & Engineering

Falling prices are bad for:

- Miners (iron ore)
- Mining equipment suppliers
- Steelmakers (steel prices)

Figure 18: Copper US$/MT



Source: Thomson Datastream, UBS estimates

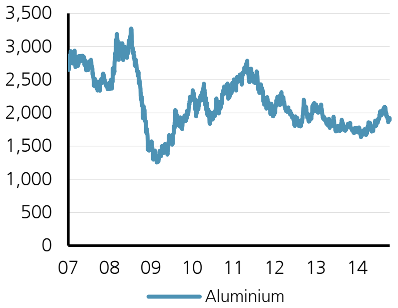
Falling prices should benefit:

- Construction & Engineering
- Machinery/Equipment manufacturers
- Electrical Equipment
- Electric utilities

Falling prices are bad for:

- Miners
- Mining equipment suppliers

Figure 19: Aluminium US$/MT



Source: Thomson Datastream, UBS estimates

Falling prices should benefit:

- Automobile manufacturers
- Machinery/Equipment manufacturers
- Food/Bev producers' packaging

Falling prices are bad for:

- Aluminium producers
- Mining equipment suppliers

Figure 20: Rubber MYR Sen/Kg

Source: Thomson Datastream, UBS estimates

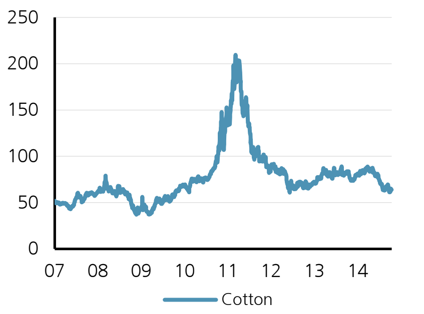
Falling prices should benefit:

- Tire manufacturers
- Footwear manufacturers

Falling prices are bad for:

- Chemicals companies through impact to synthetic rubber prices

Figure 21: Cotton USc/lb



Source: Thomson Datastream, UBS estimates

Falling prices should benefit:

- Apparel retailers
- Textiles
- Footwear manufacturers

Falling prices are bad for:

- Chemicals companies through reduced demand for polyester
- Fertilizer / Agricultural Chemicals

Figure 22: Corn USc/bu

Source: Thomson Datastream, UBS estimates

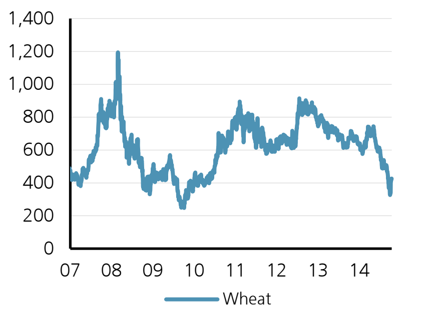
Falling prices should benefit:

- Meat producers (lower feed cost)
- Food producers

Falling prices are bad for:

- Fertilizer / Agricultural Chemicals
- Agricultural machinery

Figure 23: Wheat USc/bu



Source: Thomson Datastream, UBS estimates

Falling prices should benefit:

- Food producers
- Barley (some relationship with wheat) used by brewers

Falling prices are bad for:

- Fertilizer / Agricultural Chemicals
- Agricultural machinery

Stock implications

Figure 24: Stocks affected by moves in commodity prices (sorted by industry)

Name		Sub-Industry	Mkt Cap (USD bn)	Price	Upside to PT	UBS rating	P/Book 2014	P/B rel prem / (disc) to 5yr ave	3m EPS mom*	positive (✓) or negative (×) impact of falling commodity prices											Commodity Exposure	Analyst Comment
										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
Motherson Sumi Systems	IN	Auto Parts & Equipment	5.2	362.45	3%	Neutral	8.7	127%	15%	✓		✓				✓					Raw material cost is c65%, out of which copper could be 15-18%, rest is crude linked polymers/resins, electronics, small amount of metal parts and moulds, die-casting	For them, cost increase or decline are largely pass-through with a 1-2 quarter lag, as per the co. But at the margin, lower commodity prices could improve operating margins by 0.5-1.0 ppts in our view.
Exide Industries	IN	Auto Parts & Equipment	2.3	167.3	23%	Buy	3.6	6%	18%	✓				✓		✓					Lead is the major raw material for Exide. All the mentioned raw materials would indirectly help in boosting the demand as decline in prices will boost auto demand which in turn would increase the demand for batteries	Difficult to quantify. ~10% pick up in auto volumes will increase the top-line by 4-5%. Would happen with a lag effect of at least 12months. 10% Lead prices decline would boost the operating profit by 13-15%. Company enters in to long term contract with vendors to price effect may lag 3months
Astra Otoparts	ID	Auto Parts & Equipment	1.6	4095	9%	Buy	1.8	-6%	4%	✓				✓							Crude oil (20%) and steel (10%) of total costs.	Crude oil and steel are the main cost items for Astra Otoparts. Every 1% decrease in crude oil / steel price, will expand the company's EBIT margin by 1.8%/0.9%.
Tube Investments of India	IN	Auto Parts & Equipment	0.9	308.35	30%	Buy	4.4	188%	6%					✓							Steel is ~65% of the total raw material cost.	A 10% decline in commodity prices would increase the operating income by ~12-15%. Due to company's hedging policies, the effect may happen with a lag of 3 months
Cheng Shin Rubber Ind	TW	Tires & Rubber	7.1	66.8	12%	Neutral	2.5	5%	-13%	✓							✓				Natural/synthetic rubber 45% and carbon black (whose key feedstock is crude oil) 7% of costs.	If both natural and synthetic rubber prices are 10% lower than in our base case, 2015 operating profit would increase 14%. If carbon black prices are 10% lower than our base case, 2015 operating profits would increase 4%.
Hankook Tire Co Ltd	KR	Tires & Rubber	5.6	48350	47%	Buy	1.3	-13%	-6%								✓				1% decline in natural rubber and synthetic rubber prices has about 2% positive impact on our 2015 EPS forecast	In theory, lower raw material (rubber) prices should help Hankook Tire but this could be offset by lower tire pricing. We calculate 1% lower tire pricing would offset about 3.5% lower rubber prices.
Apollo Tyres	IN	Tires & Rubber	1.7	205.75	12%	Neutral	1.8	75%	6%	✓							✓				Raw materials are c57-60% of sales and rubber constitutes half of this cost and rest linked to crude movement.	Pricing power is limited in India and competitive intensity moderate; while increases in costs are too slow to be passed on; we expect the current fall in rubber prices by 10-15% QoQ to raise operating margins by 1-2 ppts.
Nexen Tire	KR	Tires & Rubber	1.1	12800	27%	Neutral	1.3	-21%	-1%								✓				1% decline in natural rubber and synthetic rubber prices has about 2% positive impact on our 2015 EPS	In theory, lower raw material (rubber) prices should help Nexen Tire but this could be offset by lower tire pricing. We calculate 1% lower tire pricing would offset about 4% lower rubber prices.

Name		Sub-Industry	Mkt Cap (USD bn)	Price	Upside to PT	UBS rating	P/Book 2014	P/B rel prem / (disc) to 5yr ave	3m EPS mom*	positive (✓) or negative (×) impact of falling commodity prices: Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton	Commodity Exposure	Analyst Comment
																					forecast	
Gajah Tunggal Tbk	ID	Tires & Rubber	0.4	1525	35%	Buy	0.9	-24%	7%	✓	✓						✓				Crude oil (40%), natural rubber (20%) and natural gas (5%) of total costs	Crude oil and natural rubber are the main cost items of GJTL's business. Every 1% decrease in rubber / crude oil price, will expand EBIT margin by 0.3%/ 0.6%.
Toyota Motor	JP	Automobile Manufacturers	189.8	5879	31%	Buy	1.2	4%	8%			✓	✓	✓	✓	✓	✓				n/a	Commodities are a key input, but hard to quantify since it buys mainly parts, rather than commodities directly.
Honda Motor	JP	Automobile Manufacturers	56.2	3285	19%	Neutral	1.0	-25%	2%			✓	✓	✓	✓	✓	✓				n/a	Commodities are a key input, but hard to quantify since it buys mainly parts, rather than commodities directly.
Nissan Motor	JP	Automobile Manufacturers	37.7	953.2	11%	Neutral	0.9	-16%	8%			✓	✓	✓	✓	✓	✓				n/a	Commodities are a key input, but hard to quantify since it buys mainly parts, rather than commodities directly.
Hyundai Motor	KR	Automobile Manufacturers	32.9	168000	49%	Buy	0.6	-28%	-7%	✓		✓		✓		✓	✓				Copper (6%), steel (5%), aluminium (3%), rubber (3%) of sales	Falling oil prices are positive to auto demand
Tata Motors Ltd.	IN	Automobile Manufacturers	25.2	483.8	14%	Buy	2.1	-3%	18%					✓		✓					Steel and Aluminium account for 15% of costs.	Steel and aluminium accounts for the biggest share of basic raw material cost. A 10% fall in all commodity prices would likely see operating profits rise 5-7%.
Fuji Heavy Industries	JP	Automobile Manufacturers	23.4	3158.5	27%	Buy	2.6	66%	9%			✓	✓	✓	✓	✓	✓				n/a	Commodities are a key input, but hard to quantify since it buys mainly parts, rather than commodities directly.
Astra International	ID	Automobile Manufacturers	21.0	6350	40%	Buy	2.7	-11%	1%	✓				✓	×						CPO price (8%), Coal price (2%) of the company's revenue. Steel (<0.5%) through its subsidiary Astra Otoparts.	Crude oil price has no direct exposure on Astra's earning, but may incentive government to keep subsidize fuel and increase auto demand, and hence increasing the company's operating profit. Regarding the direct impact, a 10% decrease in CPO price may cut Astra's total operating profit by around 2%. While direct impact of the coal price is insignificant.
Kia Motors	KR	Automobile Manufacturers	20.3	53300	18%	Buy	0.8	-29%	-4%	✓		✓		✓		✓	✓				Copper (6%), steel (5%), aluminium (3%), rubber (3%) of sales	Falling oil prices are positive to auto demand
BYD Company Limited	CN	Automobile Manufacturers	17.3	49.25	-54%	Sell	3.6	23%	16%	✓			✓	✓		✓					Steel (33%), Iron (6%), Plastics (5%), Aluminium (6%) of COGS.	Steel is the biggest component for a motor vehicle which typically account for c46% of the total material cost. We believe a 1% change in commodity price (in the Auto segment only) will lead to a 6% change in net profit
Suzuki Motor	JP	Automobile Manufacturers	16.4	3093	18%	Neutral	1.2	4%	7%			✓	✓	✓	✓	✓	✓				n/a	Commodities are a key input, but hard to quantify since it buys mainly parts, rather than commodities directly.
Maruti Suzuki India	IN	Automobile Manufacturers	14.4	2939.2	19%	Buy	3.8	76%	16%	✓				✓		✓					Steel (15%), Aluminium (3%), Plastics (3%) of costs. Lower oil prices is positive for passenger vehicle demand.	Steel accounts for the biggest share of basic raw material cost. Plastic prices are linked to crude oil. A 10% fall in all commodity prices would likely see operating profits rise 11-13%.
Great Wall Motor	CN	Automobile Manufacturers	14.2	30.85	10%	Neutral	2.2	30%	1%	✓			✓	✓		✓					Steel (36%), Iron (6%), Plastics (6%), Aluminium (6%) of COGS.	We believe a 1% change in commodity price will lead to a 3% change in net profit

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
Dongfeng Motor	CN	Automobile Manufacturers	13.2	11.9	47%	Buy	1.3	-15%	17%	✓			✓	✓		✓					Steel (43%), Iron (7%), Plastics (7%), Aluminium (8%) of COGS.	We believe a 1% change in commodity price will lead to a 5% change in net profit
Mazda Motor	JP	Automobile Manufacturers	12.6	2233	43%	Buy	1.7	27%	3%			✓	✓	✓	✓	✓	✓				n/a	Commodities are a key input, but hard to quantify since it buys mainly parts, rather than commodities directly.
Mahindra & Mahindra	IN	Automobile Manufacturers	11.6	1218.85	19%	Buy	2.3	4%	5%	✓			✓	✓		✓					Alloy steel and pig iron account for 27% of costs for tractors. Steel (15%), Aluminium (3%), Plastics (3%) of utility vehicle (UV) and light commercial vehicle (LCV) costs. Lower oil prices is positive for UV demand.	Steel and pig iron accounts for the biggest share of basic raw material cost. Plastic prices are linked to crude oil. A 10% fall in all commodity prices would likely see operating profits rise 12-14%.
Brilliance China Automotive	CN	Automobile Manufacturers	8.1	12.66	21%	Neutral	2.9	14%	20%	✓			✓	✓		✓					Steel (42%), Iron (7%), Plastics (7%), Aluminium (7%) of COGS.	We believe a 1% change in commodity price will lead to a 5% change in net profit
Guangzhou Automobile	CN	Automobile Manufacturers	7.7	7.26	54%	Buy	1.0	-9%	5%	✓			✓	✓		✓					Steel (39%), Iron (7%), Plastics (6%), Aluminium (7%) of COGS.	We believe a 1% change in commodity price will lead to a 6% change in net profit
Geely Automobile	CN	Automobile Manufacturers	3.6	3.37	7%	Buy	1.2	-21%	-8%	✓			✓	✓		✓					Steel (40%), Iron (7%), Plastics (7%), Aluminium (7%) of COGS.	We believe a 1% change in commodity price will lead to a 6% change in net profit
Bajaj Auto	IN	Motorcycle Manufacturers	11.1	2362.9	-3%	Neutral	3.4	-41%	2%	✓				✓		✓					Steel (7%), Aluminium (7%), Plastics (5.5%) of costs. Lower oil prices is positive for two wheeler demand.	Steel and aluminium account for the biggest share of basic raw material cost. Plastic prices are linked to crude oil. A 10% fall in all commodity prices would likely see operating profits rise 6-8%. However, the company takes quarterly contracts for key raw material like Steel, Aluminium etc. Hence, there would be a 3 month lag.
Hero MotoCorp	IN	Motorcycle Manufacturers	9.0	2791.85	11%	Neutral	8.5	15%	8%	✓				✓		✓					Steel (7%), Aluminium (7%), Plastics (5.5%) of costs. Lower oil prices is positive for two wheeler demand.	Steel and aluminium account for the biggest share of basic raw material cost. Plastic prices are linked to crude oil. A 10% fall in all commodity prices would likely see operating profits rise 8-10%.
Sekisui House	JP	Homebuilding	8.1	1237	29%	Buy	0.9	-1%	-1%	✓				✓							n/a	Home construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
Sansiri PCL	TH	Homebuilding	0.6	2.12	-15%	Sell	1.0	15%	0%					✓							Approximately 10% of project costs relate to steel	Steel is used along with concrete to form the structure of residential projects (landed property and condominiums) and therefore falling steel prices will decrease construction costs.
Giant Manufacturing	TW	Leisure Products	2.7	216.5	27%	Buy	4.0	41%	4%					✓		✓					Aluminium 40% of cost; steel: negligible	If aluminium prices are 10% lower than in our base case, 2015 operating profit would increase 34%.
Fast Retailing	JP	Apparel Retail	35.6	37020	-5%	Neutral	5.9	9%	7%											✓	n/a	The direct impact from cotton price change should be limited

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										positive (✓) or negative (×) impact of falling commodity prices												
																						because Fast Retailing usually procure apparel products from factories or suppliers. However, the company gradually plans to procure a long-term supply of large volumes of materials directly from manufacturers.
Belle International Holdings	CN	Apparel Retail	9.4	8.62	-25%	Sell	2.0	-39%	1%	✓							✓			✓	Cotton (5%), rubber (5%), crude oil (10%) and leather (35%) of costs	Cotton, rubber (5%), crude oil (10%) and leather are the key cost items. A 10% drop in commodity prices will drive operating profit up c8%. Raw materials mostly hedged.
Shimamura	JP	Apparel Retail	3.3	9430	-9%	Sell	1.2	-20%	-2%											✓	n/a	The direct impact from cotton price change should be limited because Shimamura usually procure apparel products from suppliers.
United Arrows	JP	Apparel Retail	1.1	3605	33%	Buy	3.2	7%	1%											✓	n/a	The direct impact from cotton price change should be limited because United Arrows usually procure apparel products from factories or suppliers and weight of materials in COGS should be small.
Giordano	CN	Apparel Retail	0.8	3.94	2%	Sell	2.1	-9%	-16%											✓	Cotton cost could be 50% of Giordano's OEM suppliers' COGS	10% fall in cotton costs could raise Giordano's operating profit by around 8%
Adastria Holdings	JP	Apparel Retail	0.5	2396	-8%	Neutral	1.3	-50%	-14%											✓	n/a	The direct impact from cotton price change should be limited because Adastria Holdings mostly procure apparel products from factories or suppliers weight of materials in COGS should be small.
Yue Yuen Industrial	HK	Footwear	5.2	24.3	-7%	Sell	1.1	-1%	4%	✓							✓			✓	Cotton (10%), rubber (30%) and crude oil (10%) of costs	Cotton, rubber, crude oil/petrochems are the key CoGS items. A 10% drop in all commodity prices would only drive operating profit up in the short term (3-6m) as Yue Yuen runs a cost-plus model. The rise or fall in manufacturing cost will be passed on to its customers in 3-6m.
Anta Sports Products	CN	Footwear	5.1	15.84	20%	Buy	4.1	46%	17%	✓							✓			✓	Cotton (10%), rubber (20%) and crude oil (5%) of costs	Cotton, rubber, crude oil/petrochems are the key CoGS items. A 10% drop in all commodity prices would drive operating profit up c15%. Costs are partially hedged.
Daphne International	CN	Footwear	0.8	3.76	33%	Buy (CBE)	1.2	-51%	-2%	✓							✓			✓	Cotton (5%), rubber (5%), crude oil (10%) and leather (35%) of costs	Cotton, rubber (5%), crude oil (10%) and leather are the key cost items. A 10% drop in commodity prices will drive operating profit up c8%. Raw materials mostly hedged.
Raymond	IN	Textiles	0.5	459.05	29%	Buy	1.8	56%	3%											✓	Cotton accounts for ~40% of total cost and ~15% of revenues	A 10% decrease in cotton prices would likely see operating profits increase by ~10%. However, the company hedges these prices.
Asahi Group Holdings	JP	Brewers	14.0	3122	19%	Buy	1.7	21%	3%							✓					n/a	n/a

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Kirin Holdings	JP	Brewers	11.7	1355	7%	Neutral	1.1	-13%	1%							✓					n/a	n/a
Tsingtao Brewery	CN	Brewers	9.2	53.1	9%	Sell	3.1	-12%	-3%							✓					packaging (50%), malting barley (15%), rice (6%)	Aluminium is used as packaging material for its canned beverages. A 10% fall in all major raw material mentioned would likely see operating profits rise 67%.
United Breweries	IN	Brewers	2.7	636.3	14%	Sell	9.1	15%	4%	✓						✓					Malt cost (~20% of COGS) is the key raw material for beer and Aluminium caps are ~3-4% of COGS.	Malt cost is the key raw material for beer. Malt is a barley derivative which may not follow the same price movement as wheat due to the different and limited end users. A 10% fall in malt cost should increase operating profits by ~14-15% all other things remaining equal. Aluminium caps cost is renegotiated on an annual basis and therefore the benefit may lag
Sapporo Holdings	JP	Brewers	1.5	418	15%	Buy	1.1	-12%	-3%							✓					n/a	n/a
Thai Beverage	TH	Distillers & Vintners	14.7	0.745	13%	Buy	4.5	73%	4%							✓					Key raw materials are molasses (by-product of sugar) for spirits (4% of total sales) and malt (barley), hops and rice (1.5% of total sales). Also aluminium for packaging (1% of total sales).	None of the commodities individually form a big part of total costs. So no significant impact to profits if any commodity rises or drops
United Spirits Ltd	IN	Distillers & Vintners	5.6	2370.85	-7%	Sell	10.8	136%	-13%	✓											Sugar to produce liquor and petroleum linked for packaging	Petro-linked cost input in packaging liquor is primarily in bottle cost. Liquor in India is produced from sugar derivatives and hence COGS have no sensitivity to wheat or corn cost. If petroleum-linked cost (energy etc) come down by 10% all things remaining equal, USL's operating profits should improve by ~8%.
Suntory Beverage & Food Limited	JP	Soft Drinks	10.7	3660	23%	Buy	2.0	-10%	8%							✓					n/a	n/a
Wilmar International Limited	SG	Agricultural Products	15.1	3	17%	Buy	1.0	-35%	-2%												CPO (70%), Soybeans (20%), Sugar (10%)	Wilmar is a commodity trader, hence earnings are primarily leveraged to traded volumes, but also directly impacted by commodity prices. Falling soybean prices are positive while falling CPO and sugar prices are a net negative for the company.
Charoen Pokphand Indonesia	ID	Agricultural Products	5.3	3965	8%	Neutral	5.2	25%	-1%										✓		Corn (20%), Soybean (15%) of total costs.	Corn and soybean are the biggest cost item for animal feed production, CPIN's biggest business. A 10% fall in corn/soybean price would likely to result in an increase of operating profit by 14%/12%.
Astra Agro Lestari	ID	Agricultural Products	2.6	20100	17%	Sell	2.9	-15%	-2%												Crude palm oil (100%). CPO price is the key driver of the company's revenue	Astra Agro operates in palm oil cultivation business, with CPO and refined CPO as its main products. A 10% fall in palm oil price would likely hurt operating profit by around 16% (lower

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																						sensitivity compared to its peers). This is due to high proportion of third party FFB production costs as a percentage of total cost
China Modern Dairy	CN	Agricultural Products	1.9	3.13	33%	Buy	1.8	15%	20%										✓		Corn; alfalfa	Corn and alfalfa used as feed for dairy cows
London Sumatra Indonesia	ID	Agricultural Products	1.0	1750	42%	Buy	1.6	-21%	1%												Crude palm oil (100%). CPO price is the key driver of the company's revenue	London Sumatera operates in palm oil cultivation business, with CPO as its main products. A 10% fall in palm oil price would likely hurt operating profit by around 20%.
BW Plantation	ID	Agricultural Products	0.2	570	184%	Buy	1.0	-58%	5%												Crude palm oil (100%). CPO price is the key driver of the company's revenue	BW Plantation operates in palm oil cultivation business, with CPO as its main products. A 10% fall in palm oil price would likely hurt operating profit by around 21%.
Want Want China Holdings	CN	Packaged Foods & Meats	16.2	9.5	-7%	Sell	7.4	-5%	-5%					✓							Packaging material (31%), milk powder & condensed milk (20%), sugar (7%), rice (4%), palm oil (2%)	Steel is used as packaging material for Want Want's hot kid milk. A 10% fall in all major raw materials mentioned would likely see operating profits rise 18%.
Tingyi Cayman Islands	CN	Packaged Foods & Meats	13.5	18.78	39%	Buy	4.3	-20%	5%									✓			PET resin (30%), Palm oil (7%), Flour (5%), Sugar (5%)	PET resin is used for packaging material while palm, flour and sugar are used for production. A 10% fall in all major raw material mentioned would likely see operating profits rise 40%.
WH Group	HK	Packaged Foods & Meats	11.2	5.91	40%	Buy	2.2	-39%											✓		Corn (5%), soybean meal (3%)	corn and used as feed raw material for hogs. A 10% fall in corn and soybean meal price would likely see operating profits rise 12%.
Ajinomoto	JP	Packaged Foods & Meats	10.9	1942	3%	Buy	1.7	38%	7%									✓	✓		wheat 5%, corn20%	A 10% fall in commodity prices would likely see operating profit rise 5%
Nestle India Ltd.	IN	Packaged Foods & Meats	9.0	5763.9	30%	Buy	19.0	-19%	4%									✓			Wheat flour accounts for ~13% of Nestle's raw material cost. Primarily used in flagship product Maggi.	If there's a 10% reduction in milk prices, Nestle's operating profits would improve by ~12-13%, but if there's a 10% reduction in wheat cost, Nestle's operating profits would increase by 3-4%
Uni-President Enterprises	TW	Packaged Foods & Meats	8.8	48.8	5%	Neutral	2.9	31%	5%									✓			Wheat 4% of cost	We estimate the impact on operating profits is small (3%) with 10% change of wheat price.
Universal Robina Corp.	PH	Packaged Foods & Meats	8.6	178	12%	Neutral	6.8	174%	11%									✓	✓		Wheat and corn comprise less than 3% each of total raw materials.	No significant impact on margins
China Mengniu Dairy	CN	Packaged Foods & Meats	8.2	32.65	24%	Neutral	2.4	-6%	3%												packaging (21%), sugar and other raw material (18%)	A 10% fall in major raw materials mentioned would likely see operating profits rise 80%.
Nissin Foods	JP	Packaged	5.9	5660	-16%	Sell	1.8	26%	7%									✓			wheat 20%	A 10% fall in commodity prices would likely see operating profit

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
Holdings		Foods & Meats																				rise 2%
Indofood CBP Sukses Makmur	ID	Packaged Foods & Meats	5.4	11325	-27%	Sell	4.7	43%	7%									✓			Wheat (33%), crude palm oil (15%) of COGS	ICBP's main cost items are flour and cooking oil (both of them are main raw materials for noodle, ICBP's biggest business). Flour price is related to wheat price, while cooking oil price is related to CPO price. A 10% fall in wheat/CPO price would likely increase the company operating profit by 16%/10%.
Indofood S.M.	ID	Packaged Foods & Meats	4.9	6825	2%	Sell	2.3	17%	6%									✓			Crude palm oil (20%) of the company's revenue. Wheat (23%) and CPO (7%) of the company's COGS	INDF is affected with CPO price increase through its subsidiary IFAR. A 10% fall in CPO price will result in 4% decrease of the company's EBIT. Furthermore, a 10% increase in the wheat price, would likely to cut its EBIT margin by 1.4%.
NH Foods	JP	Packaged Foods & Meats	4.5	2353	2%	Buy	1.4	48%	7%									✓	✓		wheat 5%, corn 5%	A 10% fall in commodity prices would likely see operating profit rise 5%
Kikkoman	JP	Packaged Foods & Meats	4.2	2133	10%	Neutral	2.1	41%	0%									✓			wheat 10%	A 10% fall in commodity prices would likely see operating profit rise 5%
Orion Corp.	KR	Packaged Foods & Meats	4.1	821000	16%	Neutral	3.0	-3%	-2%									✓	✓		wheat (6%), corn (6%) of total raw material costs; Polyethylene film for plastic packaging accounts for 11% of costs	Raw material accounts for ~40% of sales and consists of over 200 items including wheat and corn. Thus, fluctuation in single commodity price should not have significant impact on earnings. Company can also raise prices to reflect increases in commodity prices, which usually more than offset cost increases.
Uni-President China Holdings	CN	Packaged Foods & Meats	4.0	7.1	-23%	Sell	2.7	40%	-6%									✓			PET resin (22%), sugar (11%), palm oil (3%), Flour (4%)	PET resin is used for packaging material while palm, flour and sugar are used for production. A 10% fall in major raw material mentioned would likely see operating profits rise 149% due to low EBIT margin in 2013/14.
Toyo Suisan Kaisha	JP	Packaged Foods & Meats	3.4	3530	-2%	Neutral	1.6	14%	-2%									✓			wheat 20%	a 10% fall in commodity prices would likely see operating profit rise 2%
China Huishan Dairy	CN	Packaged Foods & Meats	3.3	1.75	17%	Neutral	1.5	n/a	5%										✓		Corn; alfalfa	Corn and alfalfa used as feed raw material for dairy cows. Huishan suggests that its own planted corn and alfalfa could meet internal demand for feed raw material soon. Thus we expect limited impact from corn and alfalfa price changes.
Yamazaki Baking	JP	Packaged Foods & Meats	2.9	1414	-13%	Neutral	1.3	15%	4%									✓			wheat 35%	a 10% fall in commodity prices would likely see operating profit rise 15%

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
Britannia Industries	IN	Packaged Foods & Meats	2.6	1325.25	32%	Buy	16.0	50%	13%	✓								✓			Wheat flour accounts for ~30% of Britannia's cost of goods as it is primarily a packaged biscuit/cake company	Wheat costs in India are regulated as it is an essential commodity. There is a minimum purchase price mandated by the government of India and quality produce trades at a premium to this notified price regardless of international prices. However, in the last one year the government has brought in very little increase to this MSP (Minimum Support Price) improving the visibility of benign wheat cost for Britannia. If wheat prices come down by 10%, all things remaining equal, Britannia's operating profits would increase by ~13% since operating margins enjoy huge leverage.
Tata Global Beverages	IN	Packaged Foods & Meats	1.5	152.25	31%	Buy	1.6	20%	2%	✓											n/a	Tata Global is a global packaged tea company. Tea prices are auction derived globally across the important tea centres of Mombasa, Sri Lanka and India. If petroleum-linked cost (energy etc) come down by 10% all things remaining equal, Tata Globals operating profits should improve by ~5%.
Yashili International	CN	Packaged Foods & Meats	1.2	2.72	-1%	Sell	2.3	30%	-16%					✓							Milk powder (47%), packaging (10%)	Steel is used as packaging material. A 10% fall in all major raw material mentioned would likely see operating profits rise 23%.
China Huiyuan Juice Group	CN	Packaged Foods & Meats	1.1	3.17	-18%	Sell	0.6	-21%	-38%												packaging (29%), sugar (12%)	n/a as Huiyuan records operating loss
Salim Ivomas Pratama	ID	Packaged Foods & Meats	1.0	740	34%	Neutral	0.8	-24%	-5%												Crude palm oil (100%). CPO price is the key driver of the company's revenue	Salim Ivomas operates in palm oil cultivation business, with CPO and refined CPO as its main products. A 10% fall in palm oil price would likely hurt operating profit by around 15% (lower sensitivity compared to its peers).
China Oilfield Services	CN	Oil & Gas Drilling	11.1	17.98	20%	Neutral	1.6	14%	11%	×	×										n/a	n/a
SapuraKencana Petroleum	MY	Oil & Gas Equipment & Services	5.8	3.16	65%	Buy	1.7	-13%	2%	×	×			✓							n/a	The impact is more indirect as this is mainly oil services company. Potential impact to bottom line if oil prices fall below US$80 is 20% decrease to earnings estimates
Bumi Armada	MY	Oil & Gas Equipment & Services	2.4	1.37	90%	Buy	1.1	-52%	-5%	×	×										n/a	The impact is more indirect as this is mainly oil services company. Potential impact to bottom line if oil prices fall below US$80 is 20% decrease to earnings estimates
Honghua Group	CN	Oil & Gas Equipment & Services	0.6	1.56	47%	Buy	0.8	-7%	-1%	×	×			✓							n/a	n/a

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
Anton Oilfield Services	CN	Oil & Gas Equipment & Services	0.6	2.06	-8%	Sell	1.5	-4%	-39%	×	×										n/a	n/a
SPT Energy Group	CN	Oil & Gas Equipment & Services	0.5	2.54	128%	Buy	1.6	-19%	5%	×	×										n/a	n/a
China Shenhua Energy	CN	Coal & Consumable Fuels	49.7	20.85	31%	Buy	1.1	-43%	-1%	×	×				×						Coal (68%) of revenue; coal price is a key driver of its revenue.	Coal is the biggest segment of its revenue. A 10% fall in coal price will cause its operating profit decrease about 16-18%.
Coal India	IN	Coal & Consumable Fuels	35.6	348.85	20%	Buy	5.5	31%	2%	×	×				×						Coal accounts ~98% of revenues	Largest Indian Coal producer with ~80% market share. However domestic prices are at steep discount to International prices so impact of International coal price decline will be minimal.
China Coal Energy	CN	Coal & Consumable Fuels	9.4	4.62	0%	Neutral	0.5	-50%	-32%	×	×				×						Coal (83%) of revenue; coal price is a key driver of its revenue.	Coal accounts for 83% of its total revenue. A 10% fall in coal price will lead to its operating profit to decline about 27%-30%.
Yanzhou Coal Mining	CN	Coal & Consumable Fuels	5.9	6.21	-24%	Sell	0.5	-56%	-17%	×	×				×						Coal (97%) of revenue; coal price is a key driver of its revenue.	Coal accounts for 97% of its total revenue. A 10% fall in coal price will lead to its operating profit to decline about 45%-50%.
Semirara Mining Corp.	PH	Coal & Consumable Fuels	2.8	119.8	3%	Sell	5.6	61%	-2%						×						Coal (net of internal sales) is 46% of total revenues	Coal is the largest gross revenue item. The breakdown of costs and revenues of commodities only falls between coal and power; as 24.55% of coal it produces is bought by its power production, a fall in commodity prices will show a greater relative fall in operating profit.
Banpu Public Company	TH	Coal & Consumable Fuels	2.3	28	-17%	Sell	0.9	-41%	-1%	✓					×						Coal mining accounts for 75% of net profit.	A US$1/t change in coal price could impact operating profit by 10%. Diesel (oil) is a key cost driver for coal production and transportation.
PetroChina	CN	Integrated Oil & Gas	229.7	9.29	17%	Neutral	n/a	n/a	5%	×	✓										n/a	A fall in oil price would lower E&P earnings and lead to inventory loss risks for refining, marketing and chemical segments. However, lower global gas price would mitigate some of the import losses.
Sinopec	CN	Integrated Oil & Gas	98.6	6.51	37%	Buy	n/a	n/a	-4%	×	✓										n/a	A fall in oil price would lower E&P earnings and lead to inventory loss risks for refining, marketing and chemical segments. However, lower global gas price would mitigate some of the import losses.
PTT Public Company Ltd.	TH	Integrated Oil & Gas	30.3	345	14%	Buy	1.3	6%	3%	×	×										Falling oil price impact PTT's upstream E&P (35% of NP), gas separation plant	We estimate a US$10/bbl decline in crude oil price would lead to a 9% decrease in PTT earnings. However, the falling crude oil

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																					(15% of profit) and profit contribution from PTTGC (12% of NP)	price indirectly is positive for PTT as it will boost Thai govt's oil fund's revenue, allowing PTT to realise higher LPG price.
China National Offshore Oil Corporation	CN	Oil & Gas Exploration & Production	69.3	12	21%	Neutral	1.1	-31%	4%	×											n/a	CNOOC is a pure upstream company, thus earnings would deteriorate under falling crude environment.
Oil & Natural Gas Corporation	IN	Oil & Gas Exploration & Production	54.9	397	27%	Buy	1.8	14%	5%	✓	×										Oil and refining contribute to ~75% of revenues and rest come from gas	ONGC's net oil realization is after subsidising oil to marketing companies, thus with decline in subsidy, ONGC would get higher oil price realization, ie positively correlated to falling oil prices
PTT Exploration & Production	TH	Oil & Gas Exploration & Production	17.7	145	21%	Buy	1.4	-30%	-3%	×	×										96% of PTTEP's revenue is linked to world crude oil price.	While earnings are more defensive than other E&P companies as 65% of volume is gas, PTTEP's gas price is partially linked to oil (lag oil price by c6-12 months). We estimate a US$10/bbl decline in crude oil price would lead to a 11% decrease in PTTEP earnings.
INPEX Corporation	JP	Oil & Gas Exploration & Production	17.1	1239.5	40%	Buy	0.7	-24%	0%	×	×										60% of their sales are Crude oils, and 30% are Natural gases.	They produce and sell Crude oil and Natural gas. A 1% fall in all commodity prices would likely see operating profits decline by roughly 5%.
Kunlun Energy	CN	Oil & Gas Exploration & Production	10.6	10.2	-12%	Sell	1.5	-28%	-14%	×	✓										n/a	n/a
Cairn India Limited	IN	Oil & Gas Exploration & Production	8.4	273.65	59%	Buy	0.8	-26%	-2%	×	×										Oil revenues amount to 99% of the revenues	CAIRN's oil price realization is generally at ~11% discount to Brent; ie negatively related to crude oil prices
Oil India	IN	Oil & Gas Exploration & Production	5.5	567.5	28%	Buy	1.6	7%	3%	✓	×										Oil is ~80% of revenues, and gas is ~15%	OILI's net oil realization is after subsidising oil to marketing companies, thus with decline in subsidy, OILI would get higher oil price realization; ie positively correlated to falling oil prices
Reliance Industries	IN	Oil & Gas Refining & Marketing	44.4	932.35	50%	Buy	1.3	-7%	2%	✓	×										Refinery (45%) and Petchem (27%) of EBITDA has crude oil as a key cost factor, Gas contributes to ~25% of EBITDA	Fall in oil prices reduces operating cost/feedstock costs for petchem; but some inventory losses on refining amid falling crude prices remain
Formosa Petrochemical Corporation	TW	Oil & Gas Refining & Marketing	21.8	69.5	7.4%	Neutral	2.7	-7%	0%	×												Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production
Indian Oil Corp.	IN	Oil & Gas Refining & Marketing	14.2	360.75	5%	Neutral	n/a	n/a	6%	✓											100% Oil	Fall in subsidy and cost with a fall in crude oil price; but inventory losses amid falling crude prices remain
JX Holdings	JP	Oil & Gas	10.5	448.5	38%	Buy	0.5	-31%	10%	×		×									5% of their sales are copper related	Refining companies are required to hold much Crude oil as an

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
		Refining & Marketing																			sales.	inventory, because of a regulation, so they need to recognize inventory losses when crude oil price goes down. A 1% fall in crude oil price would likely see operating profit decline by roughly 5%. As for Copper, 1%.
Bharat Petroleum Corporation	IN	Oil & Gas Refining & Marketing	7.8	666.6	13%	Neutral	2.3	88%	20%	✓											100% Oil	Fall in subsidy and cost with a fall in crude oil price; but inventory losses amid falling crude prices remain
SK Innovation	KR	Oil & Gas Refining & Marketing	6.8	77800	5%	Neutral	0.4	-48%	-24%	×	×										n/a	Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production. Falling natural rubber price will impact synthetic rubber price. For SKI, crude oil and natural gas are the products of their E&P business.
S-Oil	KR	Oil & Gas Refining & Marketing	4.1	39050	-28%	Sell	0.8	-48%	-25%	×												Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production
GS Holdings	KR	Oil & Gas Refining & Marketing	3.5	39850	-22%	Sell	0.6	-24%	-32%	×												Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production
TonenGeneral Sekiyu	JP	Oil & Gas Refining & Marketing	3.1	901	-2%	Neutral	1.1	-30%	35%	×											n/a	Refining companies are required to hold much Crude oil as an inventory, because of a regulation, so they need to recognize inventory losses when crude oil price goes down. A 1% fall in crude oil price would likely see operating profit decline by roughly 10%.
Idemitsu Kosan	JP	Oil & Gas Refining & Marketing	3.1	2026	11%	Neutral	0.5	-24%	28%	×					×						2% of their sales are coal related sales.	Refining companies are required to hold much Crude oil as an inventory, because of a regulation, so they need to recognize inventory losses when crude oil price goes down. A 1% fall in crude oil price would likely see operating profit decline by roughly 5%. As for Coal, 1%.
Thai Oil	TH	Oil & Gas Refining & Marketing	2.9	46	4%	Neutral	1.0	-16%	-4%	×										×	n/a	A sharp decline in crude price would lead to inventory loss for refiners. Falling crude price could lower feedstock cost. However, it usually correlates with falling product prices, which could offset positive impact on refining margin. Falling cotton price could reduce substitute demand from polyester and lead to lower PX demand. We estimate a US$1/bbl change in realised refining margin would change TOP's earnings by 36%.
Hindustan	IN	Oil & Gas	2.7	495.85	-33%	Sell	n/a	n/a	22%	✓											100% Oil	Fall in subsidy and cost with a fall in crude oil price; but inventory

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Petroleum		Refining & Marketing																				losses amid falling crude prices remain
Petron	PH	Oil & Gas Refining & Marketing	2.4	11.56	51%	Buy	1.9	45%	17%	×											Crude oil accounts for 95% of operating costs. It is also a key driver of its refined product prices (i.e. selling prices).	A 10% fall in crude oil prices would likely see operating profits to rise by 3-5% (excluding changes in refining margins). However, as the company accounts for its inventory in FIFO method, gains from falling crude oil prices would be outweighed by the risk of inventory losses, which could result to as much as 60-87% decline in operating profits. Impact could be mitigated if the volatility of crude oil prices is well within the inventory cycle (i.e. lag between production and retail delivery).
Sinopec Kantons	CN	Oil & Gas Refining & Marketing	1.8	5.75	60%	Buy	1.2	-10%	7%	✓											n/a	A lower oil price would stimulate oil demand thus increase Kantons' jetty throughput.
Petronet LNG	IN	Oil & Gas Storage & Transportatio n	2.2	185.25	8%	Buy	2.5	18%	4%		×										Petronet is a gas tolling co. importing LNG and selling in domestic market to gas marketers.	Largely pass through on costs for 90-95% plus volume due to back-to-back agreements indicating almost nil risk on gas prices. However, lower LNG prices improves affordability of price sensitive Indian consumers.
Top Glove	MY	Health Care Supplies	0.9	4.54	-3%	Sell	2.0	-11%	1%		✓				✓		✓				Latex is 45% of production costs; coal and natural gas make up 9% of production costs	A 10% decline in commodity price could lead to 35% increase in profit. However, the company passes on cost savings to customers through lower selling prices.
Singapore Post	SG	Air Freight & Logistics	2.7	1.835	13%	Buy	4.0	-29%	3%	✓											Fuel cost estimated at less than 10% of revenues.	Fuel required for transportation of letters and parcels for their mail and logistics business. 10% increase in fuel costs should impact net profit by 3-4%.
Japan Airlines	JP	Airlines	9.2	2697	43%	Buy	1.3	-13%	3%	✓											28% airline business costs is fuel.	$1 decline of crude price affects OP by approximately Y1bn without hedging in our estimate.
Air China	CN	Airlines	9.0	4.84	7%	Neutral	0.9	-28%	5%	✓											Fuel accounts for 35% of opex	Air China does not hedge fuel cost and we estimate every $1/bbl decline in oil price will lift FY14E EPS by 11%.
Singapore Airlines	SG	Airlines	8.9	9.65	9%	Neutral	0.9	-2%	-17%	✓											Fuel accounts for 38% of opex	SIA hedges ~45% of fuel usage and is one of the most hedged amongst all airlines under UBS coverage. We estimate every $1/bbl decline in oil price will lift EPS by 2.8%.
All Nippon Airways	JP	Airlines	7.7	232.3	3%	Neutral	1.0	-22%	12%	✓											27% airline business costs is fuel.	$1 decline of crude price affects OP by Y1.0-1.5bn without hedging in our estimate.
Cathay Pacific	HK	Airlines	7.0	13.88	26%	Buy	0.9	-2%	-2%	✓											Fuel accounts for 38% of opex	Cathay hedges ~30% of its fuel usage, and we estimate every $1/bbl decline in oil price will lift FY14E EPS by 11.5%.
China Eastern Airlines	CN	Airlines	6.0	2.74	-5%	Neutral	0.9	-69%	10%	✓											Fuel accounts for 34% of opex	China Eastern Air does not hedge fuel cost and we estimate every $1/bbl decline in oil price will lift FY14E EPS by 26%.

										positive (✓) or negative (×) impact of falling commodity prices												
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China Southern Airlines	CN	Airlines	4.5	2.64	33%	Buy	0.9	7%	-4%	✓											Fuel accounts for 38% of opex	China Eastern Air does not hedge fuel cost and we estimate every $1/bbl decline in oil price will lift FY14E EPS by 40%.
Korean Air	KR	Airlines	2.1	37400	7%	Neutral	1.0	0%	34%	✓											Fuel accounts for 36% of opex	While Korean Air hedges ~20% of fuel usage, given its low operating margin (UBSe 1.6% for FY14), a small move in fuel price could cause big earnings swings. We estimate every $1/bbl decline in oil price could lift FY14E EPS by 760%.
AirAsia	MY	Airlines	2.0	2.33	33%	Buy	1.3	1%	-2%	✓											Fuel accounts for 48% of opex	Fuel (33% hedged) is AirAsia's single most significant cost item, however its earnings are less sensitive due to the higher operating margin (UBSe 13% for FY14). We estimate every $1/bbl decline in oil price will lift FY14E EPS by 1.4%.
China Airlines	TW	Airlines	1.7	10.15	-1%	Sell	1.0	-8%	-5%	✓											Fuel accounts for 45% of opex	Air China hedges ~15% of its fuel usage, and we estimate every $1/bbl decline in oil price will lift FY14E EPS by 18%.
EVA Air	TW	Airlines	1.7	16.05	-1%	Neutral	1.4	4%	15%	✓											Fuel accounts for 41% of opex	EVA Air hedges ~20% of its fuel usage, and we estimate every $1/bbl decline in oil price will lift FY14E EPS by 4%.
Thai Airways	TH	Airlines	1.0	14.2	30%	Buy	0.7	6%	71%	✓											Fuel accounts for 40% of opex	Thai Airways is the most hedged (53%) of all airlines under UBS coverage and as such its earnings are relatively insensitive to fuel price. Further fuel price decline could also trigger mark-to-market hedging losses and represent downside risks to earnings in our view.
Garuda Indonesia	ID	Airlines	0.9	449	28%	Buy	0.8	-20%		✓											Fuel accounts for 39% of opex	Garuda hedges ~15% of fuel usage. Due to its low operating margin (UBSe 0.9% for FY14), its earnings are extremely sensitive to fuel price movements. We estimate every $1/bbl decline in oil price could lift FY14E EPS by 200%.
Cebu Air	PH	Airlines	0.9	68.5	7%	Buy	1.6	-7%	45%	✓											Fuel accounts for 52% of opex	Cebu Air hedges ~11% of its fuel usage, and we estimate every $1/bbl decline in oil price will lift FY14E EPS by 24%.
Skymark Airlines	JP	Airlines	0.2	218	-40%	Sell	1.0	-40%	605%	✓											30% airline business costs is fuel.	$1 decline of crude price affects OP by Y210mln according to the company.
China Railway Group	CN	Construction & Engineering	11.8	4.29	17%	Buy	0.7	-18%	5%	✓											Well below 5% for crude oil or steel, others are even smaller	Although raw materials (e.g. steel) is a major cost item, but construction companies tend to renegotiate contracts should there be any unexpected change of raw materials prices.
China Communications Construction	CN	Construction & Engineering	11.8	5.64	51%	Buy	0.7	-35%	-3%	✓											Well below 5% for crude oil or steel, others are even smaller	Although raw materials (e.g. steel) is a major cost item, but construction companies tend to renegotiate contracts should there be any unexpected change of raw materials prices.
China Railway Construction	CN	Construction & Engineering	11.8	7.39	47%	Buy	0.8	-29%	3%	✓											Well below 5% for crude oil or steel, others are even smaller	Although raw materials (e.g. steel) is a major cost item, but construction companies tend to renegotiate contracts should there be any unexpected change of raw materials prices.

										positive (✓) or negative (×) impact of falling commodity prices												
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JGC	JP	Construction & Engineering	6.1	2549	29%	Neutral	1.8	-14%	3%					✓							Steel and other metal comprise roughly 40% of total procurement.	As a plant engineering firm, steel is one of the most important input, so lower steel price helps boost margin.
Taisei	JP	Construction & Engineering	5.9	545	10%	Neutral	1.6	53%	6%	✓				✓							n/a	Non-residential construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
Hyundai E&C	KR	Construction & Engineering	5.6	54600	41%	Buy	1.1	-26%	4%					✓							Steel accounts for 11% of COGS.	Steel captures 29% of raw material, which is relatively higher than its peers. 10% decrease in steel price would likely increase 17-21% of operating profit.
Shimizu	JP	Construction & Engineering	5.4	733	28%	Buy	1.5	42%	23%	✓				✓							n/a	Non-residential construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
China State Construction International	CN	Construction & Engineering	5.3	10.62	41%	Buy	1.8	-13%	7%	✓											Well below 5% for crude oil or steel, others are even smaller	Although raw materials (e.g. steel) is a major cost item, but construction companies tend to renegotiate contracts should there be any unexpected change of raw materials prices.
Sinopec Engineering Group	CN	Construction & Engineering	4.7	8.24	46%	Buy	1.2	n/a	-4%	×	×										n/a	n/a
Kajima	JP	Construction & Engineering	4.6	466	29%	Buy	1.3	21%	20%	✓				✓							n/a	Non-residential construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
Obayashi	JP	Construction & Engineering	4.5	670	34%	Buy	1.1	19%	12%	✓				✓							n/a	Non-residential construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
Gamuda	MY	Construction & Engineering	3.3	4.8	15%	Buy	1.9	16%	1%					✓							Steel is estimated at c.15% of total construction costs.	Steel is used by the group's construction division which contributes 24% of Group earnings. A 10% decline in steel prices would likely see profits rise by 5%
Hyundai Development Co.	KR	Construction & Engineering	2.8	39500	-16%	Sell	1.3	64%	29%					✓							Steel accounts for 5% of COGS.	Steel captures 14% of raw material. 10% decrease in steel price would likely increase 7-12% of operating profit.
IJM Corporation	MY	Construction & Engineering	2.7	6.42	23%	Buy	1.1	2%	5%					✓							Steel is estimated at c.15% of total construction costs.	Steel is used by the group's construction division which contributes 12% of Group earnings. A 10% decline in steel prices would likely increase profits by a modest 3%

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
Chiyoda	JP	Construction & Engineering	2.5	1026	17%	Neutral	1.5	-3%	8%					✓							Steel and other metal comprise roughly 40% of total procurement.	As a plant engineering firm, steel is one of the most important input, so lower steel price helps boost margin.
Daelim Industrial Company	KR	Construction & Engineering	2.2	68000	54%	Buy	0.5	-9%	1%					✓							Steel accounts for 2% of COGS.	Steel captures 3.4% of raw material, lower than tits peers. 10% decrease in steel price would likely increase 4-7% of operating profit.
Dialog Group	MY	Construction & Engineering	2.2	1.48	25%	Neutral	4.4	7%	3%	×	×			✓							n/a	The impact is more indirect as this is mainly oil services company. Potential impact to bottom line if oil prices fall below US$80 is 10% decrease to earnings estimates
Samsung Engineering	KR	Construction & Engineering	2.1	56500	29%	Neutral	2.1	-43%	2%					✓							Steel accounts for 5% of COGS.	Raw material take up high portion of COGS. Raw material price change can give more impact on SECL. 10% decrease in steel price would likely increase 7-21% of operating profit.
China Machinery Engineering Corporation	CN	Construction & Engineering	2.1	3.89	98%	Buy	0.9	-25%	0%	✓											Well below 5% for crude oil or steel, others are even smaller	Although raw materials (e.g. steel) is a major cost item, but construction companies tend to renegotiate contracts should there be any unexpected change of raw materials prices.
GS Engineering & Construction	KR	Construction & Engineering	1.5	31700	39%	Neutral	0.4	-51%	-2%					✓							Steel accounts for 2% of COGS.	Steel captures 8% of raw material. 10% decrease in steel price would likely increase 3-13% of operating profit.
Maeda Corp.	JP	Construction & Engineering	1.4	837	24%	Buy	1.1	76%	28%	✓				✓							n/a	Non-residential construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
Toda Corp.	JP	Construction & Engineering	1.3	449	7%	Neutral	1.0	44%	58%	✓				✓							n/a	Non-residential construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
CTCI Corporation	TW	Construction & Engineering	1.2	48.95	8%	Neutral	2.1	22%	6%			✓		✓							Copper (3-4%) of cost; steel negligible	If copper prices are 10% lower than in our base case, 2015 operating profit would increase 6%.
Voltas Ltd	IN	Construction & Engineering	1.2	220.7	31%	Buy	3.6	33%	16%	✓		✓		✓		✓					Being an MEP contractor, components like compressors, copper wiring, ducting are partly linked to commodity prices	Falling commodity prices directly benefit Voltas, as it is in a fixed price business, and operating margins could improve with 2-3 quarter lag. A 10-15% fall in commodity prices could improve margins by 2-2.5% potentially we think.
Okumura	JP	Construction & Engineering	1.0	541	2%	Neutral	0.8	27%	20%	✓				✓							n/a	Non-residential construction contractor. Steel price decline should have direct positive impact for their margins given its use in construction. Oil & Gas price decline may have indirect positive impact in terms of saving energy costs.
WCT Berhad	MY	Construction	0.7	2.02	11%	Neutral	0.9	-17%	-5%					✓							Steel is estimated at c.15% of total	Steel is used by the group's construction division which

										positive (✓) or negative (×) impact of falling commodity prices												
Name		Sub-Industry	Mkt Cap (USD bn)	Price	Upside to PT	UBS rating	P/Book 2014	P/B rel prem / (disc) to 5yr ave	3m EPS mom*	Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton	Commodity Exposure	Analyst Comment
		& Engineering																			construction costs.	contributes 39% of Group earnings. A 10% decline in steel prices would likely see profits rise by 7%
Yoma Strategic Holdings	SG	Construction & Engineering	0.5	0.595	48%	Buy	1.7	66%	19%			✓		✓							<10% of operating costs each (copper and steel)	Falling copper and steel prices would mean cheaper construction costs either directly, or indirectly through lower tender prices by sub-contractors.
Johnson Electric	HK	Electrical Components & Equipment	3.1	26.8	-11%	Sell	1.5	23%	2%			✓		✓		✓					Metals combined is 40-50% of COGS	Metals, mainly copper and steel are the biggest cost items for Johnson's production. A 10% fall in these commodities would likely raise operating profit by around 7%
Havells India	IN	Electrical Components & Equipment	2.6	258.4	4%	Neutral	6.9	43%	7%			✓		✓		✓					Copper (35%), Aluminium (15%) and Steel (5%) of total raw material consumed	A 10% decline in commodity prices would see led to operating profit increase by ~15%. Due to company's hedging policies, the effect may happen with a 3-6 month lag
Crompton Greaves Ltd	IN	Electrical Components & Equipment	2.0	188.7	30%	Buy	3.0	5%	8%			✓		✓		✓					Ferrous materials (11%) & non-ferrous materials (14%) of raw material cost. Forms important part of profitability.	Ferrous materials & non-ferrous materials together are biggest part of raw material cost followed by components which also has input of these materials. A 10% fall in all commodity prices would likely see operating profits rise 20-25%, and margins to improve by 300bps but costs are partially hedged and impact will likely to come through with a time lag.
Bharat Heavy Electricals Limited	IN	Heavy Electrical Equipment	8.7	219.1	21%	Buy	1.5	-49%	-2%			✓		✓		✓					Raw material & components are ~30-40% of operating cost. Forms important part of profitability.	Raw material & components are biggest part of operating cost. A 10% fall in all commodity prices would likely see operating profits rise 20-25%, and margins to improve by 300-400bps. Impact of this decline in commodity prices may not be immediate.
ABB Limited (India)	IN	Heavy Electrical Equipment	3.5	1013.55	-24%	Sell	7.5	45%	9%			✓		✓		✓					Ferrous materials & non-ferrous materials (15%) of raw material cost. Forms important part of profitability.	Ferrous materials & non-ferrous materials together are biggest part of raw material cost followed by components & equipment which also have input of these materials as inputs. A 10% fall in all commodity prices would likely see operating profits rise ~15%, and margins to improve by 200bps but costs are partially hedged and impact will likely to come through with a time lag.
Komatsu	JP	Construction & Farm Machinery & Heavy Trucks	21.1	2347	-17%	Sell	1.6	-23%	4%					✓							n/a	Komatsu's main product hydraulic excavator requires a lot of steel. As such, lower steel price decreases input cost.
Kubota	JP	Construction & Farm Machinery & Heavy Trucks	18.0	1527.5	-5%	Neutral	2.3	28%	6%					✓				×	×		n/a	Kubota's main product agricultural equipment requires a lot of steel. As such, lower steel price decreases input cost. In the meantime, lower crop price tends to lead to lower investment in agricultural equipment, which is negative for Kubota.
Hyundai Heavy	KR	Construction	7.8	109000	63%	Neutral	0.5	-45%	-40%					✓							Steel (11%) of standalone COGS	A 10% fall in steel price would likely see 2015E consolidated

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										positive (✓) or negative (×) impact of falling commodity prices												
Industries		& Farm Machinery & Heavy Trucks																				operating profits rise by 44%
Weichai Power	CN	Construction & Farm Machinery & Heavy Trucks	6.7	27.6	18%	Neutral	1.4	-24%	2%			✓	✓	✓		✓					Material procurement cost accounted 80% of COGS, while steel account for 10% alone	We believe a 1% change in commodity price will lead to a 7% change in net profit
Sembcorp Marine	SG	Construction & Farm Machinery & Heavy Trucks	5.9	3.6	4%	Sell	2.5	-15%	-3%	×	×			✓							80% of revenue is driven by oil & gas capex	Sembcorp Marine builds a wide range of vessels used to support offshore oil and gas exploration and production work. The company's earnings are not directly linked to the price of the commodity, but demand for the underlying commodity drives order book. A sustained slow down in demand for oil prices below US$80/bbl could see a slowdown in order momentum, on a 1 year lag basis.
United Tractors	ID	Construction & Farm Machinery & Heavy Trucks	5.2	17175	54%	Neutral	1.5	-39%	1%						×						Around 9% of the company's revenue directly exposed to coal price	Coal price is the key driver of the company's revenue given UNTR's main businesses is heavy equipment and mining contractors.
Samsung Heavy Ind.	KR	Construction & Farm Machinery & Heavy Trucks	5.1	23600	31%	Neutral	0.9	-33%	25%					✓							Steel (7%) of standalone COGS	A 10% fall in steel price would likely see 2015E consolidated operating profits rise by 15%
Eicher Motors Limited	IN	Construction & Farm Machinery & Heavy Trucks	4.8	11023.3	29%	Buy	12.6	312%	27%	✓			✓	✓		✓					Steel (8%), Aluminium (8%), Plastics (3%) of costs for motorcycles. Steel and pig iron account for 20% of commercial vehicles cost.	Steel and pig iron accounts for the biggest share of basic raw material cost. Plastic cost is linked to crude oil prices. A 10% fall in all commodity prices would likely see operating profits rise 7-9%.
Hitachi Construction Machinery	JP	Construction & Farm Machinery & Heavy Trucks	3.9	1928	-20%	Sell	1.0	-18%	-3%					✓							n/a	HCM's main product hydraulic excavator requires a lot of steel. As such, lower steel price decreases input cost.
Yangzijiang Shipbuilding (Holdings) Ltd.	CN	Construction & Farm Machinery & Heavy Trucks	3.3	1.1	10%	Neutral	1.0	-32%	10%				×	✓	×						50% of revenue is driven by demand for bulk ships - vessels used to ship commodities. Steel is around 20% of its costs.	YZJ builds containerships and bulk vessels. Steel prices form around 20% of its costs. However, underlying demand for commodities is a more important driver of earnings as this influences demand for the vessels itself, and order books.
Daewoo Shipbuilding &	KR	Construction & Farm	3.0	16550	78%	Buy	0.6	-38%	-11%					✓							Steel (10%) of standalone COGS	A 10% fall in steel price would likely see 2015E consolidated operating profits rise by 26%

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										positive (✓) or negative (×) impact of falling commodity prices												
Marine Engineering		Machinery & Heavy Trucks																				
Ashok Leyland	IN	Construction & Farm Machinery & Heavy Trucks	1.8	42.55	-41%	Sell	2.5	82%	108%				✓	✓							Steel and pig iron account for 20% of commercial vehicles cost.	Steel and pig iron accounts for the biggest share of basic raw material cost. A 10% fall in all commodity prices would likely see operating profits rise by 16-18%.
Sinotruk (Hong Kong)	CN	Construction & Farm Machinery & Heavy Trucks	1.4	4.04	11%	Neutral	0.5	-26%	10%			✓	✓	✓		✓					Material procurement cost accounted 71.5% of COGS, while steel account for 7.5% alone	We believe a 1% change in commodity price will lead to a 34% change in net profit. The reason for a higher sensitivity is attributable to the high operating cost compared to its peers.
COSCO Corporation (Singapore) Ltd	SG	Construction & Farm Machinery & Heavy Trucks	1.0	0.59	2%	Sell	1.0	-45%	-4%	×	×			✓							80% of revenue is driven by oil & gas capex and demand for bulk carriers - vessels used to transport commodities.	Cosco Corp builds a wide range of vessels used to support offshore oil and gas exploration and production work, as well as bulk carriers, which are used to transport commodities such as iron ore, coal, steel. The company's earnings are not directly linked to the price of the commodities, but demand for the underlying commodity drives order book. A sustained slow down in demand for oil prices below US$80/bbl could see a slowdown in order momentum, on a 1 year lag basis.
Mitsubishi Heavy Industries	JP	Industrial Machinery	19.4	613.1	39%	Buy	1.3	15%	8%					✓							n/a	MHI uses a lot of steel in the area of shipbuilding, aircraft parts and other machinery. As such, lower steel price decreases input cost.
NSK	JP	Industrial Machinery	6.5	1280	2%	Neutral	1.9	28%	12%					✓							n/a	Lower steel price decreases input cost. NSK's main product bearings requires a lot of steel.
JTEKT	JP	Industrial Machinery	5.0	1538	14%	Neutral	1.3	11%	7%					✓							n/a	Lower steel price decreases input cost. JTEKT's main product bearings requires a lot of steel.
Ebara	JP	Industrial Machinery	2.4	552	50%	Buy	1.2	0%	5%					✓	✓						n/a	Lower steel price decrease input cost. In the meantime, lower coal price stimulates demand of coal chemical, which leads to greater demand of its compressor and turbine.
Hiwin Technologies	TW	Industrial Machinery	2.2	258	16%	Neutral	5.3	26%	-3%			✓		✓		✓					copper (30-40%) of cost; Steel negligible; Aluminium negligible	If copper prices are 10% lower than in our base case, 2015 operating profit would increase 10%.
NTN	JP	Industrial Machinery	2.1	425	8%	Neutral	1.2	11%	13%					✓							n/a	Lower steel price decreases input cost. NTN's main product bearings requires a lot of steel.
CIMC Enric Holdings	CN	Industrial Machinery	1.8	7.42	75%	Buy	1.8	33%	-7%	×		✓		✓		✓					n/a	A fall in oil price would narrow LNG's discount vs diesel price thus discourage the equipment demand for LNG segment.
Thermax	IN	Industrial Machinery	1.6	840.9	-2%	Sell	4.5	19%	-4%			✓		✓		✓					Ferrous materials and fabricated material (~30%) of raw material cost.	A 10% fall in all commodity prices would likely see operating profits rise 15-20%, and margins to improve by 200bps but costs

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
																					Forms important part of profitability.	are partially hedged and impact will likely to come through with a time lag.
Tsubakimoto Chain	JP	Industrial Machinery	1.4	787	27%	Buy	1.2	21%	3%					✓							n/a	Lower steel price decreases input cost. Tsubakimoto's main product chain requires a lot of steel.
Daifuku	JP	Industrial Machinery	1.1	1090	47%	Buy	1.3	27%	4%					✓							n/a	Lower steel price decreases input cost, though the impact is minimal.
Hitachi Koki	JP	Industrial Machinery	0.8	847	-23%	Sell	0.8	-4%	6%					✓							n/a	Lower steel price decreases input cost, though the impact is minimal.
Komori Corporation	JP	Industrial Machinery	0.6	1100	21%	Neutral	0.6	4%	0%					✓							n/a	Lower steel price decreases input cost, though the impact is minimal.
Carborundum Universal	IN	Industrial Machinery	0.6	193	27%	Buy	3.0	42%	15%		✓				✓						Power cost is ~20-25% of the total cost for the company. So indirectly, any decrease in the raw material for power plants would lead to lower power tariff.	Ideally, ~5% positive impact on the operating profits due to 10% decline in power prices. However there are lot of other factors that would lead to final decision on power tariffs.
Shima Seiki Mfg.	JP	Industrial Machinery	0.5	1600	-6%	Sell	0.6	-23%	3%					✓							n/a	Lower steel price decreases input cost, though the impact is minimal.
China COSCO Holdings	CN	Marine	6.0	3.18	15%	Neutral	1.2	3%	-324%	✓				✓							Dry Bulk (Iron Ore) represents 22% of revenue; fuel 23% of opex	~20% of China COSCO's revenue is generated from dry bulk shipping. Recent decline in iron ore price would have likely delayed shipment and reduced near term volume, however in the longer run, if high-cost Chinese iron ore producers are eliminated to benefit low-cost offshore producers, shipment volume could increase and support freight rates. On the cost front, we estimate every 1% decline in bunker price will lift FY14E EPS by 10%.
China Shipping Container Lines	CN	Marine	5.1	2.05	10%	Neutral	0.8	16%	70%	✓											Fuel cost accounts for ~30% of opex	Given CSCL's thin operating margin (UBSe -0.7% for FY14,) a small movement in bunker price could cause big earnings swings, and we estimate every 1% decline in bunker price will lift FY14E EPS by 39%.
Nippon Yusen	JP	Marine	4.0	251	16%	Neutral	0.6	-30%	-5%	✓				✓							around 25% of shipping business costs (parent basis) is fuel.	Bunker fuel price move in tandem with crude price. $1 movement in bunker price affects OP by Y160mln according to the company. Also decline in iron ore prices may stimulate ore purchase by China, which will be good for shipping freight rates. But the sensitivity is hard to quantify.
Mitsui O.S.K. Lines	JP	Marine	3.5	310	16%	Neutral	0.5	-40%	-23%	✓				✓							around 25% of shipping business costs (parent basis) is fuel.	Bunker fuel price move in tandem with crude price. $1 movement in bunker price affects OP by Y200mln according to the company. Also decline in iron ore prices may stimulate ore purchase by China, which will be good for shipping freight rates. But the

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
																						sensitivity is hard to quantify.
Orient Overseas (International) Limited	HK	Marine	3.3	41.25	26%	Buy	0.7	0%	79%	✓											Fuel cost accounts for ~20% of opex	Due to OOIL's high operating margin (UBSe 5.5% for FY14) and lower fuel cost as % of opex, its earnings are less sensitive to bunker cost. We estimate every 1% decline in bunker price will lift FY14E EPS by 7%.
China Shipping Development	CN	Marine	2.7	4.58	42%	Buy	0.6	-21%	29%	✓				✓							Crude oil shipping (43%) / Coal shipping (21%) / Iron Ore & other dry bulk (36%); fuel ~44% of opex	Revenue from dry bulk shipping could be negatively impacted in the short term due to weak iron ore price, however long term impact should be on the upside if high-cost Chinese iron ore producers are eliminated to benefit low-cost offshore producers and increase shipment volume. On cost, we estimate every 1% move in bunker price could lift FY14E EPS by 21%, however this is expected to be partly offset by lower tanker revenue.
Evergreen Marine	TW	Marine	2.0	17.55	-1%	Neutral	1.1	25%	13%	✓											Fuel cost accounts for ~30% of opex	We estimate every 1% decline in bunker price will lift FY15E EPS by 15%.
Kawasaki Kisen	JP	Marine	1.9	219	28%	Buy	0.5	-30%	4%	✓				✓							around 25% of shipping business costs (parent basis) is fuel.	Bunker fuel price move in tandem with crude price. $1 movement in bunker price affects OP by Y120mln according to the company. Also decline in iron ore prices may stimulate ore purchase by China, which will be good for shipping freight rates. But the sensitivity is hard to quantify.
Neptune Orient Lines	SG	Marine	1.7	0.815	35%	Buy	0.7	-21%	140%	✓											Fuel cost accounts for ~30% of opex	We estimate every 1% decline in bunker price will lift FY15E EPS by 8%.
Yang Ming Marine	TW	Marine	1.4	13.4	-18%	Sell	1.2	19%	-129%	✓											Fuel cost accounts for ~30% of opex	Amongst all shippers under UBS coverage, YMM's earnings are one of the most sensitive to bunker price due to its thin operating margin (UBSe 0.5% for FY14). We estimate every 1% decline in bunker price will lift FY15E EPS by 43%.
SMRT Corporation Ltd	SG	Railroads	1.7	1.425	27%	Buy	2.6	-7%	9%	✓											Energy & fuel costs form 14% of operating costs.	Lower oil prices = energy cost savings.
ComfortDelGro	SG	Trucking	3.9	2.36	8%	Neutral	2.2	41%	3%	✓											Energy & fuel costs form 9% of operating costs.	Lower oil prices = energy cost savings.
FUJIFILM Holdings	JP	Electronic Equipment Manufacturers	15.6	3425.5	-1%	Neutral	0.8	15%	6%							✓					Silver and Aluminium	Fujifilm has high exposure that has positive impact from silver price drop (film material), aluminium price drop (CTP plate).
Nan Ya Plastics	TW	Commodity Chemicals	15.7	60.2	16%	Neutral	1.5	2%	6%	×												Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production
PETRONAS	MY	Commodity	14.8	6.09	12%	Neutral	n/a	n/a	-1%	×										×	65% of EBITDA is driven by oil-linked	Falling crude oil price generally drives lower olefin and PE prices.

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Chemicals Group Berhad		Chemicals																			products, about 10% is indirectly linked to cotton	This would lower average selling price (ASP) and squeeze margin as cost is more stable than price movements. A sharp decline in cotton price could reduce substitute demand from polyester and affect PX demand.
Formosa Plastics	TW	Commodity Chemicals	14.2	67.7	30%	Buy	1.6	0%	-1%	×												Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production
LG Chemical	KR	Commodity Chemicals	13.9	223000	43%	Buy	1.1	-36%	-7%	×							×				n/a	Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production. Falling natural rubber price will impact synthetic rubber price.
Formosa Chemicals & Fibre	TW	Commodity Chemicals	12.9	66.9	17%	Neutral	1.4	-5%	-3%	×												Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production
Asahi Kasei	JP	Commodity Chemicals	11.6	892.1	-10%	Neutral	1.2	11%	3%	✓											Naphtha is 10% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
Toray	JP	Commodity Chemicals	10.5	695	15%	Buy	1.3	-12%	3%	✓											n/a	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
PTT Global Chemical	TH	Commodity Chemicals	8.2	59.25	27%	Buy	1.1	-12%	-7%	×										×	70% of EBITDA is driven by oil-linked products, about 10% is indirectly linked to cotton	Falling crude oil price generally drives lower olefin and PE prices. This would lower average selling price (ASP) and squeeze margin as cost is more stable than price movements. A sharp decline in cotton price could reduce substitute demand from polyester and affect PX demand.
Sinopec Shanghai Petrochemical	CN	Commodity Chemicals	5.6	2.61	11%	Buy	1.1	30%	-9%	×	×										n/a	n/a
Lotte Chemical	KR	Commodity Chemicals	4.4	137500	31%	Neutral	0.7	-33%	-6%	×							×					Falling crude oil price will negatively impact petrochemical and refining product prices given crude oil is the ultimate feedstock for production. Falling natural rubber price will impact synthetic rubber price.
Kuraray	JP	Commodity Chemicals	4.1	1253	36%	Buy	0.9	-19%	13%	✓											Naphtha is 10% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
Mitsui Chemicals	JP	Commodity Chemicals	2.8	302	3%	Neutral	0.8	2%	23%	✓											Naphtha is 20% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
Teijin	JP	Commodity Chemicals	2.3	255	-2%	Neutral	0.8	-19%	6%	✓											n/a	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them

										positive (✓) or negative (×) impact of falling commodity prices												
Name		Sub-Industry	Mkt Cap (USD bn)	Price	Upside to PT	UBS rating	P/Book 2014	P/B rel prem / (disc) to 5yr ave	3m EPS mom*	Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton	Commodity Exposure	Analyst Comment
China Sanjiang Fine Chemicals	CN	Commodity Chemicals	0.5	3.98	51%	Buy	0.9	-9%	5%	×											n/a	Crude oil is the ultimate feedstock for Sanjiang's product, ethylene oxide. Thus decreasing oil price could translate to a mild decrease in product selling price.
Mitsubishi Chemical Holdings	JP	Diversified Chemicals	7.0	511.3	-18%	Sell	0.8	-11%	25%	✓											Naphtha is 20% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
Sumitomo Chemical	JP	Diversified Chemicals	5.4	358	40%	Buy	0.8	-28%	9%	✓											Naphtha is 10% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
Pidilite Industries	IN	Diversified Chemicals	3.3	388.8	-15%	Sell	8.8	66%	8%	✓											~60% of the total material costs is VAM, which is crude linked	Ideally, 10% of decline in crude prices would positively impact operating profits by 12-15%. However, Global VAM supply would also be an important factor. In the current situation, despite crude price declining, VAM prices have shot up by ~40-50% in last 6 months,
Nissan Chemical	JP	Diversified Chemicals	2.7	1803	28%	Buy	1.9	13%	8%	✓											Naphtha is 2% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
UPL Ltd	IN	Fertilizers & Agricultural Chemicals	2.3	331.2	24%	Buy	1.9	29%	8%		✓							×	×	×	Fuel cost would be ~20% of total cost. Any decline in crops may lead to decrease in use of fertilisers	10% decline in natural gas prices would increase the operating profit by ~5%. This will also happen with a lag
China BlueChemical	CN	Fertilizers & Agricultural Chemicals	2.0	3.34	8%	Sell	0.7	-44%	-19%	×	✓										n/a	n/a
Coromandel International	IN	Fertilizers & Agricultural Chemicals	1.4	293.95	28%	Buy	3.3	32%	1%		✓							×		×	Fuel cost would be ~20-25% of total cost. Any decline in crops may lead to decrease in use of fertilisers	10% decline in natural gas prices would increase the operating profit by ~5-7%. This will also happen with a lag
Rallis India	IN	Fertilizers & Agricultural Chemicals	0.8	250	10%	Buy	5.1	43%	6%		✓							×		×	Fuel cost would be ~20% of total cost. Any decline in end products (crops) may lead to lower use of pesticides/seeds and may indirectly lower demand for fertilisers	10% decline in natural gas prices would increase the operating profit by ~5%. This will also happen with a lag
Yingde Gases	CN	Industrial Gases	1.5	6.56	48%	Buy	1.4	-26%	3%					×							n/a	60% of Yingde's customers are steel mills, so if steel prices weaken, sentiment could be negative to Yingde's demand, even though it has offtake contract protection
Shin-Etsu Chemical	JP	Specialty Chemicals	26.4	6704	7%	Neutral	1.5	1%	3%	✓											Naphtha is 10% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
Asian Paints Ltd.	IN	Specialty Chemicals	10.4	663.45	13%	Buy	12.9	43%	9%	✓											Titanium Dioxide and Phylic Anhydride are key in COGS - these are petroleum-	Asian Paints is India's largest decorative paints company. If petroleum-linked cost (energy etc) come down by 10% all things

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
																					derivatives that trade more in lieu of their own global supply-demand drivers rather than in direct co-relation to crude prices.	remaining equal, Asian Paints' operating profits should improve by ~14-15% given the exposure to solvents and crude-linked derivatives - packaging logistics costs etc.
JSR	JP	Specialty Chemicals	4.0	1840	-8%	Sell	1.2	-20%	3%	✓							×				Synthetic rubbers are 50% of their sales	Synthetic rubbers are 50% of their sales. The price tends to decline when natural rubber price goes down. Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them.
Hitachi Chemical	JP	Specialty Chemicals	3.4	1773	24%	Buy	1.1	-11%	8%	✓											Naphtha is 10% of their costs.	Although the crude oil price is not a direct impact, Naphtha which is derived from refining crude oil is a key material for them
Dongyue Group	CN	Specialty Chemicals	0.8	2.81	69%	Buy	0.8	-34%	-7%	×												Dongyue is in fluorochemical - a fine chemical so less relevant to these commodities; but some of its products can be substituted by petrochemical products, thus has a positive correlation
Siam Cement	TH	Construction Materials	15.9	430	28%	Buy	2.8	22%	-1%	✓					✓						Falling oil and naphtha prices benefits 30% of SCG earnings (from chemical). Falling oil and coal price benefits 35% of SCG earnings (cement and concrete).	Lower crude and naphtha prices expand spot PE-naphtha margins, but realised margin could be lower than what spot price imply. We estimate a US$100/t rise in PE-naphtha margin will raise SCG earnings by 9%. On coal price, we believe the company has secured lowest possible price for its coal in 2014-1H15, and we do not expect incremental positive impact from falling spot coal price.
UltraTech Cement	IN	Construction Materials	10.2	2309.75	30%	Neutral	3.3	45%	16%	✓					✓						c25% of cost linked to coal (domestic, pet coke and imported coal mix) and rest 35% linked to crude oil driven diesel prices in India.	A 10% fall in price of crude/coal across the board can increase EBITDA margins by c100 bps within a quarter. Cement being an energy intensive product tends to benefit from muted prices of coal/crude
Semen Indonesia	ID	Construction Materials	7.5	15500	-14%	Sell	3.7	10%	2%						✓						Coal is (25%) of costs	Coal is the source of energy used in the cement plants. A 10% drop in coal prices would likely see a 5% rise in operating profits.
Indocement	ID	Construction Materials	6.7	22325	2%	Sell	3.1	1%	2%		✓				✓						Coal (18%) of costs and Natural Gas (3%) of costs	Coal is the source of energy used in the cement plants. A 10% drop in coal and gas prices would likely see a 4% rise in operating profits.
Taiwan Cement	TW	Construction Materials	5.5	45.5	-4%	Neutral	1.5	30%	2%						✓						Coal: (25-30%) of cement cost and (70%) of power generation costs	If coal prices are 10% lower than in our base case, 2015 operating profit would increase 12%.
Ambuja Cements Limited	IN	Construction Materials	5.1	205.35	2%	Sell	3.1	31%	10%	✓											c25% of cost linked to coal (domestic, pet coke and imported coal mix) and rest 35% linked to crude oil driven diesel prices in India.	A 10% fall in price of crude/coal across the board can increase EBITDA margins by c100 bps within a quarter. Cement being an energy intensive product tends to benefit from muted prices of coal/crude
Asia Cement	TW	Construction	4.3	38.45	9%	Neutral	1.0	-14%	6%						✓						Coal: (28-35%) of cost	If coal prices are 10% lower than in our base case, 2015

Name		Sub-Industry	Mkt Cap (USD bn)	Price	Upside to PT	UBS rating	P/Book 2014	P/B rel prem / (disc) to 5yr ave	3m EPS mom*	positive (✓) or negative (×) impact of falling commodity prices: Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton	Commodity Exposure	Analyst Comment
		Materials																				operating profit would increase 14%.
ACC Limited	IN	Construction Materials	4.2	1377.85	17.5%	Buy	3.2	31%	10%	✓											c25% of cost linked to coal (domestic, pet coke and imported coal mix) and rest 35% linked to crude oil driven diesel prices in India.	A 10% fall in price of crude/coal across the board can increase EBITDA margins by c100 bps within a quarter. Cement being an energy intensive product tends to benefit from muted prices of coal/crude
Siam City Cement	TH	Construction Materials	3.0	420	15%	Buy	4.4	39%	6%	✓					✓						Falling oil and coal price benefits 90% of SCCC earnings (cement and concrete).	Falling oil and coal price benefits 90% of SCCC earnings (cement and concrete). However, equity income from Lanna Coal (mining) would be negatively affected by lower coal price. We estimate a US$10/t decrease in realised coal cost will boost earnings by 8% for SCCC.
Lafarge Malayan Cement	MY	Construction Materials	2.6	9.96	-22%	Sell	2.6	48%	1%						✓						Coal is one of the largest cost components, about 20% of total costs	Coal is used as fuel for cement production. A 10% fall in coal would likely see profits rise by 11%
Holcim Indonesia	ID	Construction Materials	1.6	2490	-16%	Sell	2.0	1%	-4%						✓						Coal is (20%) of costs	Coal is the source of energy used in the cement plants. A 10% drop in coal prices would likely see a 5% rise in operating profits.
UACJ	JP	Aluminum	1.5	364	51%	Buy	1.0	12%	11%	✓	✓										Rolling mill using oil as fuel cost	UACJ operates rolling mills therefore oil is a fuel cost. Production volume is important and pro-mix is good for shipbuilding
Sumitomo Metal Mining	JP	Diversified Metals & Mining	7.2	1364	22%	Neutral	0.8	-29%	11%	✓		×	×								30% copper. 35% Nickel. 25% Gold	Nickel, copper and gold price will dictate earnings direction
Korea Zinc	KR	Diversified Metals & Mining	6.4	388000	19%	Neutral	1.5	13%	2%			×									Revenue mix is 34% zinc, 30% silver, 16% lead, 7% gold, 6% copper and 7% others	Little earnings impact from copper given small exposure. A 10% fall in all commodity prices would likely see 2015E consolidated operating profits drop by 57% (exposure in zinc, lead, silver, gold)
Mitsubishi Materials	JP	Diversified Metals & Mining	3.9	314	27%	Buy	0.8	-17%	8%	✓	✓	×			✓						40% of EBITDA is copper. Coal and Oil used for fuel	They make copper, cement, aluminium, silicon wafer, carbide tool, copper cable etc. Depend on macro backdrop
DOWA Holdings	JP	Diversified Metals & Mining	2.4	828	45%	Buy	1.5	-5%	5%			×									Copper is very small	Recycling, zinc smelting, industrial waste treatment business, electric materials, automobile components etc. Depend on macro backdrop
Mitsui Mining & Smelting	JP	Diversified Metals & Mining	1.5	268	42%	Buy	0.9	-20%	14%			×									Zinc is 25% of EBIT	Electric materials, automobile components, copper mining and many other products. Profitability depends on the each market
POSCO	KR	Steel	22.8	314500	46%	Buy	0.6	-12%	8%	✓	✓		✓	×	✓						Steel price is key driver of revenues. Iron ore (28%), coking coal (13%), steel scrap (2%) of steel division's COGS	Steelmakers are very sensitive to steel price. A 10% fall in all commodity prices would likely see 2015E consolidated operating profits drop by 47%. (Steel -70%; Iron ore +15%; Coking coal

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
																						+7%; Scrap (steel) +1%)
Nippon Steel&Sumitomo Metal	JP	Steel	22.3	248	57%	Buy	0.8	-21%	3%	✓	✓		✓	×	✓						70% is steel	Steel and raw material spread is important
China Steel	TW	Steel	12.7	25.75	0%	Neutral	1.3	6%	14%	✓	✓		✓	×	✓						Steel price is key driver of revenues. Iron ore (27%), coking coal (16%), steel scrap (5%) of steel division's COGS	Steelmakers are very sensitive on steel price. A 10% fall in all commodity prices would likely see 2015E consolidated operating profits drop by 120%. (Steel -161%; Iron ore +25%; Coking coal +15%)
JFE Holdings	JP	Steel	11.1	1919	21%	Neutral	0.7	-26%	1%	✓	✓		✓	×	✓						80% steel	Steel and raw material spread is important
Hyundai Steel	KR	Steel	7.3	67000	22%	Buy	0.6	-22%	12%	✓	✓		✓	×	✓						Steel price is key driver of revenues. Iron ore (16%), coking coal (9%) steel scrap (24%) of standalone COGS	Steelmakers are very sensitive on steel price. A 10% fall in all commodity prices would likely see 2015E consolidated operating profits drop by 66%. (Steel -114%; Iron ore +16%; Coking coal +9%; Scrap (steel) +24%)
Hitachi Metals	JP	Steel	7.1	1754	17%	Buy	1.9	13%	9%													They make high-end metals, strong magnet, electric materials etc. Depend on global auto production
Kobe Steel	JP	Steel	5.4	156	15%	Neutral	0.8	-14%	6%	✓	✓		✓	×	✓						Steel is 25% of EBIT	Steel, aluminium, IPP, machinery, steel plant engineering etc. Depend on macro backdrop
Jindal Steel & Power	IN	Steel	2.2	151.35	6%	Sell	0.6	-74%	-12%				✓	×	✓						Coal (15%) and Iron ore (12%) of costs. Steel (60%) segment is the key driver for revenues.	Post Supreme Court cancellation of captive coal blocks JSPL is now exposed to coal prices. 10% increase in coal/iron ore cost reduce profit by 15%/10%. However both coal/iron ore prices in India are not directly linked to International prices. A 5% decline in steel prices reduce profit by 25%.
Maruichi Steel Tube	JP	Steel	1.9	2427	32%	Buy	0.9	-4%	5%	✓	✓			×							They produce pipe from Hot Rolled Coil (HRC)	Very defensive structure using cheap imported HRC to control the margin
Daido Steel	JP	Steel	1.6	382	34%	Neutral	0.7	-36%	1%	✓	✓			×							Produce speciality steel from steel scrap	Depend on Nissan and Honda's production
Nisshin Steel	JP	Steel	0.9	871	18%	Neutral	0.4	-20%	-8%	✓	✓		✓	×	✓						70% ordinary steel 30% stainless	Steel and raw material spread is important
Kyoei Steel	JP	Steel	0.8	1874	0%	Neutral	0.7	4%	24%	✓	✓		✓	×							Electric arc furnace (EAF) using steel scrap	Steel and steel scrap spread is important
Tokyo Steel	JP	Steel	0.8	560	13%	Neutral	1.0	26%	12%	✓	✓			×							Electric arc furnace (EAF) using steel scrap	Steel and steel scrap spread is important
Dongkuk Steel Mill	KR	Steel	0.5	6350	26%	Neutral	0.2	-57%	39%					×							Steel price is key driver of revenues. DSM is EAF mill and has no exposure in iron ore and coking coal. Steel scrap (40%), steel slab (31%) of standalone COGS	Steelmakers are very sensitive on steel price. A 10% fall in all commodity prices would likely see 2015E consolidated operating profits drop by 183%. (Steel -563%; Scrap (steel) +215%; Slab (steel) +165%)
KEPCO	KR	Electric	28.1	48100	21%	Buy	0.6	70%	198%	✓	✓				✓						1% decline in fuel prices (coal, LNG and	KEPCO uses coal, LNG and oil (bunker C) for electricity

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
		Utilities																			oil) have about 5% positive impact on our 2015 EPS forecast	generation. In theory, fuel price change should eventually be passed on to the end user through electricity tariff change. But because the electricity tariff setting system has not worked perfectly in Korea, KEPCO's earnings are positively impacted when fuel prices fall and negatively impacted when fuel prices rise.
Tenaga Nasional	MY	Electric Utilities	21.5	12.5	-2%	Neutral	1.8	64%	3%		✓				✓						Fuel accounts for almost 50% of its total costs and coal accounts for 45% of fuel costs.	Gas and coal is the key costs in terms of fuel usage for the generation of electricity Coal - A 10% decline in coal prices would positively impact profits by 8% LNG - A 10% decline in LNG would positively impact profits by 2%. The utilisation of LNG is significantly lower (c20% of gas cost) vs. natural gas which is subsidised by the govt at RM15.20/mmbtu. Hence changes to natural gas prices has essentially no impact to profits.
CLP Holdings	HK	Electric Utilities	21.3	65.25	-11%	Sell	1.7	12%	5%		✓				✓						11% Gas, 4% Coal	This is only for HK assets. Fuel cost fluctuations for HK are offset by stabilisation fund. Fuel cost exposures for other countries are unavailable
HK Electric Investments	HK	Electric Utilities	5.9	5.19	0%	Neutral	0.9	n/a	-3%		✓										32% Gas	Return is set by the government. Fuel cost fluctuations are offset by stabilisation fund
Tata Power	IN	Electric Utilities	3.2	83.85	31%	Buy	1.3	-24%	-1%	✓	✓	✓			✓						75-80% of operating expenses are related to Coal and Natural gas (mainly coal).	~50% of fuel requirement is imported, remaining is supplied by CIL which has almost fixed prices. 10% reduction in prices of coal would improve net profitability by ~7-8%.
Hong Kong & China Gas	HK	Gas Utilities	24.2	17.88	1%	Neutral	3.5	21%	3%		✓										44% Gas	Gas utilities needs to purchase gas from upstream suppliers at the city-gate price. Gas utilities' profitability depends on the ability of the companies to achieve fuel cost pass-through. In a falling gas price environment, fuel cost pass through should be more easily achieved compared to a rising gas price environment
Perusahaan Gas Negara	ID	Gas Utilities	11.5	5800	9%	Neutral	4.1	-9%	0%		×										100% of PGAS revenues are from gas transportation and distribution	PGAS is Natural gas distributer, buying from producers and selling to industrial and other users generally on long-term contracts of 2 years and above. Major fluctuations could be expected to be adjusted by the company in its spread, limiting the impact.
GAIL (India) Ltd.	IN	Gas Utilities	9.2	450.9	1%	Neutral	1.6	-3%	2%	✓	✓										Gas transmission, trading and related activities comprise of ~80% of EBIT, and petchem the rest	Falling crude oil price positively helps lower feedstock costs in petchem, secondly lower subsidy also eases the risk of Gail having to bear a portion of it.

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
China Gas Holdings	CN	Gas Utilities	8.7	13.54	-26%	Sell	3.8	96%	16%		✓										84% Gas	Gas utilities needs to purchase gas from upstream suppliers at the city-gate price. Gas utilities' profitability depends on the ability of the companies to achieve fuel cost pass-through. In a falling gas price environment, fuel cost pass through should be more easily achieved compared to a rising gas price environment
ENN Energy Holdings	CN	Gas Utilities	7.3	52.1	15%	Neutral	3.9	41%	7%		✓										84% Gas	Gas utilities needs to purchase gas from upstream suppliers at the city-gate price. Gas utilities' profitability depends on the ability of the companies to achieve fuel cost pass-through. In a falling gas price environment, fuel cost pass through should be more easily achieved compared to a rising gas price environment
China Resources Gas Group	CN	Gas Utilities	6.5	22.5	11%	Neutral	3.1	-10%	0%		✓										80% Gas	Gas utilities needs to purchase gas from upstream suppliers at the city-gate price. Gas utilities' profitability depends on the ability of the companies to achieve fuel cost pass-through. In a falling gas price environment, fuel cost pass through should be more easily achieved compared to a rising gas price environment
Towngas China	CN	Gas Utilities	2.7	8.09	26%	Neutral	1.6	51%	2%		✓										85% Gas	Gas utilities needs to purchase gas from upstream suppliers at the city-gate price. Gas utilities' profitability depends on the ability of the companies to achieve fuel cost pass-through. In a falling gas price environment, fuel cost pass through should be more easily achieved compared to a rising gas price environment
NTPC Limited	IN	Independent Power Producers & Energy Traders	18.5	138.6	26%	Buy	1.2	-25%	-2%	✓	✓				✓						80% of operating expenses are related to Coal and Natural gas (mainly coal). Though no major impact on profitability	Company have fixed RoE return business model and fuel prices are passed on to end consumers. Second, it is supplied coal at fixed cost from CIL so no major impact. However, 8-10% of coal is imported, reduction in prices of that may be good for better demand of power.
Huaneng Power International	CN	Independent Power Producers & Energy Traders	14.4	8.53	32%	Buy	1.3	35%	6%		✓				✓						65% Coal, 4% Gas	Coal is required to boil water, which drive steam turbines, which in turn generates power. Hence higher coal prices mean lower margins for power producers given the on-grid tariff is not a flexible mechanism. Gas works in a similar fashion
China Resources Power	CN	Independent Power Producers & Energy Traders	12.7	20.55	41%	Buy	1.4	-1%	9%		✓				✓						67% Coal, 2% Gas	Coal is required to boil water, which drive steam turbines, which in turn generates power. Hence higher coal prices mean lower margins for power producers given the on-grid tariff is not a flexible mechanism. Gas works in a similar fashion
Datang	CN	Independent	8.3	3.91	51%	Buy	1.2	48%	9%						✓						70% Coal	Coal is required to boil water, which drive steam turbines, which

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										Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton		
International Power		Power Producers & Energy Traders																				in turn generates power. Hence higher coal prices mean lower margins for power producers given the on-grid tariff is not a flexible mechanism. Gas works in a similar fashion
Huadian Power International	CN	Independent Power Producers & Energy Traders	5.7	5.36	31%	Buy	1.2	72%	16%		✓				✓						71% Coal 5% Gas	Coal is required to boil water, which drive steam turbines, which in turn generates power. Hence higher coal prices mean lower margins for power producers given the on-grid tariff is not a flexible mechanism. Gas works in a similar fashion
Huadian Fuxin Energy Corporation	CN	Independent Power Producers & Energy Traders	4.6	4.45	30%	Buy	2.0	52%	16%						✓						75% coal	75% coal costs is distorting reality given very low fuel costs for renewables
Glow Energy PCL	TH	Independent Power Producers & Energy Traders	4.2	92.75	11%	Buy	3.0	64%	3%						✓						Coal is ~20% of total fuel cost, majority eligible for pass through.	For IPPs in Thailand, fuel cost is 100% pass through on sales to regulator. But GLOW sells a part of generation directly to industries as well where fuel cost is not directly pass through. Hence, positive for GLOW to some extent.
Reliance Power	IN	Independent Power Producers & Energy Traders	3.1	68.75	9%	Sell	1.0	-33%	6%	✓	✓				✓						80% of operating expenses are related to Coal and Natural gas (mainly coal). Though no major impact on profitability	Company have fixed RoE return business model and fuel prices are passed on to end consumers. Second, it is supplied coal at fixed cost from CIL or has captive coal mines so no major impact.
Electricity Generating Co.	TH	Independent Power Producers & Energy Traders	2.8	170.5	-3%	Neutral	1.2	62%	12%												Coal is ~50% of total fuel cost, all eligible for pass through.	For IPPs in Thailand, fuel cost is 100% pass through on sales to regulator. Hence, no direct benefit to EGCO and RATCH from lower coal prices.
Ratchaburi Electric	TH	Independent Power Producers & Energy Traders	2.7	59.5	-21%	Sell	1.5	38%	1%												All gas based capacity	For IPPs in Thailand, fuel cost is 100% pass through on sales to regulator. Hence, no direct benefit to EGCO and RATCH from lower coal prices.
China Power International	CN	Independent Power	2.5	3.39	50%	Buy	0.9	50%	6%						✓						70% coal	Coal is required to boil water, which drive steam turbines, which in turn generates power. Hence higher coal prices mean lower

Name		Sub-Industry	Mkt Cap (USD bn)	Price	Upside to PT	UBS rating	P/Book 2014	P/B rel prem / (disc) to 5yr ave	3m EPS mom*	positive (✓) or negative (×) impact of falling commodity prices: Crude Oil	Nat Gas	Copper	Iron Ore	Steel	Coal	Aluminium	Rubber	Wheat	Corn	Cotton	Commodity Exposure	Analyst Comment
Development		Producers & Energy Traders																				margins for power producers given the on-grid tariff is not a flexible mechanism. Gas works in a similar fashion
Adani Power	IN	Independent Power Producers & Energy Traders	2.0	42.2	7%	Sell	1.9	-28%	41%	✓	✓				✓						75-80% of operating expenses are related to Coal and Natural gas (mainly coal).	~50% of fuel requirement is imported, remaining is supplied by CIL which has almost fixed prices.. 10% reduction in prices of coal would improve net profitability by ~7-8%.
YTL	MY	Multi-Utilities	5.2	1.61	6%	Neutral	1.1	3%	-3%	✓	✓										n/a	Gas is utilised by its utilities business (YTL Power), which contributes about 45% of group earnings. However, fuel cost is passed through to its off-taker (Malaysia) and largely passed on to its customers (Singapore), therefore minimal impact.
YTL Power International	MY	Multi-Utilities	3.2	1.56	-1%	Neutral	1.0	-24%	-5%		✓										Gas is the key fuel cost for its power generation business.	The fuel cost in Malaysia is borne by Tenaga (sole off-taker) and in Singapore, it is largely passed on to its customers (given the competitive market), so impact is minimal.

Source: UBS estimates. * 3-month change in 12-month forward consensus EPS

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Statement of Risk

Although there are many uncertainties with equity investing, generally economic and policy surprises pose the most consistent and continuous risks. Economic growth can be volatile, leading to earnings uncertainty. Inflation volatility can likewise lead to interest rate uncertainty. The direction and level of policy rates has a substantial impact upon equity valuations.

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UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	47%	34%
Neutral	FSR is between -6% and 6% of the MRA.	42%	28%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 September 2014.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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UBS AG Hong Kong Branch: Niall MacLeod; Matthew Gilman; Yuka Murata.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
ABB Limited (India)	ABB.BO	Sell	N/A	Rs995.80	17 Oct 2014
ACC Limited	ACC.BO	Buy	N/A	Rs1,404.35	17 Oct 2014
Adani Power	ADAN.BO	Sell	N/A	Rs42.75	17 Oct 2014
Adastria Holdings	2685.T	Neutral	N/A	¥2,407	17 Oct 2014
Air China	0753.HK	Neutral	N/A	HK$4.56	17 Oct 2014
AirAsia	AIRA.KL	Buy	N/A	RM2.31	17 Oct 2014
Ajinomoto[5]	2802.T	Buy	N/A	¥1,852.0	17 Oct 2014
All Nippon Airways[14]	9202.T	Neutral	N/A	¥230.0	17 Oct 2014
Ambuja Cements Limited	ABUJ.BO	Sell	N/A	Rs207.65	17 Oct 2014
Anta Sports Products	2020.HK	Buy	N/A	HK$15.70	17 Oct 2014
Anton Oilfield Services[13]	3337.HK	Sell	N/A	HK$2.20	17 Oct 2014
Apollo Tyres	APLO.BO	Neutral	N/A	Rs207.00	17 Oct 2014
Asahi Group Holdings	2502.T	Buy	N/A	¥3,032.5	17 Oct 2014
Asahi Kasei	3407.T	Neutral	N/A	¥816.4	17 Oct 2014
Ashok Leyland	ASOK.BO	Sell	N/A	Rs43.35	17 Oct 2014
Asia Cement	1102.TW	Neutral	N/A	NT$38.00	17 Oct 2014
Asian Paints Ltd.	ASPN.BO	Buy	N/A	Rs639.20	17 Oct 2014
Astra Agro Lestari	AALI.JK	Sell	N/A	Rp19,950	17 Oct 2014
Astra International	ASII.JK	Buy	N/A	Rp6,550	17 Oct 2014
Astra Otoparts	AUTO.JK	Buy	N/A	Rp4,100	17 Oct 2014
Bajaj Auto[8]	BAJA.BO	Neutral	N/A	Rs2,373.50	17 Oct 2014
Banpu Public Company	BANPU.BK	Sell	N/A	Bt27.50	17 Oct 2014
Belle International Holdings[16a]	1880.HK	Sell	N/A	HK$8.58	17 Oct 2014
Bharat Heavy Electricals Limited	BHEL.BO	Buy	N/A	Rs226.55	17 Oct 2014
Bharat Petroleum Corporation[2, 4, 5]	BPCL.BO	Neutral	N/A	Rs666.10	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Brilliance China Automotive	1114.HK	Neutral	N/A	HK$12.68	17 Oct 2014
Britannia Industries	BRIT.BO	Buy	N/A	Rs1,340.30	17 Oct 2014
Bumi Armada[1, 2, 4, 5]	BUAB.KL	Buy	N/A	RM1.42	17 Oct 2014
BW Plantation	BWPT.JK	Buy	N/A	Rp595	17 Oct 2014
BYD Company Limited[2, 4, 16a]	1211.HK	Sell	N/A	HK$48.70	17 Oct 2014
Cairn India Limited	CAIL.BO	Buy	N/A	Rs276.40	17 Oct 2014
Carborundum Universal	CRBR.BO	Buy	N/A	Rs188.45	17 Oct 2014
Cathay Pacific	0293.HK	Buy	N/A	HK$13.70	17 Oct 2014
Cebu Air	CEB.PS	Buy	N/A	P70.00	17 Oct 2014
Charoen Pokphand Indonesia[4, 5]	CPIN.JK	Neutral	N/A	Rp3,980	17 Oct 2014
Cheng Shin Rubber Ind	2105.TW	Neutral	N/A	NT$66.40	17 Oct 2014
China Airlines	2610.TW	Sell	N/A	NT$10.00	17 Oct 2014
China BlueChemical	3983.HK	Sell	N/A	HK$3.04	17 Oct 2014
China Coal Energy[5]	1898.HK	Neutral	N/A	HK$4.68	17 Oct 2014
China Communications Construction[4, 5]	1800.HK	Buy	N/A	HK$5.57	17 Oct 2014
China COSCO Holdings	1919.HK	Neutral	N/A	HK$3.16	17 Oct 2014
China Eastern Airlines[16b]	0670.HK	Neutral	N/A	HK$2.73	17 Oct 2014
China Gas Holdings[22]	0384.HK	Sell	N/A	HK$13.44	17 Oct 2014
China Huishan Dairy[2, 4, 16a]	6863.HK	Neutral	N/A	HK$1.74	17 Oct 2014
China Huiyuan Juice Group[2, 4]	1886.HK	Sell	N/A	HK$3.20	17 Oct 2014
China Machinery Engineering Corporation	1829.HK	Buy	N/A	HK$4.16	17 Oct 2014
China Mengniu Dairy[4, 16a]	2319.HK	Neutral	N/A	HK$32.40	17 Oct 2014
China Modern Dairy	1117.HK	Buy	N/A	HK$3.12	17 Oct 2014
China National Offshore Oil Corporation[2, 4, 16a, 16b]	0883.HK	Neutral	N/A	HK$12.46	17 Oct 2014
China Oilfield Services[4]	2883.HK	Neutral	N/A	HK$18.54	17 Oct 2014
China Power International Development	2380.HK	Buy	N/A	HK$3.44	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
China Railway Construction[2, 4, 5]	1186.HK	Buy	N/A	HK$7.35	17 Oct 2014
China Railway Group	0390.HK	Buy	N/A	HK$4.25	17 Oct 2014
China Resources Gas Group	1193.HK	Neutral	N/A	HK$22.45	17 Oct 2014
China Resources Power[16a]	0836.HK	Buy	N/A	HK$20.75	17 Oct 2014
China Sanjiang Fine Chemicals[5]	2198.HK	Buy	N/A	HK$3.80	17 Oct 2014
China Shenhua Energy[4, 16a]	1088.HK	Buy	N/A	HK$20.80	17 Oct 2014
China Shipping Container Lines	2866.HK	Neutral	N/A	HK$2.07	17 Oct 2014
China Shipping Development	1138.HK	Buy	N/A	HK$4.48	17 Oct 2014
China Southern Airlines[16b]	1055.HK	Buy	N/A	HK$2.57	17 Oct 2014
China State Construction International	3311.HK	Buy	N/A	HK$11.00	17 Oct 2014
China Steel	2002.TW	Neutral	N/A	NT$25.20	17 Oct 2014
Chiyoda	6366.T	Neutral	N/A	¥1,003	17 Oct 2014
CIMC Enric Holdings	3899.HK	Buy	N/A	HK$7.52	17 Oct 2014
CLP Holdings[2, 4]	0002.HK	Sell	N/A	HK$64.95	17 Oct 2014
Coal India	COAL.BO	Buy	N/A	Rs351.55	17 Oct 2014
ComfortDelGro	CMDG.SI	Neutral	N/A	S$2.43	17 Oct 2014
Coromandel International	CORF.BO	Buy	N/A	Rs283.35	17 Oct 2014
COSCO Corporation (Singapore) Ltd	COSC.SI	Sell	N/A	S$0.60	17 Oct 2014
Crompton Greaves Ltd	CROM.BO	Buy	N/A	Rs190.95	17 Oct 2014
CTCI Corporation	9933.TW	Neutral	N/A	NT$45.70	17 Oct 2014
Daelim Industrial Company[5]	000210.KS	Buy	N/A	Won68,200	17 Oct 2014
Daewoo Shipbuilding & Marine Engineering	042660.KS	Buy	N/A	Won16,900	17 Oct 2014
Daido Steel	5471.T	Neutral	N/A	¥385	17 Oct 2014
Daifuku	6383.T	Buy	N/A	¥1,076	17 Oct 2014
Daphne International[20]	0210.HK	Buy (CBE)	N/A	HK$3.76	17 Oct 2014
Datang International Power	0991.HK	Buy	N/A	HK$3.90	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Dialog Group	DIAL.KL	Neutral	N/A	RM1.58	17 Oct 2014
Dongfeng Motor	0489.HK	Buy	N/A	HK$12.02	17 Oct 2014
Dongkuk Steel Mill	001230.KS	Neutral	N/A	Won6,400	17 Oct 2014
Dongyue Group	0189.HK	Buy	N/A	HK$2.87	17 Oct 2014
DOWA Holdings	5714.T	Buy	N/A	¥820	17 Oct 2014
Ebara	6361.T	Buy	N/A	¥541	17 Oct 2014
Eicher Motors Limited	EICH.BO	Buy	N/A	Rs11,344.40	17 Oct 2014
Electricity Generating Co.[5]	EGCO.BK	Neutral	N/A	Bt176.00	17 Oct 2014
ENN Energy Holdings[2, 3c, 4, 5]	2688.HK	Neutral	N/A	HK$52.00	17 Oct 2014
EVA Air	2618.TW	Neutral	N/A	NT$15.70	17 Oct 2014
Evergreen Marine	2603.TW	Neutral	N/A	NT$17.50	17 Oct 2014
Exide Industries	EXID.BO	Buy	N/A	Rs164.75	17 Oct 2014
Fast Retailing	9983.T	Neutral	N/A	¥36,745	17 Oct 2014
Formosa Chemicals & Fibre[2, 4]	1326.TW	Neutral	N/A	NT$65.20	17 Oct 2014
Formosa Petrochemical Corporation[2, 4, 5]	6505.TW	Neutral	N/A	NT$68.00	17 Oct 2014
Formosa Plastics[2, 4]	1301.TW	Buy	N/A	NT$65.40	17 Oct 2014
Fuji Heavy Industries	7270.T	Buy	N/A	¥3,050.0	17 Oct 2014
FUJIFILM Holdings	4901.T	Neutral	N/A	¥3,223.5	17 Oct 2014
GAIL (India) Ltd.	GAIL.BO	Neutral	N/A	Rs447.95	17 Oct 2014
Gajah Tunggal Tbk	GJTL.JK	Buy	N/A	Rp1,525	17 Oct 2014
Gamuda	GAMU.KL	Buy	N/A	RM4.81	17 Oct 2014
Garuda Indonesia	GIAA.JK	Buy	N/A	Rp450	17 Oct 2014
Geely Automobile[16a]	0175.HK	Buy	N/A	HK$3.36	17 Oct 2014
Giant Manufacturing	9921.TW	Buy	N/A	NT$220.50	17 Oct 2014
Giordano	0709.HK	Sell	N/A	HK$3.94	17 Oct 2014
Glow Energy PCL	GLOW.BK	Buy	N/A	Bt95.50	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Great Wall Motor[16a]	2333.HK	Neutral	N/A	HK$30.90	17 Oct 2014
GS Engineering & Construction	006360.KS	Neutral	N/A	Won30,550	17 Oct 2014
GS Holdings	078930.KS	Sell	N/A	Won40,150	17 Oct 2014
Guangzhou Automobile	2238.HK	Buy	N/A	HK$7.29	17 Oct 2014
Hankook Tire Co Ltd	161390.KS	Buy	N/A	Won49,200	17 Oct 2014
Havells India	HVEL.BO	Neutral	N/A	Rs266.60	17 Oct 2014
Hero MotoCorp	HROM.BO	Neutral	N/A	Rs2,877.10	17 Oct 2014
Hindustan Petroleum	HPCL.BO	Sell	N/A	Rs491.20	17 Oct 2014
Hitachi Chemical	4217.T	Buy	N/A	¥1,750	17 Oct 2014
Hitachi Construction Machinery	6305.T	Sell	N/A	¥1,929	17 Oct 2014
Hitachi Koki	6581.T	Sell	N/A	¥849	17 Oct 2014
Hitachi Metals	5486.T	Buy	N/A	¥1,747	17 Oct 2014
Hiwin Technologies	2049.TW	Neutral	N/A	NT$244.50	17 Oct 2014
HK Electric Investments	2638.HK	Neutral	N/A	HK$5.18	17 Oct 2014
Holcim Indonesia	SMCB.JK	Sell	N/A	Rp2,600	17 Oct 2014
Honda Motor[16b]	7267.T	Neutral	N/A	¥3,255.0	17 Oct 2014
Hong Kong & China Gas	0003.HK	Neutral	N/A	HK$17.70	17 Oct 2014
Honghua Group	0196.HK	Buy	N/A	HK$1.61	17 Oct 2014
Huadian Fuxin Energy Corporation[2, 4]	0816.HK	Buy	N/A	HK$4.40	17 Oct 2014
Huadian Power International[2, 4, 5]	1071.HK	Buy	N/A	HK$5.50	17 Oct 2014
Huaneng Power International[16b]	0902.HK	Buy	N/A	HK$8.82	17 Oct 2014
Hyundai Development Co.	012630.KS	Sell	N/A	Won37,850	17 Oct 2014
Hyundai E&C[5]	000720.KS	Buy	N/A	Won52,300	17 Oct 2014
Hyundai Heavy Industries	009540.KS	Neutral	N/A	Won109,500	17 Oct 2014
Hyundai Motor[2]	005380.KS	Buy	N/A	Won162,000	17 Oct 2014
Hyundai Steel	004020.KS	Buy	N/A	Won67,900	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Idemitsu Kosan[5]	5019.T	Neutral	N/A	¥2,010	17 Oct 2014
IJM Corporation	IJMS.KL	Buy	N/A	RM6.46	17 Oct 2014
Indian Oil Corp.[4, 5, 6]	IOC.BO	Neutral	N/A	Rs365.55	17 Oct 2014
Indocement	INTP.JK	Sell	N/A	Rp22,900	17 Oct 2014
Indofood CBP Sukses Makmur	ICBP.JK	Sell	N/A	Rp11,400	17 Oct 2014
Indofood S.M.	INDF.JK	Sell	N/A	Rp6,975	17 Oct 2014
INPEX Corporation	1605.T	Buy	N/A	¥1,298.5	17 Oct 2014
Japan Airlines[5]	9201.T	Buy	N/A	¥2,659	17 Oct 2014
JFE Holdings	5411.T	Neutral	N/A	¥1,893.0	17 Oct 2014
JGC	1963.T	Neutral	N/A	¥2,467.0	17 Oct 2014
Jindal Steel & Power	JNSP.BO	Sell	N/A	Rs148.10	17 Oct 2014
Johnson Electric	0179.HK	Sell	N/A	HK$26.60	17 Oct 2014
JSR	4185.T	Sell	N/A	¥1,713	17 Oct 2014
JTEKT	6473.T	Neutral	N/A	¥1,525	17 Oct 2014
JX Holdings	5020.T	Buy	N/A	¥448.9	17 Oct 2014
Kajima	1812.T	Buy	N/A	¥460	17 Oct 2014
Kawasaki Kisen	9107.T	Buy	N/A	¥219	17 Oct 2014
KEPCO[4, 5, 16b]	015760.KS	Buy	N/A	Won47,250	17 Oct 2014
Kia Motors	000270.KS	Buy	N/A	Won53,300	17 Oct 2014
Kikkoman	2801.T	Neutral	N/A	¥2,076	17 Oct 2014
Kirin Holdings	2503.T	Neutral	N/A	¥1,311.5	17 Oct 2014
Kobe Steel	5406.T	Neutral	N/A	¥155	17 Oct 2014
Komatsu	6301.T	Sell	N/A	¥2,309.0	17 Oct 2014
Komori Corporation	6349.T	Neutral	N/A	¥1,089	17 Oct 2014
Korea Zinc	010130.KS	Neutral	N/A	Won389,000	17 Oct 2014
Korean Air	003490.KS	Neutral	N/A	Won36,600	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Kubota	6326.T	Neutral	N/A	¥1,527.0	17 Oct 2014
Kunlun Energy[16a]	0135.HK	Sell	N/A	HK$10.38	17 Oct 2014
Kuraray	3405.T	Buy	N/A	¥1,197	17 Oct 2014
Kyoei Steel	5440.T	Neutral	N/A	¥1,921	17 Oct 2014
Lafarge Malayan Cement	LAFA.KL	Sell	N/A	RM10.14	17 Oct 2014
LG Chemical	051910.KS	Buy	N/A	Won224,500	17 Oct 2014
London Sumatra Indonesia	LSIP.JK	Buy	N/A	Rp1,865	17 Oct 2014
Lotte Chemical	011170.KS	Neutral	N/A	Won138,500	17 Oct 2014
Maeda Corp.	1824.T	Buy	N/A	¥829	17 Oct 2014
Mahindra & Mahindra	MAHM.BO	Buy	N/A	Rs1,253.95	17 Oct 2014
Maruichi Steel Tube	5463.T	Buy	N/A	¥2,407	17 Oct 2014
Maruti Suzuki India	MRTI.BO	Buy	N/A	Rs2,942.90	17 Oct 2014
Mazda Motor	7261.T	Buy	N/A	¥2,180	17 Oct 2014
Mitsubishi Chemical Holdings	4188.T	Sell	N/A	¥492.0	17 Oct 2014
Mitsubishi Heavy Industries	7011.T	Buy	N/A	¥601.4	17 Oct 2014
Mitsubishi Materials	5711.T	Buy	N/A	¥309	17 Oct 2014
Mitsui Chemicals	4183.T	Neutral	N/A	¥276	17 Oct 2014
Mitsui Mining & Smelting	5706.T	Buy	N/A	¥267	17 Oct 2014
Mitsui O.S.K. Lines	9104.T	Neutral	N/A	¥312	17 Oct 2014
Motherson Sumi Systems	MOSS.BO	Neutral	N/A	Rs373.10	17 Oct 2014
Nan Ya Plastics[2, 4]	1303.TW	Neutral	N/A	NT$58.60	17 Oct 2014
Neptune Orient Lines	NEPS.SI	Buy	N/A	S$0.83	17 Oct 2014
Nestle India Ltd.[22]	NEST.BO	Buy	N/A	Rs5,705.10	17 Oct 2014
Nexen Tire	002350.KS	Neutral	N/A	Won12,650	17 Oct 2014
NH Foods	2282.T	Buy	N/A	¥2,354	17 Oct 2014
Nippon Steel&Sumitomo Metal	5401.T	Buy	N/A	¥244.5	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Nippon Yusen	9101.T	Neutral	N/A	¥254	17 Oct 2014
Nissan Chemical	4021.T	Buy	N/A	¥1,686	17 Oct 2014
Nissan Motor	7201.T	Neutral	N/A	¥918.0	17 Oct 2014
Nisshin Steel	5413.T	Neutral	N/A	¥890	17 Oct 2014
Nissin Foods Holdings	2897.T	Sell	N/A	¥5,550	17 Oct 2014
NSK	6471.T	Neutral	N/A	¥1,255	17 Oct 2014
NTN	6472.T	Neutral	N/A	¥414	17 Oct 2014
NTPC Limited	NTPC.BO	Buy	N/A	Rs141.05	17 Oct 2014
Obayashi	1802.T	Buy	N/A	¥658	17 Oct 2014
Oil & Natural Gas Corporation[1, 5]	ONGC.BO	Buy	N/A	Rs397.25	17 Oct 2014
Oil India	OILI.BO	Buy	N/A	Rs576.30	17 Oct 2014
Okumura	1833.T	Neutral	N/A	¥530	17 Oct 2014
Orient Overseas (International) Limited	0316.HK	Buy	N/A	HK$41.05	17 Oct 2014
Orion Corp.	001800.KS	Neutral	N/A	Won842,000	17 Oct 2014
Perusahaan Gas Negara	PGAS.JK	Neutral	N/A	Rp5,775	17 Oct 2014
PetroChina[16a, 16b]	0857.HK	Neutral	N/A	HK$9.38	17 Oct 2014
Petron[2, 4]	PCOR.PS	Buy	N/A	P11.30	17 Oct 2014
PETRONAS Chemicals Group Berhad	PCGB.KL	Neutral	N/A	RM6.08	17 Oct 2014
Petronet LNG	PLNG.BO	Buy	N/A	Rs188.10	17 Oct 2014
Pidilite Industries	PIDI.BO	Sell	N/A	Rs387.75	17 Oct 2014
POSCO[4, 16b]	005490.KS	Buy	N/A	Won315,500	17 Oct 2014
PTT Exploration & Production[4, 5]	PTTEP.BK	Buy	N/A	Bt145.50	17 Oct 2014
PTT Global Chemical	PTTGC.BK	Buy	N/A	Bt56.75	17 Oct 2014
PTT Public Company Ltd.	PTT.BK	Buy	N/A	Bt354.00	17 Oct 2014
Rallis India	RALL.BO	Buy	N/A	Rs212.00	17 Oct 2014
Ratchaburi Electric	RATCH.BK	Sell	N/A	Bt60.25	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Raymond	RYMD.BO	Buy	N/A	Rs446.00	17 Oct 2014
Reliance Industries[4, 5]	RELI.BO	Buy	N/A	Rs938.15	17 Oct 2014
Reliance Power[5]	RPOL.BO	Sell	N/A	Rs69.50	17 Oct 2014
Salim Ivomas Pratama	SIMP.JK	Neutral	N/A	Rp745	17 Oct 2014
Samsung Engineering[13]	028050.KS	Neutral	N/A	Won55,700	17 Oct 2014
Samsung Heavy Ind.	010140.KS	Neutral	N/A	Won23,550	17 Oct 2014
Sansiri PCL[5]	SIRI.BK	Sell	N/A	Bt2.04	17 Oct 2014
Sapporo Holdings	2501.T	Buy	N/A	¥407	17 Oct 2014
SapuraKencana Petroleum	SKPE.KL	Buy	N/A	RM3.47	17 Oct 2014
Sekisui House[5]	1928.T	Buy	N/A	¥1,226.0	17 Oct 2014
Sembcorp Marine	SCMN.SI	Sell	N/A	S$3.62	17 Oct 2014
Semen Indonesia	SMGR.JK	Sell	N/A	Rp16,000	17 Oct 2014
Semirara Mining Corp.	SCC.PS	Sell	N/A	P116.10	17 Oct 2014
Shima Seiki Mfg.	6222.T	Sell	N/A	¥1,580	17 Oct 2014
Shimamura	8227.T	Sell	N/A	¥9,310	17 Oct 2014
Shimizu	1803.T	Buy	N/A	¥720	17 Oct 2014
Shin-Etsu Chemical	4063.T	Neutral	N/A	¥6,441	17 Oct 2014
Siam Cement	SCC.BK	Buy	N/A	Bt432.00	17 Oct 2014
Siam City Cement	SCCC.BK	Buy	N/A	Bt424.00	17 Oct 2014
Singapore Airlines[4]	SIAL.SI	Neutral	N/A	S$9.65	17 Oct 2014
Singapore Post	SPOS.SI	Buy	N/A	S$1.83	17 Oct 2014
Sinopec[3b, 3c, 4, 16a, 16b]	0386.HK	Buy	N/A	HK$6.55	17 Oct 2014
Sinopec Engineering Group[4]	2386.HK	Buy	N/A	HK$8.38	17 Oct 2014
Sinopec Kantons[2, 4]	0934.HK	Buy	N/A	HK$5.76	17 Oct 2014
Sinopec Shanghai Petrochemical[16b]	0338.HK	Buy	N/A	HK$2.58	17 Oct 2014
Sinotruk (Hong Kong)	3808.HK	Neutral	N/A	HK$4.01	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
SK Innovation	096770.KS	Neutral	N/A	Won78,600	17 Oct 2014
Skymark Airlines	9204.T	Sell	N/A	¥217	17 Oct 2014
SMRT Corporation Ltd	SMRT.SI	Buy	N/A	S$1.45	17 Oct 2014
S-Oil	010950.KS	Sell	N/A	Won39,450	17 Oct 2014
SPT Energy Group	1251.HK	Buy	N/A	HK$2.61	17 Oct 2014
Sumitomo Chemical	4005.T	Buy	N/A	¥334	17 Oct 2014
Sumitomo Metal Mining	5713.T	Neutral	N/A	¥1,366.0	17 Oct 2014
Suntory Beverage & Food Limited	2587.T	Buy	N/A	¥3,590	17 Oct 2014
Suzuki Motor[5]	7269.T	Neutral	N/A	¥3,027.5	17 Oct 2014
Taisei	1801.T	Neutral	N/A	¥535	17 Oct 2014
Taiwan Cement	1101.TW	Neutral	N/A	NT$45.25	17 Oct 2014
Tata Global Beverages	TAGL.BO	Buy	N/A	Rs153.65	17 Oct 2014
Tata Motors Ltd.[16b]	TAMO.BO	Buy	N/A	Rs475.75	17 Oct 2014
Tata Power	TTPW.BO	Buy	N/A	Rs85.50	17 Oct 2014
Teijin[5, 12]	3401.T	Neutral	N/A	¥239	17 Oct 2014
Tenaga Nasional	TENA.KL	Neutral	N/A	RM12.52	17 Oct 2014
Thai Airways	THAI.BK	Buy	N/A	Bt14.20	17 Oct 2014
Thai Beverage[5]	TBEV.SI	Buy	N/A	S$0.75	17 Oct 2014
Thai Oil	TOP.BK	Neutral	N/A	Bt44.00	17 Oct 2014
Thermax	THMX.BO	Sell	N/A	Rs848.95	17 Oct 2014
Tingyi Cayman Islands	0322.HK	Buy	N/A	HK$19.58	17 Oct 2014
Toda Corp.	1860.T	Neutral	N/A	¥445	17 Oct 2014
Tokyo Steel[8]	5423.T	Neutral	N/A	¥558	17 Oct 2014
TonenGeneral Sekiyu	5012.T	Neutral	N/A	¥901	17 Oct 2014
Top Glove	TPGC.KL	Sell	N/A	RM4.80	17 Oct 2014
Toray	3402.T	Buy	N/A	¥670.3	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Towngas China	1083.HK	Neutral	N/A	HK$8.10	17 Oct 2014
Toyo Suisan Kaisha	2875.T	Neutral	N/A	¥3,460	17 Oct 2014
Toyota Motor[16b]	7203.T	Buy	N/A	¥5,731	17 Oct 2014
Tsingtao Brewery	0168.HK	Sell	N/A	HK$54.90	17 Oct 2014
Tsubakimoto Chain	6371.T	Buy	N/A	¥781	17 Oct 2014
Tube Investments of India	TUBE.BO	Buy	N/A	Rs308.00	17 Oct 2014
UACJ	5741.T	Buy	N/A	¥361	17 Oct 2014
UltraTech Cement	ULTC.BO	Buy	N/A	Rs2,322.75	17 Oct 2014
Uni-President China Holdings	0220.HK	Sell	N/A	HK$6.98	17 Oct 2014
Uni-President Enterprises	1216.TW	Neutral	N/A	NT$48.00	17 Oct 2014
United Arrows	7606.T	Buy	N/A	¥3,585	17 Oct 2014
United Breweries	UBBW.BO	Sell	N/A	Rs661.30	17 Oct 2014
United Spirits Ltd	UNSP.BO	Sell	N/A	Rs2,376.10	17 Oct 2014
United Tractors	UNTR.JK	Neutral	N/A	Rp17,250	17 Oct 2014
Universal Robina Corp.	URC.PS	Neutral	N/A	P177.80	17 Oct 2014
UPL Ltd	UPLL.BO	Buy	N/A	Rs322.40	17 Oct 2014
Voltas Ltd	VOLT.BO	Buy	N/A	Rs229.85	17 Oct 2014
Want Want China Holdings[16a]	0151.HK	Sell	N/A	HK$9.52	17 Oct 2014
WCT Berhad	WCTE.KL	Neutral	N/A	RM2.08	17 Oct 2014
Weichai Power	2338.HK	Neutral	N/A	HK$27.85	17 Oct 2014
WH Group[4]	0288.HK	Buy	N/A	HK$6.11	17 Oct 2014
Wilmar International Limited[3a, 5]	WLIL.SI	Buy	N/A	S$3.03	17 Oct 2014
Yamazaki Baking	2212.T	Neutral	N/A	¥1,361	17 Oct 2014
Yang Ming Marine	2609.TW	Sell	N/A	NT$13.40	17 Oct 2014
Yangzijiang Shipbuilding (Holdings) Ltd.[5]	YAZG.SI	Neutral	N/A	S$1.12	17 Oct 2014
Yanzhou Coal Mining[2, 4, 16b]	1171.HK	Sell	N/A	HK$6.16	17 Oct 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Yashili International	1230.HK	Sell	N/A	HK$2.70	17 Oct 2014
Yingde Gases	2168.HK	Buy	N/A	HK$6.36	17 Oct 2014
Yoma Strategic Holdings	YOMA.SI	Buy	N/A	S$0.61	17 Oct 2014
YTL	YTLS.KL	Neutral	N/A	RM1.61	17 Oct 2014
YTL Power International	YTLP.KL	Neutral	N/A	RM1.57	17 Oct 2014
Yue Yuen Industrial	0551.HK	Sell	N/A	HK$24.60	17 Oct 2014

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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