



## OVERVIEW

February 2014

Global stock markets rebounded in February. The MSCI All Country World Index surged 4.88% month-over-month as corporate earnings for the fourth quarter were broadly positive. The S&P 500 and Dow Jones Industrial Average soared 4.57% and 4.34%, respectively while the MSCI Emerging Markets Index rose 3.31% over the month. In tandem with the regional markets, the ASEAN stock markets jumped higher, with the Dow Jones Islamic Market ASEAN Index gaining 5.59% month-over-month.

### Malaysia

Malaysia's fourth quarter GDP climbed slightly to 5.1% year-over-year after gaining 5% year-over-year in the third quarter of 2013 on improved exports numbers. Rebounding exports are countering a spending squeeze associated with the government's reduced subsidies on fuel and electricity tariffs. Inflation risk is rising, standing at 3.2% in December 2013 (the fastest pace in two years), and the market expects another .25% increase in 2014. The central bank expects growth momentum to remain resilient for the rest of this year.

### Indonesia

Indonesia's headline inflation eased from 8.2% year-over-year in January to 7.8% year-over-year in February due to a combination of lower food prices and lower household gas prices. Core inflation remained relatively unchanged at 4.6% year-over-year in February compared to 4.5% in January. This is mainly attributed to a slower increase in prices of the foodstuff basket. This year, we expect no changes to subsidized petrol prices due to the oncoming election and that inflation will trend lower to 6.2% from an average of 7.0% in 2013.

### Philippines

The central bank of Philippines, Bangko Sentral ng Pilipinas, may revise its foreign direct investment (FDI) target this year following strong inflows in 2013. The deputy governor expects 2014 FDI will reach US\$2.6 billion, and this estimate may be adjusted higher in April or May. The governor is also quite confident as the country's economic growth hit 7.2% last year combined with stable 3% average inflation in 2013. The country's improving fiscal position, stable banking system, and structural reforms are key to the higher expected FDI this year. Foreign direct investment grew 20% to US\$3.86 billion last year from US\$3.22 billion in 2012.

### Thailand

Thailand's rising political crisis shows no sign of subsiding. This has created problems for many sectors in the economy, from retail to tourism, and for the country's economic

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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,896	2.54% ▲	-0.91% ▼	19.47% ▲
FBM KLCI (RM)	1,836	2.09% ▲	-1.33% ▼	15.77% ▲
S&P 500 (US\$)	3,347	4.57% ▲	0.96% ▲	25.37% ▲
Dow Jones Industrial Average (US\$)	16,322	4.34% ▲	-1.07% ▼	19.01% ▲
FTSE All World (US\$)	270	4.77% ▲	0.60% ▲	18.66% ▲
MSCI All Country World Index	410	4.88% ▲	0.71% ▲	18.89% ▲
MSCI Emerging Markets (US\$)	397	3.31% ▲	-3.40% ▼	-6.01% ▼
Dow Jones ASEAN Islamic (US\$)	2,276	5.59% ▲	3.00% ▲	-7.26% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.27	3.35	3.09
Crude oil (US\$)	\$102.59	\$97.49	\$92.05
Crude palm oil (RM)	RM 2,825	RM 2,551	RM 2,375



partners, especially Japan. Thailand's economy is expected to grow 4.3% this year, which is lower than the previous estimate of 5.2% but higher than the low-end estimate of 3% should the political unrest persist. For now, many foreign investors remain committed to Thailand, although Japanese companies are closely monitoring Thai political developments. Japanese companies have put in place backup plans to avoid unfavourable consequences as a result of an escalation in political conflict.

## Singapore

Singapore's GDP expanded at an annualized rate of 6.10% year-over-year in the fourth quarter of 2013. On a quarterly basis, all major sector performance was revised up from contraction to growth. Manufacturing output expanded at an annualized 10.4%, up from a -4.0% drop, while the construction sector rose 1.4% from -6.9%. The economy has been growing rapidly, which resulted in the country now having the highest GDP per capita in the world.

## COMPANY REVIEWS

Digi Telecommunication's 4Q13 earnings soared 123% to RM549 million against RM246 million in 4Q12. Revenue for the same period increased slightly by 6.4% yoy to RM1.7 billion, bringing total assets for the full year of FY13 to RM6.73 billion. Meanwhile, its mobile internet customers increased by 16% to RM6.7 million in 2013.

Universal Robina's 1Q14 (FYE September) core earnings beat market estimates, surging 30% yoy to PHP3.4 billion. This was mainly driven by a 24% increase in sales volume as well as wider margin expansion in the domestic branded consumer foods group (BCFG). Earnings before interest and taxes (EBIT) margin grew from 12% yoy in 1Q13 to 15.5% in 1Q14.

## PORTFOLIO TACTICS

Moving forward, global markets will continue to be volatile on the potential worsening of China's economy. While quantitative easing tapering indicates an improved US economy, investors are concerned about whether the Fed's decision is too hasty. Thus, we continue to position towards companies that have solid and long-term fundamentals such as Consumers (e.g., Unilever Indonesia and Jollibee Foods), Health Care (e.g., Bangkok Dusit, OSIM, and Hartalega), Building Materials (e.g., Semen Indonesia) and Telcos (e.g., Telekom Malaysia, Digi, and Axiata).

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