



OVERVIEW

Global stock markets resumed an upward trend in March. The FTSE All World Index rose 0.59% month-over-month, led by strong US stock market performance in response to positive economic data and easing concern as the Fed signaled to keep interest rates low until early next year. The S&P 500 and Dow Jones Industrial Average advanced 0.84% and 0.93%, respectively, whilst the MSCI Emerging Markets Index jumped 3.07% over the month. In line with the regional markets, the ASEAN stock markets moved higher, with the Dow Jones ASEAN Islamic Total Return Index surging 2.77% over the month. Year-to-date, the index has gained 5.86%.

Malaysia

Foreign Exchange Reserves fell by US\$5.3 billion to US\$129.6 billion as of mid-March, as foreign investors continued to pare down their equity and bond holdings due to receding global liquidity and higher inflation expectations. At the current level, the reserves are sufficient to finance 8.9 months of retained imports and cover 3.3 times the short-term external debt. Inflation, meanwhile, moved higher to 3.5% year-over-year in February, from 3.4% in January, driven by higher prices paid for housing, transportation, restaurants, and hotels. Despite higher inflation, Bank Negara Malaysia (BNM) opted to maintain the Overnight Policy Rate at 3.0% in order to support growth. In its 2013 annual report, BNM expects GDP growth of 4.5% to 5.5% in 2014, primarily supported by domestic demand.

Indonesia

The trade balance posted a surplus of US\$785 million in February, reversing a US\$444 million deficit in January. The reversal was fueled by a 10% drop in imports, which more than made up for a 3.0% fall in exports. The trade data assuaged fears that the rebalancing of the current account will be jeopardised following the implementation of tighter limits on mining ore exports in January. Macro conditions for Indonesia have improved, with inflation dipping to 7.32% in March from 7.75% in February. The Indonesian rupiah strengthened 6.3% year-to-date, and international reserves increased to US\$102.7 billion from US\$ 100.6 billion a month ago. With the noticeable turn in sentiment on Indonesia, Bank Indonesia decided to keep the Benchmark Rate unchanged at 7.5%.

Philippines

Bangko Sentral ng Pilipinas (BSP) will raise the reserve requirement of total deposits to 19% from 18% effective April 4, as the central bank continues to combat ample liquidity in the system. For the last few months, the money supply (M3) has grown more than 30% year-over-year, with February showing an increase of

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**Bank Negara
Malaysia expects
GDP growth of
4.5% to 5.5% in
2014.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,146	2.13% ▲	1.20% ▲	19.07% ▲
FBM KLCI (RM)	1,849	0.99% ▲	-0.35% ▼	14.35% ▲
S&P 500 (US\$)	3,376	0.84% ▲	1.81% ▲	21.86% ▲
Dow Jones Industrial Average (US\$)	16,458	0.93% ▲	-0.15% ▼	15.66% ▲
FTSE All World (US\$)	271	0.59% ▲	1.20% ▲	17.23% ▲
MSCI All Country World Index	411	0.50% ▲	1.22% ▲	17.26% ▲
MSCI Emerging Markets (US\$)	409	3.07% ▲	-0.43% ▼	-1.43% ▼
Dow Jones ASEAN Islamic (US\$)	2,339	2.77% ▲	5.86% ▲	-6.92% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.26	3.27	3.09
Crude oil (US\$)	\$101.58	\$102.59	\$97.23
Crude palm oil (RM)	RM 2,718	RM 2,825	RM 2,340



36.4%. Overnight borrowing and lending rates, however, were maintained at 3.5% and 5.5%, respectively, albeit the window to keep policy accommodative is narrowing. In February, inflation eased to 4.1% from 4.2% in January, which was lower than the consensus estimate of 4.3% and largely due to a slower gain in the food basket, lower electricity rates, and lower fuel prices.

Singapore

The Purchasing Managers' Index (PMI) dropped slightly by 0.1 point to 50.8 in March, indicating slower growth for manufacturing activities. PMI for the electronics sector, however, inched up 0.4 of a percentage point to 51.6 in March, supported by higher production, inventory, and imports. In February, industrial production surged 12.8% year-over-year, with electronics and biomedical output leading the gains. Non-oil domestic exports also gained 9.1% year-over-year, which beat the 7.1% market estimate and was spearheaded by a sharp acceleration of petrochemicals (49.3%) and pharmaceuticals (21.8%).

Thailand

Economic conditions deteriorated in February amid prolonged political protests. Private consumption fell 2.5% year-over-year in February from -1.5% in January due to ongoing household deleveraging and income shortfalls following the economic slowdown. Private investment also dropped 7.7% year-over-year as businesses continued to defer investments, especially in the electronics, electrical appliance, automobile, and construction industries. On the bright side, exports rose 2.4% year-over-year, beating the market consensus of 0.2%, lifted by agriculture exports (3.4%), vehicles and parts (15.4%), and electronics exports (9.6%).

COMPANY REVIEW

Semen Indonesia (SMGR IJ) performed well in FY13, with total net income growing 11% year-over-year, backed by higher sales volume and average selling price.

BIMB (BIMB MK) posted another solid quarter, with total income growing 9.8% year-over-year, led by strong banking performance. Bank Islam was the pillar supporting the growth, with financing income growing 10.6% on a 21.7% increase in net financing assets.

PORTFOLIO TACTICS

The pace of ASEAN regional GDP growth is expected to ease in 2014 due to political uncertainties, rising interest rates, and increased inflationary pressures. Having said that, ASEAN remains one of the most rapidly growing regions of the global economy, with 1) rapidly growing numbers of middle income households, 2) strong growth in intra-Asian trade, and 3) massive expansion in infrastructure spending and urban development. Against the headwinds, we will focus on companies that have solid and long-term growth profiles, such as Consumers (e.g., Unilever Indonesia and Jollibee Foods), Health Care (e.g., Bangkok Dusit and Hartalega), Building Materials (e.g., Semen Indonesia) and Telcos (e.g., Axiata).

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