



## OVERVIEW

Global stock markets resumed an upward trend in April. The FTSE All World Index rose 0.98% month-over-month, led by strong US stock market performance, positive economic data, and easing concern as the Fed signaled it would keep interest rates low until early next year. The S&P 500 and Dow Jones Industrial Average advanced 0.74% and 0.87%, respectively, while the MSCI Emerging Markets Index rose 0.33% over the month. In line with regional markets, the ASEAN stock markets moved higher, with the Dow Jones ASEAN Islamic Total Return Index surging 2.31% over the month. Year-to-date, the index has gained 8.30%.

### Malaysia

In March, the Malaysian inflation rate remained unchanged from the previous month at 3.5% year-over-year. However, the inflation rate has accelerated in the previous six months and from its one-year low of 1.2% in January 2013. A slowdown in transport prices was enough to offset higher food, housing, and gas prices. Food and nonalcoholic beverages accelerated from 3.8% to 3.9% in March, while costs of housing, water, electricity, and gas rose from 3.55% to 3.6%. In contrast, transport costs slowed from 5.5% to 5.1% in March. In terms of fund flow, the intensity of foreign selling in Malaysia has eased. So far this year, daily net selling exceeded the RM500 million level. Year-to-date, a total of RM5.54 billion of foreign money has exited Malaysian equities.

### Indonesia

Indonesia's trade balance has seen improvement, with the overall current account deficit expected to fall this year back to 3.1% of nominal GDP (US\$26.9 billion) from 3.7% in 2013. When Indonesia's budget deficit reached 3.1% in June 2013, surpassing the legal limit of 3%, the government pulled back fuel subsidies, resulting in a 44% fuel price hike. For the quarter, foreign direct investment reached IDR72 trillion, up from IDR71.2 trillion in the fourth quarter of 2013. Indonesia reported net foreign buying for the twelfth consecutive week. The amount of net foreign purchases for 2014 has so far exceeded the cumulative net purchases for the last three years (2011-2013).

### Philippines

Outstanding loans of Philippine banks rose by 20% year-over-year in March to PHP3.86 trillion – higher than 19.4% in the previous month and proof that the economy is expanding. The outstanding loans are financing real estate, utilities, retail trade, manufacturing, and financial intermediaries. According to the central bank, BSP, sustained growth in bank lending reflects

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**ASEAN remains one of the most rapidly growing regions of the global economy.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,215	0.59% ▲	1.80% ▲	16.51% ▲
FBM KLCI (RM)	1,872	1.52% ▲	1.16% ▲	12.37% ▲
S&P 500 (US\$)	3,400	0.74% ▲	2.56% ▲	20.44% ▲
Dow Jones Industrial Average (US\$)	16,581	0.87% ▲	0.72% ▲	14.44% ▲
FTSE All World (US\$)	273	0.98% ▲	2.19% ▲	14.99% ▲
MSCI All Country World Index	414	1.00% ▲	2.23% ▲	15.10% ▲
MSCI Emerging Markets (US\$)	410	0.33% ▲	-0.10% ▼	-1.84% ▼
Dow Jones ASEAN Islamic (US\$)	2,393	2.31% ▲	8.30% ▲	-8.57% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.27	3.26	3.04
Crude oil (US\$)	\$99.74	\$101.58	\$93.46
Crude palm oil (RM)	RM2,691	RM2,718	RM2,249



strong domestic demand, which could support future economic growth. In 2014, the Philippine equity market had the strongest support of foreign inflows since 1999, indicating that foreign investors are confident the economy has the best prospects in Asia. The Philippines recently had a 26-day streak of net inflows, adding US\$571.8 million.

## Singapore

Singapore's central bank kept monetary policy stable in April 2014, despite slowing growth, but will consider tightening the monetary policy in October. The decision came as advance estimates from the Ministry of Trade and Industry showed that GDP grew by just 0.1% quarter-over-quarter on a seasonally-adjusted, annualized basis in the first quarter of 2014. This was due to a contraction in services that offset growth in manufacturing and construction and is significantly lower than the 6.1% growth in the fourth quarter of 2013.

## Thailand

Thailand's central bank cut both its 2014 growth and exports forecasts and sees only fractionally higher inflation, which suggest that there is room to keep monetary policy stable to counter the protracted political crisis. The central bank trimmed its growth forecast from 3% initially to 2.7% and stated it expects exports to be the main driver this year. Thailand has reported strong inflows of foreign portfolio capital. Recovery momentum is strong as net purchases of US\$167 million in the final week of April were the highest weekly numbers since September last year.

## COMPANY REVIEW

Tambang Batubara (PTBA IJ) posted a 3.9% year-over-year increase in profits due to lower production and marketing costs. Sales improved by 11% year-over-year to IDR2.77 trillion, despite the declining benchmark index for global average coal sales.

OSIM International (OSIM SP) registered its 21st consecutive quarter of profit growth. 1Q14 sales grew by 15% to SG\$173 million while profit after tax grew by 15% to SG\$29 million. OSIM's board has proposed an interim dividend of 1 cent per share.

## 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, Syarikat Takaful, KPJ Healthcare, and Hartalega), Building Materials (e.g., Semen Indonesia and Siam City Cement) and Telcos (e.g., Axiata).

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