OVERVIEW

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Global stock markets were mostly down in September. The FTSE All World Index fell -3.17% month-over-month, affected by weak emerging market performance led by China and Brazil. The MSCI Emerging Markets Index fell -7.41% over the month, paring its year-to-date gain to 2.43%. In the US, the S&P 500 declined -1.40% while the Dow Jones Industrial Average fell -0.23%. Year-to-date, both indices have gained 8.34% and 4.60%, respectively. ASEAN stock markets, however, remained resilient, with the Dow Jones ASEAN Islamic Total Return Index (ringgit denominated) declining only -0.10% over the month, helped by a weakening ringgit.

Malaysia

Foreign reserves fell to US$131.5 billion on 15 September, a drop of US$500 million from US$132 billion on 29 August. In ringgit terms, foreign reserves dropped to RM422.3 billion from RM424.2 billion a fortnight ago, but are still sufficient to finance 8.9 months of retained imports and are equal to 1.2 times the short-term external debt. The fall in reserves was largely attributed to financial market outflows, as reflected by foreign portfolio outflows and depreciation of the ringgit. In September, foreign funds sold RM1.35 billion worth of Malaysian equities, lifting the year-to-date net sell position to RM3.0 billion.

ASEAN stock markets remained resilient helped by a weakening ringgit.

Indonesia

After posting a meager surplus in July, Indonesia's international trade balance swung back to a deficit of US$318 million in August. The deficit grew on a surge in imports that were mostly capital goods, e.g., machinery for manufacturing, as the government is trying to ramp up manufacturing to wean itself off imports. According to HSBC, manufacturing PMI rebounded to 50.7 in September from 49.5 in August, indicating an improvement in manufacturing business conditions. Foreign investors, however, were net sellers for the month, disposing of US$615 million in equity. This was due to mounting concern over Jokowi's ability to push through his reform proposals given the fact that he holds fewer seats in the parliament than his rival, Prabowo.

Philippines

The Bangko Sentral ng Pilipinas continued its aggressive stance to ward off inflation risk. In September, the central bank raised interest rates by another 25 basis points, which was the second increase for the year. Following the hike, the overnight borrowing and lending rates increased to 4% and 6%, respectively. Remittances from overseas Filipinos remained strong, expanding 7.1% year-over-year to US$2.3 billion in July. As growth prospects for the country remained

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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,220	-0.03% ▼	3.11% ▲	9.49% ▲
FBM KLCI (RM)	1,866	-0.65% ▼	1.33% ▲	7.49% ▲
Dow Jones ASEAN Islamic (RM)	8,088	-0.10% ▼	10.71% ▲	7.44% ▲
S&P 500 (US$)	3,592	-1.40% ▼	8.34% ▲	19.73% ▲
Dow Jones Industrial Average (US$)	17,043	-0.23% ▼	4.60% ▲	15.29% ▲
FTSE All World (US$)	275	-3.17% ▼	4.25% ▲	11.96% ▲
MSCI All Country World Index (US$)	417	-3.20% ▼	4.22% ▲	11.99% ▲
MSCI Emerging Markets (US$)	420	-7.41% ▼	2.43% ▲	4.30% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US$	3.28	3.16	3.30
Crude oil (US$)	$91.16	$95.96	$107.65
Crude palm oil (RM)	RM1,937	RM1,937	RM2,407

strong, the Philippines stock market rallied 3.4% in September, supported by continued foreign fund inflows.

Singapore

Economic data remained positive in September. Non-oil domestic exports in August topped estimates as they rebounded to grow by 6.0% year-over-year, boosted by non-electronics, specifically, petrochemicals and pharmaceuticals. Supported by higher exports, industrial production in August picked up further to 4.2% year-over-year, while the September manufacturing PMI posted a reading of 50.5, an increase of 0.8 points over the previous month.

Thailand

The economy lost traction in August amid a deeper contraction in trade. Exports fell -7.4% year-over-year, affected by lower exports of autos and parts, manufactured products, and agro-industrial products. Private consumption fell -0.8% year-over-year due to lower spending on nondurable items, such as food and beverages, while private investment declined -5.6%. Improved consumer confidence and business sentiment have not translated into real consumption and investment spending. Foreign fund inflows, however, remained positive at US$657 million for the month. Since the end of political impasse following the military coup, foreign investors have poured more than US$1.1 billion into the Thai equity market.

COMPANY REVIEW

IHH (IHH Mk) continued to register decent results, with revenue and EBITDA growing 11% and 16%, respectively, year-over-year in the second quarter. The strong performance was attributed to higher inpatient admissions and revenue intensity in its key markets as the company ramped up its hospital operations in Singapore and added new hospitals, e.g., Pantai Hospital in Manjung Perak, Malaysia, and Acibadem Atakent in Istanbul, Turkey.

PORTFOLIO TACTICS

Despite the fact that the Fed stuck to its September meeting pledge to keep interest rates near zero for a "considerable time," investors have turned more cautious as the central bank signaled to normalize monetary policy "faster than expected" when the economy starts moving. For ASEAN markets, political noise, concern over a US rate hike, and rising inflation will continue to affect market sentiment. We will remain selective in picking stocks, focusing on companies that have solid and long-term growth profiles, such as Consumers (e.g., Universal Robina and Jollibee Foods), Health Care (e.g., Bangkok Dusit and Bumrungrad), Building Materials (e.g., Semen Indonesia), and Telcos (e.g., Advanced Info Service).

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