



OVERVIEW

Global stock markets bounced back in October after a sell-off in September. The FTSE All World Index rose 0.71% month-over-month, led by strong US stock market performance, with the S&P 500 advancing 2.44% and the Dow Jones Industrial Average gaining 2.16%. Year-to-date, these indices have gained 10.99% and 6.86%, respectively. In line with global stock market performance, the MSCI Emerging Markets Index rose 1.18%, while the Dow Jones ASEAN Islamic Total Return Index (ringgit-denominated) gained 0.75% helped by a weakening ringgit.

Malaysia

Foreign reserves fell to US\$127.1 billion on 15 October from US\$127.3 billion a fortnight ago. In ringgit terms, foreign reserves dropped to RM416.3 billion, but were still sufficient to finance 8.6 months of retained imports and were equal to 1.2 times the short-term external debt. The decline in foreign reserves was mainly due to ongoing outflows in the financial markets and reduced surpluses in trade accounts. During the first half of October, foreign investors were net sellers, disposing of RM0.3 billion worth of equity. Budget 2015 was announced, but there were no major surprises to boost the market.

Indonesia

President Jokowi officially took office on 20 October. He subsequently announced the new cabinet that consists of 34 ministers, including four coordinating ministers, none of whom are political party chairmen. Jokowi stayed true to his promise of a diverse cabinet, having assembled a broad mix of academics, bureaucrats, business owners, and politicians. The market, however, has looked forward, focusing on the upcoming fuel price hike and the ability of Jokowi to push through promised reforms. Foreign investors were net sellers for the month, disposing US\$261 million worth of equity and pushing the Jakarta Composite Index -0.80% lower.

Philippines

Economic data remained positive, with remittances from overseas Filipino workers increasing 7.2% in August as the country continued to enjoy strong demand for its skilled labor. Thanks to strong remittances, the outlook for consumption was upbeat. In September, vehicle sales jumped 41%. Inflation, meanwhile, fell to 4.4% from 4.9% a month ago, helped by cuts in gasoline and kerosene prices. As inflation is expected to remain manageable in the near-term, the Bangko Sentral ng Pilipinas decided to keep its key rates steady in October.

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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,346	1.35% ▲	4.50% ▲	7.66% ▲
FBM KLCI (RM)	1,855	0.71% ▲	2.06% ▲	5.90% ▲
Dow Jones ASEAN Islamic (RM)	8,087	0.75% ▲	11.55% ▲	6.13% ▲
S&P 500 (US\$)	3,680	2.44% ▲	10.99% ▲	17.27% ▲
Dow Jones Industrial Average (US\$)	17,391	2.16% ▲	6.86% ▲	14.48% ▲
FTSE All World (US\$)	276	0.71% ▲	5.00% ▲	8.39% ▲
MSCI All Country World Index (US\$)	419	0.73% ▲	4.99% ▲	8.43% ▲
MSCI Emerging Markets (US\$)	425	1.18% ▲	3.63% ▲	0.64% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.29	3.28	3.16
Crude oil (US\$)	\$80.54	\$91.16	\$96.38
Crude palm oil (RM)	RM2,295	RM2,232	RM2,623



Singapore

Preliminary third quarter GDP growth was 2.4% year-over-year, or 1.2% quarter-over-quarter. Manufacturing sector performance was decent, growing 1.4% on higher output in the Biomedical Manufacturing and Electronics clusters. Services activity also expanded 2.9%, supported by Finance and Insurance. In October, the PMI for the Manufacturing sector posted a reading of 51.9, an increase of 1.4 points over September, helped by a rise in new orders and high production levels.

Thailand

The Thai economy showed modest improvement in September, supported by positive domestic demand. Private consumption rose 1.2% year-over-year as spending on nondurable items such as food and beverages recovered. Exports exceeded market expectations, rising 3.2%. Private investments, however, remained subdued, but with fiscal spending accelerating next year, the economic outlook has turned more positive. Year-to-date, the Thai stock market has had a good run, rallying 26%. In October, foreign investors booked their profit, selling US\$497 million worth of equity.

COMPANY REVIEW

Axis Real Estate Investment (AXRB MK) reported distribution per unit growth of 13% year-over-year, contributed by the sale of Axis Plaza. Property income, however, declined 2.0% due to the loss of rental from the sale of Axis Plaza and the time taken to complete the Axis Business Campus. Revaluation on properties for AXRB was positive, showing the ability of the manager to create value from the assets.

Semen Indonesia (SMGR IJ) reported good revenue growth of 8% year-over-year, driven by higher average selling price (5.7%). Sales volume increased mildly at 1.6% during Idul Fitri, moderated by the third-quarter presidential election. Operating profit, however, declined -9.2% as cost inflation, depreciation of the Indonesian rupiah, salary hikes, and increased electricity costs continued to erode margins.

PORTFOLIO TACTICS

Despite some profit-taking activities in October, the fundamentals for ASEAN countries continue to improve with subsiding political risk, increasing exports, and inflation remaining manageable. As the US economy continues to strengthen, coupled with 7% GDP growth in China, the outlook for ASEAN looks promising. 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 KPJ), Building Materials (e.g., Semen Indonesia) and Telcos (e.g., Advanced Info Service).

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