



## OVERVIEW

November 2014

Global stock markets mostly expanded in November. The FTSE All World Index rose 1.72% month-over-month, led by strong US stock market performance, with the S&P 500 advancing 2.69% while the Dow Jones Industrial Average gained 2.86%. Year-to-date, both indices have gained 13.98% and 9.92%, respectively. The Dow Jones ASEAN Islamic Total Return Index (MYR-denominated), meanwhile, gained 0.43%, helped by a weak ringgit.

### Malaysia

GDP growth for the third quarter moderated to 5.6% year-over-year from 6.5% a quarter ago, dragged by slowing exports and industrial output. Domestic demand, however, remained steady, led by resilient household consumption (+6.7% year-over-year), private investment (+6.8% year-over-year), and public consumption (+5.3% year-over-year). Inflation inched higher to 2.8% year-over-year in October, up from 2.6% in September, due to fuel subsidy rationalization. Starting 1 December, subsidies for fuel will be eliminated, but the move has a benign direct impact on overall inflation based on prevailing low global oil prices.

### Indonesia

The economy slowed to a five-year low of 5.6% in the third quarter, hurt by moderating investment and weak exports, due to the country's ban on unprocessed mineral ores exports. The economic slowdown highlighted the challenge that President Jokowi faces in the country. To stimulate the economy, the government has freed up funds for infrastructure development through fuel subsidy cuts. Effective 18 November, Indonesia raised fuel prices by more than 30%, with gasoline now costing IDR8,500 per liter and IDR7,500 per liter for diesel. Foreign investors viewed the fuel subsidy cut positively, buying US\$434 million of equity and pushing the Jakarta Composite Index 1.3% higher for the month.

### Philippines

Third quarter GDP grew 5.3% year-over-year, missing consensus estimates' 6.5%. The negative surprise likely resulted from the contraction in government spending (-2.6% year-over-year) and agriculture (-2.7% year-over-year). Apart from the two drags, all other sectors posted robust growth. Household consumption gained 5.2%, exports rose 9.8%, construction gained 12.3%, and fixed capital rose 10.1%. Remittances from overseas Filipinos remained strong, rising 8.1% in September



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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,036	-2.15% ▼	2.25% ▲	5.26% ▲
FBM KLCI (RM)	1,821	-1.72% ▼	0.30% ▲	3.62% ▲
Dow Jones ASEAN Islamic (RM)	8,122	0.43% ▲	12.03% ▲	10.66% ▲
S&P 500 (US\$)	3,779	2.69% ▲	13.98% ▲	16.86% ▲
Dow Jones Industrial Average (US\$)	17,828	2.86% ▲	9.92% ▲	13.42% ▲
FTSE All World (US\$)	281	1.72% ▲	6.80% ▲	8.69% ▲
MSCI All Country World Index (US\$)	426	1.74% ▲	6.82% ▲	8.72% ▲
MSCI Emerging Markets (US\$)	421	-1.06% ▼	2.54% ▲	1.06% ▲

  

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.40	3.31	3.23
Crude oil (US\$)	\$66.15	\$80.54	\$92.72
Crude palm oil (RM)	RM2,147	RM2,295	RM2,615

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compared to last year's corresponding period. Buoyed by resilient economic data, the PSEi Index moved up 1.1% in November, supported by strong foreign capital inflows.

## Singapore

Third quarter GDP was revised up 2.8% year-over-year from the 2.4% reported earlier as manufacturing and services expanded faster than expected. The manufacturing sector grew 1.9% year-over-year on higher output in the biomedical manufacturing and electronics clusters, while finance, insurance, and business services supported continued expansion in the services sector. In October, manufacturing PMI rose to 51.9, an increase of 1.4 points over September, boosted by a rise in new orders and higher production. Inflation, meanwhile, eased further to 0.1% year-over-year in October due to declining accommodation costs, lower certificate of entitlement (COE) premiums, and oil-related items.

## Thailand

The economy rose 0.6% year-over-year in the third quarter, marking the sixth quarter of subpar growth. Although household consumption (+2.2% year-over-year) and investment (+2.9%) picked up, net trade recorded a steeper decline, subtracting 2.4% points from overall growth, dragged by lower vehicle shipments. So far, Thailand's economic recovery has been slow and fragile, with 9M14 GDP growth of 0.2%. Despite lacking real sparkle, forward-looking foreign investors bought US\$336 million of equity in November.

## COMPANY REVIEW

Holcim Philippines, Inc. (HLCM PM) reported steady results with revenue jumping 17% year-over-year and EBITDA growing 7%, while net profit increased 5%. Public and private construction activities supported this volume-driven improvement.

KPJ Healthcare (KPJ MK) continued to reap the benefits of aggressive expansion during the past two years. Revenue grew 16% year-over-year and EBIT soared 99%, while net profit jumped 68%. All segments have done well, with the Malaysian operations being the stellar performer.

## PORTFOLIO TACTICS

Despite the moderating growth trend for most of 2014, the economy for the ASEAN-5 remains resilient. Indonesia, Malaysia, and the Philippines made up the stronger end of the growth spectrum; Singapore beat forecasts; and Thailand lagged. With the US economy strengthening, volatility in the ASEAN stock markets may escalate given possible capital reversals. In addition, crude oil-exporting countries, such as Malaysia, will be affected by lower crude oil prices. Against the headwind, 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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