



OVERVIEW

Global stock markets were mostly lower in January. The FTSE All World Index declined -1.47% month-over-month, dragged by crude oil price volatility and a weak US stock market. The S&P 500 fell -3.00%, while the Dow Jones Industrial Average fell -3.58%. The Dow Jones ASEAN Islamic Total Return Index (MYR denominated), meanwhile, gained 4.42%, boosted primarily by weak Malaysian currency.

Malaysia

Foreign reserves fell to US\$111.2 billion as at 15 January from US\$116.0 billion a fortnight ago. In ringgit terms, foreign reserves dropped to RM388.6 billion, but are still sufficient to finance 8.1 months of retained imports and were equal to 1.1 times the short-term external debt. Reserves declined mainly due to foreigners' net selling of bonds, but this was mitigated by the trade surplus, which nevertheless narrowed due to falling commodity prices. In the month of January, although foreign investors continued to be net sellers of equity, local institution buying helped the FBM KLCI index to close up 1.17% from the prior month.

Indonesia

Exports contracted -13.8% year-over-year in December, a slight improvement from -14.6% year-over-year in November, and continue to be dragged by declining commodity prices. Imports, meanwhile, contracted at a slower pace by -6.6% year-over-year, as the weakening Indonesian rupiah has resulted in imports being more pricey and thus, dampening the demand. Net-net, the trade account reversed into a surplus of US\$190 million from a deficit of US\$426 million in November, resulting in a 2014 deficit of USD\$1.88 billion. Separately, headline inflation subsided to 7.0% due to lower fuel prices after reaching its peak in December at 8.4% year-over-year. Foreign investors were US\$11.8 million net buyers of equity and the Jakarta Composite Index was up 1.20% for the month.

Philippines

Economic data was positive, with merchandise exports rising 19.7% year-over-year in November, driven again by the exports of electronic products. November remittances from overseas Filipino workers (OFWs) came in soft, rising only 2% to US\$2.1 billion. Foreign direct investments (FDIs) were strong with net inflow increasing 102% in October to US\$444 million. For the 10-month period, FDIs rose 64.1% to US\$5.3 billion from US\$3.2 billion. In line with these positive developments,

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The price of crude oil continues to be volatile, vacillating between massive gains and losses.

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,852	2.84% ▲	2.84% ▲	4.90% ▲
FBM KLCI (RM)	1,781	1.17% ▲	1.17% ▲	1.94% ▲
Dow Jones ASEAN Islamic (RM)	8,417	4.42% ▲	4.42% ▲	16.63% ▲
S&P 500 (US\$)	3,656	-3.00% ▼	-3.00% ▼	14.22% ▲
Dow Jones Industrial Average (US\$)	17,165	-3.58% ▼	-3.58% ▼	11.91% ▲
FTSE All World (US\$)	271	-1.47% ▼	-1.47% ▼	7.54% ▲
MSCI All Country World Index (US\$)	410	-1.54% ▼	-1.54% ▼	7.48% ▲
MSCI Emerging Markets (US\$)	404	0.60% ▲	0.60% ▲	5.23% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.63	3.50	3.34
Crude oil (US\$)	\$48.24	\$53.27	\$98.23
Crude palm oil (RM)	RM 2154	RM 2291	RM 2551

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foreign investors were net buyers for the month, acquiring US\$542.7 million of equity. The Philippine Stock Exchange Index, the best performing ASEAN index, ended 6.35% higher in January.

Singapore

The economy continues to drag from a weak 2014. January manufacturing PMI came in at 49.9, which although slightly higher than in December is still in contraction. Headline inflation for the month of December contracted by -0.2% year-over-year – slightly less than the -0.3% contraction in November – mainly on lower transport and housing costs. Additionally, industrial production contracted -1.9% year-over-year in December, a 0.9 percentage point improvement over November. As a result, the Singapore equity market recorded the worst performance among the ASEAN countries as the Straits Times Index was up only 0.82% in January.

Thailand

Thailand's factory output fell again in December 2014, albeit at a slower rate than in November. It contracted by -0.35% in December and -4.6% for the whole of 2014. This marks the 21st straight month of decline signaling that Thailand's economy continues to be wobbly. Exports rose 1.9% in December, driven by higher exports of farm and agribusiness goods as well industrial products, but the increase was not sufficient to reverse a second straight year of contraction. Full-year exports were down -0.4%, slightly worse than the -0.3% in 2013. Private consumption, meanwhile, declined -0.6% year-over-year as consumers remained cautious and businesses awaited economic recovery and clarity on the government's infrastructure investment. Despite all the negativity, Thailand's stock market was the second best performing market in January, with the Stock Exchange of Thailand Index rising 5.64% on expectations that Thailand's economy will benefit from low crude oil prices.

COMPANY REVIEW

Nippon Indosari (ROTI IJ) reported a 25% year-over-year revenue increase and a 17% year-over-year increase in net profit. The results were slightly below expectations as higher tax and interest expenses impacted margins.

Axis REIT (AXRB MK) reported full-year results that were also slightly below expectations. Revenue was 2.2% lower, while net profit declined -1.44% on loss of rental from disposed assets and lower occupancy rates in various multi-tenanted properties.

PORTFOLIO TACTICS

Central banks' policies, such as the unexpected move by the Swiss National Bank to scrap its policy of capping the value of the Swiss franc and the European Central Bank's long-awaited bid to revitalize the European economy with a 60 billion euro bond-buying program, have been pivotal in the direction of the financial markets. Equity investors will closely watch the US Federal Reserve's timing of interest rate increases. The price of crude oil continues to be volatile, vacillating between massive gains and losses, and is currently hovering around US\$50 per barrel. This will hurt oil-exporting countries, such as Malaysia, while the remaining ASEAN-5 oil-importing countries will benefit. Against this headwind, we 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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