



OVERVIEW

Global stock markets were mostly higher in February. The FTSE All World Index gained 5.57% month-over-month, in line with the upbeat economic outlook that is helping to fuel a strong US stock market. The S&P 500 gained 5.75%, while the Dow Jones Industrial Average closed 6.01% higher. The Dow Jones ASEAN Islamic Total Return Index (MYR-denominated), meanwhile, gained only 1.44%, underperforming the broader market due to weakness in most emerging markets.

Malaysia

Foreign reserves fell to US\$110.5 billion as at 13 February from US\$111.2 billion a fortnight ago. In ringgit terms, foreign reserves dropped to RM385.9 billion, but are still sufficient to finance 7.8 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 offset somewhat by a trade surplus that nevertheless continued to narrow on lower commodity prices. In the month of February foreign investors and local retailers continued to be net sellers of equity, but local institution buying helped the FBM KLCI index to close up 2.60% from the prior month.

Indonesia

Exports contracted -8.1% year-over-year in January 2015. While this represents improvement from -13.8% year-over-year in December, exports continue to be dragged by declining commodity prices. Imports, meanwhile, contracted at a faster pace by -15.6% year-over-year on the back of a sharp fall in global oil prices. Net-net, the trade account reversed into a surplus of US\$709.4 million, increasing from a surplus of US\$190 million in December 2014. Separately, headline inflation subsided to 6.9% after reaching its peak in December at 8.4% year-over-year due to lower fuel prices. Foreign investors were US\$830.6 million net buyers of equity, and the Jakarta Composite Index was up 3.04% for the month.

Philippines

Economic data were mixed. Headline exports growth contracted -3.2% year-over-year in December 2014, compared to strong 19.7% growth in November, driven down by a -24.2% month-over-month decline in the non-tech sector. Remittances from overseas Filipino workers (OFWs) rebounded from a weak November 2014. In December, remittances from OFWs rose 6.6% to US\$2.3 billion, the highest level in a single month. Foreign direct investment's (FDI) strong momentum continued

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The US Federal Reserve's timing for a rate hike will be crucial to the direction of financial markets.

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,121	2.30% ▲	5.21% ▲	4.66% ▲
FBM KLCI (RM)	1,821	2.60% ▲	3.81% ▲	2.44% ▲
Dow Jones ASEAN Islamic (RM)	8,507	1.44% ▲	5.92% ▲	14.61% ▲
S&P 500 (US\$)	3,866	5.75% ▲	2.57% ▲	15.51% ▲
Dow Jones Industrial Average (US\$)	18,133	6.01% ▲	2.22% ▲	13.70% ▲
FTSE All World (US\$)	285	5.57% ▲	4.02% ▲	8.37% ▲
MSCI All Country World Index (US\$)	432	5.62% ▲	3.99% ▲	8.24% ▲
MSCI Emerging Markets (US\$)	416	3.10% ▲	3.71% ▲	5.01% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.60	3.63	3.28
Crude oil (US\$)	\$49.76	\$49.57	\$102.59
Crude palm oil (RM)	RM 2321	RM 2193	RM 2825



in November 2014. FDI was US\$399 million for the month, 34% higher compared to November 2013 and up 64.1% to US\$5.3 billion on a cumulative basis. Foreign investors continued to flock to the equity market, acquiring US\$371.5 million of equity, but the Philippine Stock Exchange Index ended the month relatively flat, gaining 0.68%.

Singapore

February manufacturing PMI came in at 49.7, slightly lower than in January, and remains in contraction. Headline inflation for the month of January contracted by -0.4% year-over-year, mainly on lower transport and housing costs. Industrial production increased 0.9% year-over-year in January, compared to a decline of -1.9% in December. As a result, the Singapore equity market again recorded the worst performance among the ASEAN countries as the Straits Times Index was up only a marginal 0.41% in February.

Thailand

Thailand's factory output fell for a 22nd straight month in January by -1.3% year-over-year, providing further evidence that the economy is struggling and prompting doubts about Thailand's competitiveness in some manufacturing areas. Exports declined -2.6% year-over-year in January, driven by a decline in electronics shipments. Private consumption, meanwhile, declined -0.1% year-over-year from a revised -0.7% in December, on the back of weak demand for big-ticket items, such as motor vehicles, and the drag of political uncertainty on discretionary spending. Thailand's stock market closed flat, gaining only 0.57% for the month of February, and foreign investors sold US\$213.1 million of equity.

COMPANY REVIEW

Bangkok Dusit Medical Services (BDMS TB) reported strong FY14 results. Revenue grew 11% year-over-year while core earnings were up 21% on the back of new hospital openings and higher patient volumes.

DiGi.com's (DIGI MK) service revenue growth in 4Q14 picked up by 3.2% year-over-year on positive seasonality and continued growth in mobile internet. For the full year, core earnings were up 16.2%.

Universal Robina Corporation (URC PM) had a strong 1Q15 with 19% year-over-year revenue growth and 21% earnings growth, driven by strong performance from its Branded Consumer Foods and Sugar divisions.

Lafarge Malaysia Berhad (LMC MK) reported weak 4Q14 numbers. Revenue was down -8.8% year-over-year while earnings were -52.1% lower due to decreased volume coupled with compressed margins from intense competition.

PORTFOLIO TACTICS

Currency movements continue to be the theme in light of various actions by central banks across the globe. Of importance, the US Federal Reserve's timing for a rate hike will be crucial to the direction of financial markets in the months ahead. Additionally, China's downgrade of its GDP outlook for 2015 to 7% from 7.4% achieved in 2014 will also weigh on the ASEAN region. 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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