



## OVERVIEW

Global stock markets performed well in April. The FTSE All World Index gained 2.96% month-over-month, in line with strong European and Japanese stock markets. Gains in the US stock market were milder. The S&P 500 gained only 0.96%, while the Dow Jones Industrial Average was up 0.45%. The Dow Jones ASEAN Islamic Total Return Index (MYR-denominated) meanwhile, closed -2.17% lower, dragged by weak Indonesian and Philippines markets.

### Malaysia

The implementation of a six percent Goods and Services Tax (GST) took place nationwide beginning 1 April, replacing the Sales and Service Tax system. Foreign reserves stood at US\$105.6 billion as at 15 April, unchanged from a fortnight ago. In ringgit terms, foreign reserves increased to RM391.4 billion, sufficient to finance 8.2 months of retained imports and equal to 1.1 times the short-term external debt. The trade surplus rebounded strongly in March, coming in at RM7.82 billion driven by strong exports of electrical and electronic products. In the month of April both retail and institutional local investors were net sellers of equity, but foreign investors were net buyers. The FBM KLCI index reached a high of 1,862.8 but was unable to maintain gains, ending the month of April -0.32% lower at 1,818.3.

### Indonesia

Indonesian economic growth in the first quarter of 2015 was the weakest since 2009. First quarter GDP was recorded at 4.7%, slightly lower than the forecast of 4.9%. Trade data continue to be weak in Indonesia. Exports contracted -9.8% year-over-year in March, which was nevertheless better than the -16.8% contraction in February. Imports, meanwhile, also contracted by -13.4% year-over-year against a -16.5% contraction in February. Net-net, the trade account grew from a surplus of US\$663 million in February to a surplus of US\$1.13 billion, surpassing the billion-dollar mark for the first time since December 2013. Separately, April headline inflation accelerated to 6.8% from 6.4% a month ago due to higher transportation costs. Foreign investors were US\$650 million net sellers of Indonesian equities, triggered by weak quarterly earnings and concerns about the overall health of the economy. In April, the Jakarta Composite Index (JCI) closed at 5,086.4 points, down -7.31% in local currency terms and down -9.89% in ringgit terms.

### Philippines

Headline exports growth was again negative, contracting -3.1% year-over-year in February compared to a -0.5% contraction in January. Sluggish global demand for six out of the top ten exports sectors contributed to the weak numbers. Remittances from overseas Filipino workers meanwhile rose 4.2% year-

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April 2015



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**Governments in  
the region are  
taking proactive  
measures to spur  
economic growth.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,074	-0.29% ▼	5.13% ▲	1.79% ▲
FBM KLCI (RM)	1,818	-0.32% ▼	4.22% ▲	0.32% ▲
Dow Jones ASEAN Islamic (RM)	8,359	-2.17% ▼	3.80% ▲	7.19% ▲
S&P 500 (US\$)	3,842	0.96% ▲	1.92% ▲	12.98% ▲
Dow Jones Industrial Average (US\$)	17,841	0.45% ▲	0.78% ▲	10.11% ▲
FTSE All World (US\$)	288	2.96% ▲	5.54% ▲	8.23% ▲
MSCI All Country World Index (US\$)	436	2.94% ▲	5.46% ▲	8.08% ▲
MSCI Emerging Markets (US\$)	442	7.69% ▲	10.10% ▲	7.80% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.57	3.71	3.26
Crude oil (US\$)	\$59.63	\$47.60	\$99.74
Crude palm oil (RM)	RM2,070	RM2,136	RM2,691



over-year to US\$2.1 billion in the month of February. Core inflation increased 2.4% year-over-year in March as beverage, health care, and communication costs eased to offset gains in housing, utilities, and transportation costs. After a solid first quarter, the equity market declined for the first time in April. Foreign investors also were net equity sellers, disposing of US\$203 million in April. The Philippine Stock Exchange Index closed at 7714.8 points, down -2.80% in local currency terms and -6.03% in ringgit terms.

## Singapore

Singapore's first quarter GDP grew 2.1% year-over-year, led by the construction sector. April manufacturing PMI fell to 49.4, down -0.2 points from March, and remains in contraction for the fifth straight month. The electronics index mirrored the PMI reading, declining -1.0 point to 49.1. Headline inflation rose 0.4% month-on-month in March, but was still down -0.3% year-over-year, mainly on lower housing costs. Industrial Production (IP) declined -5.5% year-over-year in March against a decline of -3.3% in February as manufacturing took a hit. The Monetary Authority of Singapore (MAS) had its semiannual meeting but kept its policy stance unchanged, causing the Singapore dollar to appreciate 1% against the US dollar. The financial sector led gains in the equity market pushing the Straits Times Index higher in local currency and 2.13% in ringgit terms.

## Thailand

The Bank of Thailand, Thailand's central bank, surprisingly cut the benchmark policy rate by -0.25% to 1.5% in April in a move touted to revive the weak economy. Manufacturing activities reversed back into contraction in March after turning positive for the first time in 23 months in February. The Manufacturing Index declined -1.8% against a 3.0% gain in February. The Electronics sector continued to be weak in tandem with weaker global demand for computers. Exports and imports contracted by -4.3% and -6.2% year-over-year, respectively, in March. Consumer confidence fell to 76.6 in April from 77.7 in March, the lowest level since June 2014. Additionally, private consumption remained weak, declining -1.9% year-over-year in March as worries over the economy hurt spending. Foreign investors returned to buy equities after cashing out in March.

The Stock Exchange of Thailand Index ended the month at 1526.7 points, up 2.09% in local currency but down -2.92% in ringgit terms.

## COMPANY REVIEW

Matahari Department Store (LPPF IJ) reported 1Q15 numbers that were in line with estimates. Revenue came in at IDR2,881 billion, up 7.6% year-over-year on the back of 5.4% same-store sales growth. Net profit for the quarter was IDR185 billion, up 50.3% as the company's low gearing drove down finance charges.

Nippon Indosari (ROTI IJ) reported 1Q15 numbers that beat consensus expectations. Revenue of IDR518 billion is 11.7% higher year-over-year driven by strong white bread sales. Net profit was IDR67 billion versus IDR61 billion a year ago.

OSIM International, a luxury massage chair retailer, reported weak 1Q15 numbers. Revenue came in 13% lower year-over-year at SGD150 million on the back of soft retail conditions. Higher expenses related to legal and start-up costs for the company's TWG Tea business line caused net profit to plunge by 53% for the quarter.

## PORTFOLIO TACTICS

Economic data continue to be sluggish across the globe, negatively impacting trade data in the ASEAN region. This along with the "sell in May" sentiment could have prompted profit-taking by equity market investors resulting in negative returns. Governments in the region are taking proactive measures to spur economic growth. Thailand's recent rate cut is an example. Additionally, President Joko Widodo's infrastructure drive in Indonesia will also be closely watched by investors as the weak first quarter GDP number prompted doubt on his capacity to deliver. We also believe that the recent sell-down reduced equity valuations to a more reasonable level that allows for bargain-hunting. We continue to be 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., Indocement) and Telcos (e.g., Advanced Info Service).

**Vol.6 No.4**

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