



OVERVIEW

May 2015

Global stock markets ended flat in May. Weak performance in European and emerging stock markets overshadowed positive performance in the US and Japan. The FTSE All World Index closed unchanged at 286.75 points. The S&P 500 and Dow Jones Industrial Average, meanwhile, gained 1.29% and 1.35%, respectively. In tandem with weak emerging markets stock performance, the Dow Jones ASEAN Islamic Total Return Index (MYR-denominated) closed -1.04% lower, dragged mainly by Malaysia and Thailand.

Malaysia

Prime Minister Najib Abdul Razak unveiled the 11th Malaysia Plan on 21 May. Touted in the press as a final leap before Malaysia achieves status as a high-income nation, the plan will allocate RM260 billion for development expenditure from 2016 to 2020, including funds to increase power capacity. On the economic front, first quarter GDP grew 5.6% year-over-year, driven mainly by domestic demand on the back of pre-GST spending. Foreign reserves stood at US\$106.4 billion as at 30 May, unchanged from a fortnight ago. In ringgit terms, foreign reserves stood at RM394.3 billion, sufficient to finance 8.2 months of retained imports and equal to 1.1 times the short-term external debt. The trade surplus came in at RM6.89 billion for the month of April, down significantly from RM8.74 billion a year ago, as weakness in commodity prices continues to put pressure on exports. Foreign equity market investors sold heavily in the month of May, offloading RM2.54 billion worth of equities in the open market resulting in a RM5.75 billion cumulative net foreign outflow in 2015. In line with the heavy foreign selling, the FBM KLCI Index closed -3.59% lower, making it the month's worst performing market in the ASEAN region.



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Indonesia

Indonesian economic data continue to be patchy. Exports contracted -8.5% year-over-year in April, a slight improvement over the -9.8% contraction in March. Imports also contracted by -22.0% year-over-year against a -13.4% contraction in March. Net-net, the trade account recorded another surplus, at US\$454 million, albeit weaker than the US\$1.13 billion recorded in the previous month. Despite the central bank's optimistic target to hold inflation at 4%, it continues to edge higher, limiting the option to use monetary easing to boost the weak economy. Foreign investors sold Indonesian equities in May for the third consecutive month. Total foreign selling amounted to US\$260 million. Despite this, the Jakarta Composite Index closed 3.01% higher in local currency and 3.44% in ringgit terms as it recovered some of the losses in the previous month.

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,576	-3.41% ▼	1.54% ▲	-1.58% ▼
FBM KLCI (RM)	1,748	-3.59% ▼	0.48% ▲	-3.73% ▼
S&P 500 (US\$)	3,891	1.29% ▲	3.23% ▲	11.81% ▲
Dow Jones Industrial Average (US\$)	18,011	1.35% ▲	2.14% ▲	10.28% ▲
FTSE All World (US\$)	287	0.01% ▲	5.56% ▲	5.88% ▲
MSCI All Country World Index (US\$)	435	-0.06% ▼	5.41% ▲	5.70% ▲
MSCI Emerging Markets (US\$)	424	-4.00% ▼	5.69% ▲	-0.01% ▼
Dow Jones ASEAN Islamic (RM)	8,304	-1.04% ▼	2.72% ▲	6.22% ▲
Jakarta Composite Index (RM)	5,216	3.44% ▲	-0.72% ▼	-3.71% ▼
Philippine Stock Exchange Index (RM)	7,580	0.87% ▲	11.15% ▲	14.35% ▲
Straits Times Index (RM)	3,392	-2.03% ▼	4.98% ▲	-1.26% ▼
Stock Exchange of Thailand (RM)	1,496	-1.58% ▼	3.80% ▲	6.18% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.67	3.56	3.21
Crude oil (US\$)	\$60.30	\$59.63	\$102.71
Crude palm oil (RM)	RM 2,170	RM 2,070	RM 2,426

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Philippines

In May, weak first quarter GDP numbers constituted the biggest piece of economic news. The Philippine economy grew 5.2% year-over-year in the first quarter, below the Street estimate of 6.6% and below the government's earlier guidance of 7-8%, driven mainly by weak exports. After three consecutive months of decline, exports grew 2.1% year-over-year in March compared to a contraction of -3.1% in February. Imports meanwhile were -6.8% lower year-over-year as low oil prices continue to favor the Philippines as a net oil importer. Remittances from overseas Filipino workers rose 11.3% year-over-year to US\$2.1 billion in the month of March, the fastest rate since December 2009. Core inflation slowed to a 20-month low in April of 2.2% on stable food, fuel, and electricity prices. Equity market weakness continued in May as foreign investors continued selling Philippine equities citing lofty valuations. As of 29 May, the Philippine Stock Exchange Index closed down -1.43% in local currency but up 0.87% in ringgit terms.

Singapore

The weakness in Singapore's economy continued into the second quarter of the year. The May manufacturing PMI rose 0.8 points from April to 50.2 points, but the electronics PMI remained in contraction, albeit increasing 0.7 points to 49.8 points. The headline inflation rate was again negative, down -0.5% in April compared to a -0.3% contraction a month ago. Industrial production also declined -8.7% year-over-year in April, against a decline of -5.5% in March. Gains in the Consumer Staples sector were overshadowed by broad-based weakness, thus the Straits Times Index closed -2.52% lower in local currency and -2.03% in ringgit terms.

Thailand

Domestic demand indicators continued to be weak in Thailand. Manufacturing activity remained in contraction for the month of April, down -5.3% against a decline of -1.8% in March. Factory capacity utilization registered 54%, the lowest reading outside of a recession for at least a decade. The country recorded a trade deficit in April, although the contraction in imports outweighed exports. Exports declined -1.7%, while imports fell -6.8%. Consumer confidence fell again to 75.6 in

May, from 76.6 in April – an 11-month low. Overseas equity investors were net sellers in the early part of the month but reversed towards the end of the month to become net US\$94 million buyers in May. The Stock Exchange of Thailand Index, however, ended the month down -1.85% in local currency and -1.58% in ringgit terms.

COMPANY REVIEW

Lafarge Cement Berhad (LMC MK) reported 1Q15 numbers that were in line with estimates. Revenue grew 2.9% year-over-year to RM696.1 million driven by increased volume. Net profit for the quarter was RM74 million, unchanged year-over-year as margins took a hit.

Robinson Department Store (ROBINS TB) reported weak 1Q15 numbers, with revenue growing only 1.6% to THB6.04 billion. Same-store sales growth was -6.6% in the first quarter as retail conditions in Thailand were impacted by the ongoing political uncertainty. The company recorded net profit of THB668 million.

Siam City Cement (SCCC TB) also reported weak 1Q15 revenue of THB8.43 billion, down -3.6% year-over-year, with net profit -26.8% lower at THB1.39 billion.

PORTFOLIO TACTICS

Broad-based economic weakness permeated the first quarter as reflected in results announced by companies across the ASEAN region during the month of May. However, the willingness of central banks across the globe (except the US Federal Reserve) to maintain an easy monetary policy is encouraging news to equity markets. Increased liquidity should boost share price performance similarly to what we have noticed in the Japanese and Chinese stock markets. From the ASEAN perspective, we continue to believe that the infrastructure drive in Indonesia, the Philippines, and Thailand will be the focus in the coming months. 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).

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