



OVERVIEW

July 2015

Global stock markets inched higher in July led by gains in the US and European equity markets. The FTSE All World Index closed at 281.55 as at 31 July 2015, up 0.87% month-on-month and up 4.03% since the beginning of 2015. The S&P 500 gained 2.10% while the Dow Jones Industrial Average gained 0.52%. Stocks in the ASEAN region continued the previous month's weakness, causing the Dow Jones ASEAN Islamic Total Return Index (MYR-denominated) to decline by -3.16%. The index has lost -7.29% year-to-date. Currency weakness, coupled with a bleak outlook on economic growth, led the decline in the region.

Malaysia

Equity markets breathed a sigh of relief towards the end of June when Fitch Ratings maintained Malaysia's credit rating at "A-" and revised the outlook from negative to stable. Mirroring this, S&P also reaffirmed Malaysia's "stable" outlook, claiming that the politics surrounding 1MDB will not impact sound policymaking. Towards the end of the month, Prime Minister Najib announced a new cabinet line-up, including the appointment of a new deputy prime minister, seven new ministers, and nine new deputy ministers. Foreign reserves came in at US\$100.5 billion as at 15 July, against US\$105.3 a fortnight ago. In ringgit terms, foreign reserves stood at MYR379.4 billion, sufficient to finance 7.9 months of retained imports and equal to 1.1 times the short-term external debt. The trade surplus came in at MYR8.0 billion for the month of June, growing 44.7% since May and 94.4% from a year ago. Consumer prices in June meanwhile rose 0.6% from May, bringing the headline inflation rate to 2.4%. Domestic institutional buying supported the market, and the FBM KLCI Index ended July at 1723.14 points, 1% higher than the previous month, making it the best performing ASEAN equity market.

Indonesia

A couple of notable events took place in the month, beginning with the President Jokowi-led government's announcement that the price of premium and subsidized diesel fuel will remain unchanged for August to contain inflation. Additionally, import tariffs on various consumer products were increased in a bid to help domestic producers. President Jokowi also inaugurated a couple of oil and gas projects worth US\$5.8 billion in Sulawesi. On the economic front, exports and imports in June contracted 17% and 22%, respectively. Inflation in July was recorded at 7.3%, above the market's expectation of 7.1%. Foreign investors were marginal buyers of Indonesian equity in July. The Jakarta Composite Index, however, closed at 4802.53 points as of 30 July, -2.14% lower in local currency and -1.22% in ringgit terms. Year-to-date, the index is down -6.63% in local currency and -6.22% in ringgit terms, making it the weakest in the ASEAN region.

Philippines

In the Philippines politics took the stage, with President Aquino officially endorsing interior minister Mar Roxas as his preferred candidate for the upcoming May 2016 elections. On



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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,374	1.47% ▲	0.34% ▲	-5.05% ▼
FBM KLCI (RM)	1,723	1.01% ▲	-0.69% ▼	-5.09% ▼
S&P 500 (US\$)	3,896	2.10% ▲	3.35% ▲	11.21% ▲
Dow Jones Industrial Average (US\$)	17,690	0.52% ▲	0.55% ▲	9.34% ▲
FTSE All World (US\$)	282	0.87% ▲	4.03% ▲	3.55% ▲
MSCI All Country World Index (US\$)	427	0.90% ▲	3.92% ▲	3.44% ▲
MSCI Emerging Markets (US\$)	385	-6.93% ▼	-4.19% ▼	-13.38% ▼
Dow Jones ASEAN Islamic (RM)	8,177	-1.15% ▼	1.19% ▲	0.86% ▲
Jakarta Composite Index (RM)	4,803	-1.22% ▼	-6.22% ▼	-17.44% ▼
Philippine Stock Exchange Index (RM)	7,550	0.75% ▲	13.21% ▲	7.23% ▲
Straits Times Index (RM)	3,203	-2.54% ▼	2.60% ▲	-10.55% ▼
Stock Exchange of Thailand (RM)	1,440	-5.55% ▼	0.74% ▲	-9.09% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.83	3.77	3.20
Crude oil (US\$)	\$47.12	\$59.47	\$98.17
Crude palm oil (RM)	RM 2,120	RM 2,224	RM 2,328

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the economic front, exports declined -17.4% year-on-year in May, compared to a -4.1% decline in April, again due to weak exports of non-electronic machinery and transport equipment. Imports meanwhile were -13.4% lower year-on-year as low oil prices continue to favor the Philippines as a net oil importer. Remittances from overseas Filipino workers (OFWs) rose 5.8% year-on-year to US\$2.3 billion in May, bringing the figure up 5.4% year-to-date. Foreign investors were again net sellers of equity for the fourth consecutive month in July, ending in a net selling position of US\$192 million. Therefore, the Philippine Stock Exchange Index ended the month at 7550.00 points, declining -0.11% in local currency but gaining 0.75% when measured in ringgit terms.

Singapore

Singapore's economic performance has disappointed in recent months. A lackluster showing in the manufacturing sector dragged down economic growth to 1.7% in the second quarter, the slowest since the third quarter of 2012. This is significantly below the 2.6% forecasted by economists and the 2.8% recorded in the first quarter. Singapore's Non-Oil Domestic Exports (NODX) turned positive in June as they expanded by 4.7% year-on-year versus -0.2% in May. This was spurred on by the rebound in electronics shipments, up 7.6% year-on-year in June versus -2.5% year-on-year in May, and supplemented by growth in non-electronic shipments, up 3.6% year-on-year in June versus 0.6% year-on-year in May. Cumulative trade balance growth in the second quarter moderated to 32.5% year-on-year compared to 117.1% year-on-year in the first quarter. The Straits Times Index ended July at 3202.50 points, 2.87% lower in local currency and -2.54% lower in ringgit terms.

Thailand

The recovery path in the second quarter appears to be worse than expected. Consumption weakened and exports fell. Tourism remained strong as the only bright spot, but not strong enough to support the overall recovery. The baht weakened by -3.0% over the past three weeks in July, well ahead of other Asian currencies, with the exception of the Korean won. This could in part reflect market concerns about Thailand's policy vacuum and deterioration in the country's economic outlook. The consumer confidence index declined to 73.4 in July from 74.4 in June, its seventh consecutive monthly decline. Thai exports tumbled in June for the sixth straight month, down by -7.87% year-on-year to US\$18.2 billion. First-half performance fell by -4.84% to US\$107 billion, the biggest drop in exports since a -8.15% fall in December 2011. The Stock Exchange of Thailand Index ended the month of July at 1,440.12 points, down

a whopping -4.19% in local currency and -5.55% in ringgit terms. Year-to-date, the index has now fallen -1.93% in local currency but gained 0.74% in ringgit terms. We continue to see downside risks to economic growth and believe anemic growth would force the central bank to do more to weaken the currency and support exports.

COMPANY REVIEW

Digi.com Berhad reported slightly weak 2Q FY15 numbers. 2Q15 EBITDA of MYR1,723 million rose 0.4% quarter-on-quarter but declined -1.2% year-on-year on higher margin. Core net profit fell by -5.1% quarter-on-quarter and -7.3% year-on-year to MYR460 million due to higher depreciation and taxes. The company declared an interim dividend of 5.9 cents for the quarter.

OSIM International reported weak 2Q FY15 numbers. Revenue for both the 2Q and 1H declined -13% year-on-year to SG\$159 million and SG\$309 million, respectively. Second quarter EBITDA came in -23% lower year-on-year as the company's margin compressed by -2% to 21%. For the 1H, EBITDA worsened and is -33% lower due to a -6% margin compression. Net profit of SG\$22 million for 2Q is -24% lower year-on-year. On a half-yearly basis, net profit declined -38%.

Matahari Department Stores reported 1H FY15 results that were slightly below estimates. Sales of IDR3920.9 billion rose by 17% year-on-year on the back of 12.2% same-store sales growth. Net profit, meanwhile, came in at IDR647.8 billion.

PORTFOLIO TACTICS

Stock markets across the ASEAN region continue to suffer from foreign fund outflows as the expectation of an interest rate hike by the US Federal Reserve becomes firmer. This has led to broad-based weakness among emerging market currencies. The Malaysian ringgit leads the pack, weakened by -16.3% against the greenback. Although it could remain volatile for a while, we believe that the downside for the Malaysian ringgit is limited judging by the fact that it traded above its current level during the previous global financial crisis. For other parts of the ASEAN region, especially Indonesia, Philippines, and Thailand, country leaders vow to speed up progress on lagging infrastructure projects in the coming months. We continue to focus 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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