



## OVERVIEW

Investors breathed a sigh of relief in October after global equities staged a robust rebound, reversing most of the third quarter declines during the month. The third quarter witnessed excessive volatility across global markets driven by an indecisive US Federal Reserve, a global commodities rout, and weakness in China and across the broader emerging markets. Stability returned in October, and commodities, currencies, and developed and emerging markets all remained relatively calm. The Chinese economy grew faster than expected in the third quarter as resilient growth in its emerging services sector helped compensate for weakness in manufacturing and property. ASEAN currencies stabilized as well since the expected Fed rate cut will now likely push out to 2016.

But the respite could be short-lived as weaker emerging markets continue to drag global economic growth to its slowest pace since the financial crisis. While the Fed contemplates raising rates, the European Central Bank could ease further given weaker export demand from Asia, declining manufacturing activity, and the refugee crisis. Japan's GDP continues to contract, and the country might be entering into yet another recession necessitating further economic stimulus. We are hopeful that these easing actions will positively impact the ASEAN global trade and economy along with underlying stock market performance.

### Malaysia

Prime Minister Najib Razak announced the 2016 Malaysian budget in the third week of October. Announcing spending of MYR50 billion towards developmental projects, the government projects 2016 Malaysian GDP will grow between 4% and 5%.

Foreign reserves in October remained below the psychologically important US\$100 billion mark at US\$94.1 billion. The Malaysian ringgit meanwhile rebounded 2.1% against the US dollar in October to end the month at MYR4.30. The FBM KLCI gained 3.16% in October but is down -2.96% year-to-date.

### Indonesia

Responding to the Fed interest rate delay and a rebound in commodity prices, the Indonesian equity market strengthened in October as the second-best performing market in the ASEAN region. The rupiah gained 6.9% against the greenback, and ended the month at IDR13,684. In late October, the government agreed to a tentative 2016 budget that sets GDP growth at 5.3%, slightly below the 5.7% target for 2015. The government also announced

October 2015



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**Global equities staged a robust rebound in October, reversing third quarter declines.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,393	4.27% ▲	1.13% ▲	-4.60% ▼
FBM KLCI (RM)	1,666	3.16% ▲	-2.96% ▼	-7.41% ▼
S&P 500 (US\$)	3,871	8.44% ▲	2.70% ▲	5.20% ▲
Dow Jones Industrial Average (US\$)	17,664	8.59% ▲	1.04% ▲	4.06% ▲
FTSE All World (US\$)	271	7.84% ▲	0.88% ▲	0.69% ▲
MSCI All Country World Index (US\$)	411	7.88% ▲	0.74% ▲	0.56% ▲
MSCI Emerging Markets (US\$)	364	7.13% ▲	-9.45% ▼	-14.53% ▼
Dow Jones ASEAN Islamic (RM)	8,509	5.70% ▲	5.49% ▲	5.15% ▲
Jakarta Composite Index (RM)	4,455	10.42% ▲	-3.48% ▼	-21.35% ▼
Philippine Stock Exchange Index (RM)	7,134	1.28% ▲	17.86% ▲	-3.20% ▼
Straits Times Index (RM)	2,998	7.08% ▲	6.59% ▲	-13.18% ▼
Stock Exchange of Thailand (RM)	1,395	3.50% ▲	8.85% ▲	-16.84% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	4.30	4.39	3.31
Crude oil (US\$)	\$ 46.59	\$ 45.09	\$ 80.54
Crude palm oil (RM)	RM 2,238	RM 2,306	RM 2,295

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fourth and fifth economic stimulus packages that focus on determining a wage formula, establishing a tax incentive for asset revaluation, and eliminating double taxation of REITs.

The Jakarta Composite Index gained 5.50% for the month but is down 13.17% year-to-date. In ringgit terms, the Index gained 10.42% for the month but is down -3.48% year-to-date. Foreign investors were net buyers of Indonesian equities in October, investing US\$588 million.

## Philippines

We expect the May 2016 elections to move front and center in the coming months now that the candidates have been announced. Separately, cash remittances declined -0.6% year-over-year to US\$2.0 billion in August, for the first time in more than 12 years. Remittances, however, rose 4.2% year-over-year to US\$16.2 billion for the first eight months of 2015.

Foreign investors sold equities worth US\$67 million in October, bringing year-to-date net selling to US\$940 million. The Philippine Stock Exchange Index closed at 7,134.26 points, up 3.49% for October but down -0.22% since the beginning of the year. In ringgit terms, the index rose only 1.28% for the month but 17.86% year-to-date.

## Singapore

Singapore narrowly avoided a technical recession in the third quarter as its GDP grew a mere 0.1% compared with a -2.5% decline in the second quarter. Manufacturing activity remained anemic while growth in financial services was also weak. In fact, the Monetary Authority of Singapore (MAS) assessed that the overall outlook for the global economy has softened since its review in April and sees growth of 2.0% to 2.5% in 2015, with similar growth in 2016. Notably, in mid-October, the central bank eased monetary policy for the second time this year.

Singapore's Straits Times Index closed up 7.55% in October and declined -7.09% year-to-date. In ringgit terms, the index rose 7.08% in the month and 6.59% year-to-date. We believe that Singapore stocks could perform well over the medium to long term as valuations remain attractive.

## Thailand

The Stock Exchange of Thailand Index closed at 1,394.94, up 3.46% for the month and down -4.01% year-to-date. In ringgit terms, the index rose 3.50% in the month and rose 8.85% year-to-date. The World Bank recently cut Thailand's 2015 economic growth forecast to 2.5% from 3.5%, the lowest in the East Asia and Pacific regions. Weakening emerging markets continue to impact Thailand's export markets. In mid-October, the Thai Cabinet approved the Finance Ministry's proposals to boost business sentiment, accelerate the government's venture capital scheme, help low-income earners buy their first home, and rev up the economy in the near term. The impact of these reforms is yet to be seen.

## PORTFOLIO TACTICS

We remain cautious on the ASEAN region in the near to mid-term, as tepid exports, weak currencies, the China slowdown, and a possible Fed rate hike continue to impact the economies of this region. Though the ASEAN countries have announced stimulus programs to propel their economies, implementation remains slow, particularly in Thailand and Indonesia. We will continue to look for catalysts, such as tourism growth in Thailand, upcoming telecommunications spectrum auctions in Singapore and Thailand, and infrastructure spending in Malaysia, Indonesia, and Thailand.

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