



## OVERVIEW

November turned out to be an eventful month marked by several incidents that heightened geopolitical tensions. The terror attacks in France and the downing of a Russian warplane by Turkey inside its borders were the key highlights. Meanwhile, the minutes from the US Federal Open Market Committee (FOMC) meeting in October indicated the committee is leaning toward a rate hike in December 2015. These events certainly weighed on the performance of equity markets in both developed and emerging economies. Commodity markets, especially for crude oil and iron ore, weakened due to global growth uncertainty, particularly in China. Currency markets were once again volatile with most currencies except the Australian dollar losing value against the US dollar in November.

Actions of major central banks will likely weigh on the direction of equity markets for the remainder of the year and into 2016. As the Federal Reserve looks to raise interest rates, the European Central Bank, Bank of Japan, and the People's Bank of China could ease further. We are hopeful that these measures will positively impact the global economy and equity markets in 2016 after lackluster performance in 2015.

## Malaysia

Malaysian GDP numbers indicated the domestic economy grew 4.7% in the third quarter of 2015, the slowest pace since the second quarter of 2013. The drag on GDP was caused by a slowdown in private consumption as households adjusted to the implementation of GST in April 2015. The sale of 1MDB's assets to China General Nuclear Power Holdings Corporation brought short-lived excitement to the equity market as this was seen as a step closer to resolving issues surrounding the government-linked investment arm.

Foreign reserves in October remained below the psychologically important US\$100 billion mark at US\$93.6 billion as of 13 November. The Malaysian ringgit meanwhile rebounded 1.0% against the US dollar in November to end the month at MYR4.26. The FBM KLCI gained 0.52% in November but is down -2.45% year-to-date.

## Indonesia

Indonesia's GDP in the third quarter grew 4.7% year-over-year, driven by government spending and construction. After announcing the fourth and fifth economic stimulus packages in October, the Indonesian government announced the sixth economic stimulus package, which offers tax incentives for substantial investments in special economic zones. Details of the seventh

November 2015



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**Heightened  
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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,507	1.07% ▲	2.21% ▲	-1.46% ▼
FBM KLCI (RM)	1,672	0.52% ▲	-2.45% ▼	-5.30% ▼
S&P 500 (US\$)	3,883	0.30% ▲	3.01% ▲	2.75% ▲
Dow Jones Industrial Average (US\$)	17,720	0.71% ▲	1.76% ▲	1.87% ▲
FTSE All World (US\$)	269	-0.76% ▼	0.12% ▲	-1.75% ▼
MSCI All Country World Index (US\$)	407	-0.77% ▼	-0.02% ▼	-1.90% ▼
MSCI Emerging Markets (US\$)	349	-3.90% ▼	-12.98% ▼	-16.99% ▼
Dow Jones ASEAN Islamic (RM)	8,252	-3.14% ▼	2.18% ▲	1.41% ▲
Jakarta Composite Index (RM)	4,446	-2.19% ▼	-5.60% ▼	-22.41% ▼
Philippine Stock Exchange Index (RM)	N/A	-4.37% ▼	12.72% ▲	-7.87% ▼
Straits Times Index (RM)	2,856	-6.30% ▼	-0.12% ▼	-18.49% ▼
Stock Exchange of Thailand (RM)	1,360	-3.98% ▼	4.51% ▲	-19.24% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	4.26	4.30	3.38
Crude oil (US\$)	\$41.65	\$46.59	\$66.15
Crude palm oil (RM)	RM 2,140	RM 2,238	RM 2,147

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package are expected in early December. The rupiah, along with most currencies, declined -1.2% against the greenback to end November at IDR13,847.

The Jakarta Composite Index declined -0.14% for the month and -13.40% since beginning of the year. In ringgit terms, the index declined -2.19% and -5.60%, respectively, for the month and year-to-date. Foreign investors were net sellers of Indonesian equities in October, disposing of US\$244 million.

## Philippines

Political activities leading to the May 2016 elections dominated headlines as controversial Davao City Mayor Rodrigo Duterte officially declared his presidential candidacy. Senator Grace Poe, who extended her lead in the candidacy polls, was disqualified by the Commission on Elections (COMELEC) division on the basis of her citizenship and residency requirements. On the economic front, GDP grew 6% year-over-year in the third quarter, accelerating from 5.8% year-over-year in the second quarter. For the first nine months of 2015, GDP grew 5.6%. Offshore foreign workers' remittances remain strong, rising 4.3% year-over-year in September to reach USD18.4 billion year-to-date.

Foreign investors sold equities worth US\$168 million in October, bringing year-to-date net selling to US\$1.1 billion. The Philippine Stock Exchange Index fell -2.87% in November and -2.47% since the beginning of the year. In ringgit terms, the index declined -4.37% in November but rose 12.72% year-to-date.

## Singapore

Singapore's economy grew at an anemic rate of 0.1% in the third quarter, bordering on a technical recession following the second quarter's -2.5% decline. The slowdown in China, one of Singapore's key trading partners, continued to weigh heavily on the island-state's economy. The latest indicators show the economy remained weak in October and November. The manufacturing Purchasing Managers' Index (PMI) stayed in contraction mode for the fifth month in November, driven by further declines in new orders and new export orders.

We believe potential US tightening will be a headwind for Singapore as its local rates are closely linked to the Fed funds rate.

Singapore's Straits Times Index closed down -4.70% in November and declined -12.43% year-to-date. In ringgit terms, the index fell -6.30% in the month but only -0.12% year-to-date. We do 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 1,359.7, down -2.44% for November and -6.35% year-to-date. In ringgit terms, the index declined -3.98% in the month but has gained 4.51% year-to-date. Thailand's economic recovery remained anemic in October and into November. The October private consumption index rose 2.2% from a year earlier, weaker than September's revised 3.0% increase. Further, private investment remained slow due to excess production capacity as well as soft demand domestically and globally. The tourism sector, which has been one of the few bright spots in the local economy this year, reported slower growth in arrivals as well. Finally, both exports and imports have contracted sharply in the most recent months.

## PORTFOLIO TACTICS

We are cautious on the ASEAN region in the near to mid-term as tepid exports, weak currencies, slowing growth in China, and a possible Fed rate hike continue to impact the economies of this region. Volatility in the capital markets will persist due to actions of the major central banks. 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 and infrastructure spending in Malaysia, Indonesia, and Thailand.

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