



## OVERVIEW

Global equities delivered positive returns in the final quarter of 2015 despite generally poor performance in December. The hallmark event in December was the US Federal Reserve's raising interest rates for the first time in over a decade. On December 16, the Fed decided to raise the benchmark rate by 25 basis points, but the decision was well anticipated by market participants. Commodity weakness continued during the month, led by crude oil prices that fell to a decade low on oversupply concerns. As expected, most currencies depreciated against the greenback after the Fed announcement.

Post-hike, the market's focus now shifts towards other major central banks. We expect Europe and Japan to continue to ease in some capacity, with China being a wild card both in terms of its growth and its monetary and fiscal actions. We are hopeful that any new measures by China (e.g., continued currency devaluation) will not strain the global economic system. Within that context, we will pick our stocks selectively and will continue to look for companies with strong growth potential over the long term.

## Malaysia

Falling oil prices are certainly hurting the Malaysian economy. Despite that, the government reaffirmed that it would not make any revision to the 2016 budget at this point. On the economic front, November CPI headline inflation came in higher than expected at 2.6% year-over-year, largely reflecting price hikes for tobacco and some road tolls.

Foreign reserves as of 15 December remained below the psychologically important US\$100 billion mark at US\$94.9 billion. The Malaysian ringgit weakened slightly for the one-month period at MYR4.29 against the US dollar. The FBM KLCI gained 1.52% in December, largely driven by year-end "window dressing" activities but declined -0.97% in 2015.

Foreign investors' net withdrawal from the equity market amounted to US\$5.0 billion for the year.

## Indonesia

The Indonesian government announced its seventh and eighth economic stimulus packages, which focus on tax incentives for labor intensive industries, a "one map policy" to streamline land use, and acceleration of refineries construction. Foreign exchange reserves were reported at US\$100.2 billion in November, a US\$500 million decline from a month earlier. Reserves have fallen by US\$15.3 billion from a recent peak of US\$115.5 billion recorded in February 2015.

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December 2015



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**As expected,  
most currencies  
depreciated against  
the greenback after  
the Fed rate hike  
announcement.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,801	2.80% ▲	5.08% ▲	5.08% ▲
FBM KLCI (RM)	1,693	1.52% ▲	-0.97% ▼	-0.97% ▼
S&P 500 (US\$)	3,822	-1.58% ▼	1.38% ▲	1.38% ▲
Dow Jones Industrial Average (US\$)	17,425	-1.52% ▼	0.21% ▲	0.21% ▲
FTSE All World (US\$)	264	-1.73% ▼	-1.61% ▼	-1.61% ▼
MSCI All Country World Index (US\$)	399	-1.78% ▼	-1.80% ▼	-1.80% ▼
MSCI Emerging Markets (US\$)	342	-2.23% ▼	-14.92% ▼	-14.92% ▼
Dow Jones ASEAN Islamic (RM)	8,348	1.58% ▲	3.79% ▲	3.79% ▲
Jakarta Composite Index (RM)	4,593	4.52% ▲	-1.33% ▼	-1.33% ▼
Philippine Stock Exchange Index (RM)	6,952	1.42% ▲	14.32% ▲	14.32% ▲
Straits Times Index (RM)	2,883	2.00% ▲	1.87% ▲	1.87% ▲
Stock Exchange of Thailand (RM)	1,288	-4.67% ▼	-0.37% ▼	-0.37% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	4.29	4.26	3.50
Crude oil (US\$)	\$37.04	\$41.65	\$53.27
Crude palm oil (RM)	RM 2,398	RM 2,140	RM 2,291



The Jakarta Composite Index rallied 3.38% for the month but declined -10.47% for the year, ending at 4593. In ringgit terms, the Index gained 4.52% in December but ended the year down -1.33%. Foreign investors disposed of a total of US\$1.7 billion worth of equities in 2015.

## Philippines

Political news continues to make the headlines in the Philippines as the supreme court issued two temporary restraining orders stopping the Commission on Elections (COMELEC) from cancelling Senator Grace Poe's certificate of candidacy for president. The latest Social Weather Stations (SWS) survey showed Senator Poe (26%), vice president Binay (26%), Mar Roxas (22%), and Rodrigo Duterte (20%) as preferred candidates for the presidency in the May 2016 elections. Cash remittances were broadly flat in October, partly due to a currency translation effect from the strengthening US dollar. Year-to-date remittances gained 3.7% to US\$20.6 billion.

Foreign investors sold equities worth US\$85 million in December, bringing net selling to US\$1.2 billion for the year. The Philippine Stock Exchange Index closed at 6952, up 0.45% for December but down -2.02% in 2015. In ringgit terms, the Index gained 1.42% in December and 14.32% in 2015.

## Singapore

Despite a strong fourth quarter showing (up 5.7% quarter-on-quarter), Singapore's economy grew at the weakest pace in 2015 since the global financial crisis, expanding by 2.1% compared with 2.9% in 2014. Economic growth in the quarter was driven by public sector construction, retail, and finance. However, manufacturing remains anemic as Chinese growth continued to weaken. Overall, there are signs that Singapore's economic trends are stabilizing, and growth could pick up towards the end of 2016, driven by services sector growth and potential stabilization in the manufacturing sector.

Singapore's Straits Times Index rose 1.24% in December but declined -11.35% in 2015. In ringgit terms, the Index climbed 2.00% in the month and rose 1.87% in 2015.

## Thailand

The Stock Exchange of Thailand Index closed down -5.21% in December and fell -11.23% in 2015. In ringgit terms, the Index declined -4.67% in the month and ended the year nearly flat. Thailand's economic recovery is being hampered by weak agriculture exports as other regional countries expand their agriculture industries; a slowdown in the informal economy, which makes up nearly 40% of the Thai GDP; falling petrochemical prices; and uncertainty related to the military government and its transition plans. The tourism sector has been one of the local economy's few bright spots in 2015.

## PORTFOLIO TACTICS

We continue to be cautious on the ASEAN region in the near to mid-term as tepid exports, weak currencies, the slowdown in China, and a possible Fed rate hike continue to impact the economies of this region. Volatility in the capital markets is here to stay due to actions of the major central banks. We will continue to look for exciting catalysts in this region and take appropriate positions.

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