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MARKET REVIEW ASEAN

OVERVIEW

February 2016

Equity markets started February on a soft note as concerns lingered on China's growth outlook and the global economy. Volatility in the commodity space, especially the crude oil markets, further unsettled financial markets.

Investors closely monitored the actions of central banks across the globe aimed at spurring economic growth. Notably, the Japanese equity market fell -8.5% in the month in reaction to the Bank of Japan's surprise decision to lower its interest rate to -0.1%. The People's Bank of China meanwhile continued its expansionary monetary policy by injecting further liquidity and cutting the reserve requirement ratio by 50 basis points to 17%. The US Federal Open Market Committee took no action, but released generally dovish meeting minutes that hinted at a downside risk bias.

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Equity Analyst

Equity markets recovered mid-month as crude oil prices moved higher on a series of OPEC headlines that were meant to address oversupply concerns, and on the back of comforting corporate earnings announced during the month. However, the huge oil supply overhang means any bounce in oil will be short-lived. Stocks in the ASEAN region performed well during the month driven by somewhat improving economic data and stable currencies.

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Malaysia

Malaysia's fourth quarter 2015 GDP numbers came in higher than expected as the economy expanded 4.5% year-on-year driven by domestic demand, particularly private consumption. This translates into 5% growth for the whole of 2015.

Separately, Bank Negara International Reserves stood at US$95.6 billion as of 15 February, remaining fairly unchanged from the previous announcement. The Malaysian ringgit gave up some of its gains in the previous months to end February at MYR4.21 to the US dollar. The FBM KLCI meanwhile declined by -0.43% in February and has declined by -1.88% since the beginning of the year, ending the month at 1,654.75. Foreign investors' participation continued to be strong during the month as net inflows to the equity markets stood at US$135.4 million.

Market Indicators	Current Value	1 Month		YTD		1 Year	
FBM EMAS Shariah (RM)	12,249	-1.20%	▼	-4.07%	▼	-4.19%	▼
FBM KLCI (RM)	1,655	-0.43%	▼	-1.88%	▼	-6.39%	▼
S&P 500 (US$)	3,627	-0.13%	▼	-5.09%	▼	-6.19%	▼
Dow Jones Industrial Average (US$)	16,517	0.75%	▲	-4.68%	▼	-6.55%	▼
FTSE All World (US$)	245	-0.65%	▼	-6.64%	▼	-11.67%	▼
MSCI All Country World Index (US$)	372	-0.63%	▼	-6.59%	▼	-11.78%	▼
MSCI Emerging Markets (US$)	319	-0.16%	▼	-6.64%	▼	-23.41%	▼
Dow Jones ASEAN Islamic (RM)	8,289	3.84%	▲	-1.19%	▼	-3.18%	▼
Jakarta Composite Index (RM)	4,771	7.41%	▲	5.26%	▲	-12.89%	▼
Philippine Stock Exchange Index (RM)	6,671	1.65%	▲	-6.82%	▼	-18.24%	▼
Straits Times Index (RM)	2,667	3.97%	▲	-9.02%	▼	-21.47%	▼
Stock Exchange of Thailand (RM)	1,332	4.00%	▲	2.38%	▲	-21.19%	▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US$	4.21	4.15	3.62
Crude oil (US$)	$33.75	$33.62	$49.76
Crude palm oil (RM)	RM 2,479	RM 2,349	RM 2,321

Indonesia

Indonesia's GDP in the fourth quarter of 2015 grew 5.04%, beating the forecast of 4.74%, on the back of strong government spending and investments. Bank Indonesia was again in the limelight as it cut the policy rate by 25 basis points to 7.00% and lowered the bank's primary reserve requirement by 1% to 6.5%. These moves were well received by Indonesian equity markets, and the currency rallied in February. Foreign investors bought

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US$303 million worth of equities in February, the first month of inflow since July 2015.

The Jakarta Composite Index closed at 4,770.96, up 3.39% in local currency and 7.41% in ringgit terms from the previous month. Year-to-date, the index is up 3.89% in local currency and 5.26% in ringgit terms.

Philippines

Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines kept the policy and special deposit accounts rates unchanged at 4% and 2.5%, respectively. BSP noted that even though inflation risks are tilted to the downside, domestic demand conditions remain solid despite uneven external demand. The political race, on the other hand, remains fluid with no clear frontrunner for the highest post in the land, keeping investors at bay.

Overseas Filipino workers' remittances continued to grow strongly in December 2015, gaining 4.9% year-on-year to US$2.5 billion. Overseas workers remitted US$25.8 billion for the whole of 2015, up 4.6% year-on-year.

Foreign investors continued their net selling in the equity market, amounting to US$85 million in February. The Philippine Stock Exchange Index closed at 6,671.04, down -0.13% from January. In ringgit terms, the index gained 1.65% in February. Year-to-date, the index has declined -3.92% in local currency and -6.82% in ringgit terms.

Singapore

Singapore's manufacturing sector remained weak, with the Purchasing Managers' Index shrinking for an eighth straight month in February as China's slowdown continued. China's exports declined the most in February since 2009, and imports fell as well. The Services sector, a bright spot in 2015, is beginning to show weakness. Further, economists continue to downgrade Singapore's GDP growth prospects for 2016 with some now calling for a recession. Singapore's recovery will certainly depend on the economic conditions in China, which likely will remain subdued into the foreseeable future.

Singapore's Straits Times Index rose 1.51% in February to 2,666.51. In ringgit terms, the index fared even better, rising 3.97% in the month.

Thailand

The Stock Exchange of Thailand Index closed up 2.72% in February. In ringgit terms, the index rose 4.00% in the month. Consumer sentiment declined to a four-month low in February, hurt by concerns over global and domestic economic prospects as well as high living costs. Domestic activity improved slightly in recent months, driven primarily by the tourism industry and infrastructure spending. By contrast, agricultural and manufacturing exports, private spending, and the informal economy remain generally weak. Further, uncertainty related to the military government and its transition plans may continue to dampen investment sentiment.

PORTFOLIO TACTICS

We remain cautious on the ASEAN region in the near to mid-term as tepid exports, volatile currencies, China slowdown, and future Fed rate hikes continue to impact the economies of this region. Volatility in the capital markets will persist due to actions of the major central banks. We will continue to look for exciting catalysts in this region and take appropriate long-term positions. We favor Indonesia, Singapore, and the Philippines over Malaysia and Thailand.

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