



OVERVIEW

April 2016

After recording strong gains in the previous month, ASEAN equity markets were mixed in April 2016. Malaysia and the Philippines both recorded negative returns on concerns related to ongoing political dynamics in these countries. Regional currencies remained mostly unchanged with the exception of the Malaysian ringgit and the Philippine peso that weakened in the month. Chinese economic data, especially the first-quarter GDP growth of 6.7%, soothed the markets.

In the US, the economy grew a paltry 0.5% in the first quarter. The Federal Reserve once again decided to keep interest rates unchanged at 0.25%, given that consistent job growth and an improving housing market were unable to contain the slowdown in business investments and exports. However, the Fed has indicated that it will continue on a measured interest rate hike path going forward. Separately, eurozone GDP grew by 0.6% year-over-year in the first quarter. At the April European Central Bank meeting, Mario Draghi expressed cautious optimism with an easing bias.

Going forward, actions of global central banks, the extent of a Chinese recovery, oil prices, and the US economy will continue to dictate investor sentiment. Heading into the second half of the year, interest rate decisions in the US will be key to anticipating the direction of equity markets.

Malaysia

Datuk Muhammad Ibrahim, the Deputy Governor of Bank Negara, was named the new Bank Negara Governor replacing Tan Sri Zeti Aziz, who ended her final five-year term in April. Investors appreciated the appointment of an internal candidate since it removes the uncertainty that there could be a major shift in central bank policies. Separately, the Malaysian state investment fund 1MDB technically defaulted on one of its bonds, triggering cross defaults on two other Islamic notes totaling MYR7.4 billion. This news caused the equity market and the ringgit to surrender some of their gains from a month earlier. Bank Negara foreign reserves meanwhile rose slightly to US\$97 billion in March. The Malaysian equity market was the weakest performer in the ASEAN region as the FBM KLCI declined -2.51% in April and -0.36% since the beginning of the year.

Indonesia

In a bid to prompt fixed and capital investments in Indonesia and facilitate new business formation, President Jokowi announced the 12th policy package that will reduce the total procedures needed to obtain business licenses from 94 to 49 and

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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,209	-2.23% ▼	-4.02% ▼	-4.06% ▼
FBM KLCI (RM)	1,673	-2.51% ▼	-0.36% ▼	-5.32% ▼
S&P 500 (US\$)	3,888	0.39% ▲	1.74% ▲	1.21% ▲
Dow Jones Industrial Average (US\$)	17,774	0.62% ▲	2.83% ▲	2.25% ▲
FTSE All World (US\$)	266	1.53% ▲	1.95% ▲	-4.96% ▼
MSCI All Country World Index (US\$)	403	1.53% ▲	1.92% ▲	-5.10% ▼
MSCI Emerging Markets (US\$)	363	0.54% ▲	6.29% ▲	-17.87% ▼
Dow Jones ASEAN Islamic (RM)	8,219	0.33% ▲	-1.69% ▼	-1.70% ▼
Jakarta Composite Index (RM)	4,839	0.52% ▲	1.02% ▲	-5.22% ▼
Philippine Stock Exchange Index (RM)	7,159	-2.38% ▼	-5.16% ▼	-10.20% ▼
Straits Times Index (RM)	2,839	1.90% ▲	-4.70% ▼	-17.31% ▼
Stock Exchange of Thailand (RM)	1,405	2.24% ▲	4.30% ▲	-10.08% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.91	3.88	3.57
Crude oil (US\$)	\$45.92	\$38.34	\$59.63
Crude palm oil (RM)	RM 2,572	RM 2,690	RM 2,070



total days from 1566 to 132. Separately, the Indonesian central bank kept policy rates at 6.75% in April after three consecutive cuts during the first quarter, and given that the rupiah was stable in the month. Foreign equity market investment slowed to a net inflow of US\$22 million in April versus US\$177 million in March.

The Jakarta Composite Index closed at 4,838.58, up 0.20% in local currency and 0.52% in ringgit terms over the prior month. Year-to-date, the index is up 5.89% in local currency and 1.02% in ringgit terms.

Philippines

Political news continues to weigh on investor sentiment in the Philippines' equity market as the nation heads into its presidential election on May 9. The emergence of 'anti-establishment' Rodrigo Duterte as the leading presidential candidate has been viewed negatively by the market due to his radical stance on several issues and lack of a clear economic platform. This challenged the earlier view that the elections would not be a game changer. On the economic front, Overseas Filipino Workers' (OFW) remittances continued to grow strongly, rising 9.1% year-over-year to US\$2.11 billion in February despite global volatility and slowing Middle East economies.

The Philippine Stock Exchange Index closed at 7,159.29, down -1.31% from March 2016. In ringgit terms, the index declined -2.38%. Year-to-date, the index has risen 3.86% in local currency but is down -5.16% in ringgit terms.

Singapore

Singapore's economy grew 1.8% over last year during the first quarter, led by strength in the construction sector and a stable services sector. However, the growth came in flat on a sequential basis. The manufacturing sector remained weak, with activity shrinking for a tenth straight month in April, albeit at a slightly slower pace. Manufacturing, which makes

up a fifth of the Singapore economy, has been hit hard by tepid global growth and ongoing restructuring. Economists continue to downgrade Singapore's GDP growth rate for 2016 with some now calling for a recession. Notably, the country's central bank recently eased its monetary stance, and the government announced a US\$53.6 billion spending plan to boost growth, but it is too early to predict the impact of these expansionary policies.

Singapore's Straits Times Index rose 0.71% in April to 2,838.52. In ringgit terms, the index advanced 1.90% in the month.

Thailand

The Stock Exchange of Thailand Index closed up 0.60% in April. In ringgit terms, the index gained 2.24% in the month.

Thailand's economy remained weak with exports contracting -5.6% in the first quarter, though they have stabilized in the most recent months. Consumer sentiment declined to a five-month low in April, weighed down by concerns over the global economy and the worst drought in over twenty years, which hurt the farm sector. Tourism remained a bright spot as the number of foreign visitors in the first quarter totaled nine million, up 15.5% year-on-year. For the second quarter, foreign visitors are expected to grow another 13%.

Following on the footsteps of Bank of Thailand, the Finance Ministry in late April cut its gross domestic product growth target to 3.3% from 3.7%, citing contracting exports.

PORTFOLIO TACTICS

We continue to be 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 ASEAN economies. We will continue to look for exciting catalysts in this region and take appropriate long-term positions. Within the region, we favor Indonesia, Singapore, and the Philippines over Malaysia and Thailand.

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