



## OVERVIEW

March 2012

Stocks enjoyed another positive month in March. FBM KLCI rose 1.97% while FBM EMAS Shariah tacked on 0.23% for first quarter increases of 4.96% and 5.53%, respectively. The FTSE All World Index rose 0.63% to bring the first quarter gain to 12.10%. The U.S. benchmarks S&P 500 and Dow Jones Industrial Average rose 3.29% and 2.15%, bringing quarterly returns to 12.59% and 8.84%, respectively. MSCI Emerging Markets Index spoiled the party, however, with a decline of 3.32% in March, dropping their first quarter performance to a gain of 13.99%.

Malaysia's Foreign Exchange Reserves ended March at US\$135bn. Inflation eased substantially to 2.2% year-over-year in February, from 2.7% in January, which may leave Bank Negara with more latitude to lower the Overnight Policy Rate should the growth outlook deteriorate from current expectations.

The ringgit weakened to US\$3.06 from US\$2.99 at end of February. Crude palm oil continued its strong rally, ending at RM 3,480 per tonne. The price of Crude oil eased somewhat to US\$103.02 at month-end, from US\$107.07 in February.

In the U.S., Industrial output rose 0.4% month-over-month in February, after being unchanged in the prior month. Retail sales rose 1.1% month-over-month in February, in line with expectations, and an improvement over the previous month's 0.4% increase. CPI increased 2.9% year-over-year in February with the impact of higher fuel costs.

Central banks continued in "wait and see" mode as developed economies appeared to be getting more traction and risk aversion waned. The aggressive actions of the European Central Bank over the past six months, combined with the resiliency of the U.S. economy, appear to have boosted confidence that a severe decline in economic activity is off the table for now, and that authorities are committed to further aggressive responses should conditions deteriorate.



Bryce Fegley, CFA

**Waning risk  
aversion  
continues as  
economic signals  
improve.**

## COMPANY REVIEW

Top Glove reported 2nd quarter earnings of RM0.09 per share, above consensus of RM0.05. Gamuda reported 2nd quarter earnings of RM0.07.

## PORTFOLIO TACTICS

The improved tone in stock markets suggests that investors are no longer demanding immediate solutions to long-term problems like fiscal sustainability and demographic headwinds. It is also possible that investors as a group have become increasingly desensitized to the problems in Europe, and/or understand the situation well enough that levels of risk aversion will be less volatile than the previous two years as the situation continues to evolve. Our sector/stock preferences are Plantations (e.g. Sime, IOI, and United Plantations), Oil & Gas (e.g. Dialog), Consumers (e.g. UMW), Medical (e.g. KPJ & Top Glove), Property (e.g. UEM Land), and Telco's (e.g. Maxis).

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah	RM 10,816	0.23% ▲	5.53% ▲	7.73% ▲
FBM KLCI	RM 1,596	1.97% ▲	4.96% ▲	7.04% ▲
S&P 500	US\$ 1,408	3.29% ▲	12.59% ▲	8.54% ▲
Dow Jones Industrial Average	US\$ 13,212	2.15% ▲	8.84% ▲	10.18% ▲
FTSE All World	US\$ 219	0.63% ▲	12.10% ▲	-0.44% ▼
MSCI Emerging Markets	US\$ 1,041	-3.32% ▼	13.99% ▲	-8.65% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit	3.06	2.99	3.03
Crude oil	US\$103.02	US\$107.07	US\$106.72
Crude palm oil	RM 3,480	RM 3,225	RM 3,378



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