



## OVERVIEW

July 2012

Stock market performance remained positive in July. In local currency terms, the Malaysian stock market delivered robust performance, with the FBM KLCI Index rising 2.06% whilst the FBM EMAS Shariah Index rose 2.63%, for year to date gains of 8.64% and 11.57%, respectively. The FTSE All World Index continued to recover, rising 1.41%, bringing its year to date performance to 7.55%. U.S. benchmarks also continued to recover, albeit at a slower pace, with the S&P 500 rising 1.39% whilst the Dow Jones Industrial Average rose by 1.15%, bringing year to date returns for these indices to 11.01% and 8.06%, respectively. The MSCI Emerging Markets Index rose 2.05% over the month, bringing year to date performance to 6.11%.

Malaysia's Foreign Exchange Reserves were marginally higher at US\$ 134.4 billion at the end of July. Inflation continued to slow for the eighth consecutive month, moderating to 1.6% in June from 1.7% in May. Bank Negara left the Overnight Policy Rate unchanged at 3% for the seventh consecutive month, with benign inflation numbers allowing the central bank to maintain an easy monetary stance against the uncertain global economic and financial environment.

The Malaysian ringgit appreciated to 3.13 per US\$ from 3.18 at the end of June. Crude palm oil prices continued to decline, ending the month at RM 2,955 per tonne after reaching a 1-year high of RM 3,655 per tonne on 10th April. The price of Crude oil rose to US\$ 88.06 at the end of July, but remains below the high for this year of US\$ 109.49 that was reached in February.

U.S. new home sales rebounded, rising by 7.6% in the month of May after declining in each of the three months to April. This corresponded with an increase in new home prices, which were 5.6% higher in May of the previous year. Optimism in the continued recovery of the U.S. economy was marred, however, by a decline in the U.S. Institute of Supply and Management's Purchasing Manager's index (PMI) for manufacturing, which fell into contraction territory in June for the first time in three years. Non-manufacturing PMI moderated in June, whilst consumer confidence indicators also began to slide. Mixed signals such as these continue to keep more optimistic views on recovery of the U.S. economy in check.

Ongoing uncertainty about how the financial pressures in Europe will be resolved and the impact this will have on the rest of the world has continued to drive financial market sentiment. Signs of slowing growth in the Asian region have prompted several Asian economies to relax their monetary stance in recent months, including China, India, and Vietnam. Further slowdown in the global economy could see additional monetary easing and fiscal stimulus in the region.



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**Optimism in the U.S. recovery was marred by a decline in PMI into contraction territory for the first time in three years.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	11,279	2.63% ▲	11.57% ▲	12.52% ▲
FBM KLCI (RM)	1,632	2.06% ▲	8.64% ▲	9.37% ▲
S&P 500 (US\$)	1,379	1.39% ▲	11.01% ▲	9.14% ▲
Dow Jones Industrial Average (US\$)	13,009	1.15% ▲	8.06% ▲	10.12% ▲
FTSE All World (US\$)	208	1.41% ▲	7.55% ▲	-3.29% ▼
MSCI Emerging Markets (US\$)	952	2.05% ▲	6.11% ▲	-13.69% ▼

  

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.13	3.18	2.97
Crude oil (US\$)	\$88.06	\$84.96	\$95.70
Crude palm oil (RM)	RM 2955	RM 2992	RM 3110

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## COMPANY REVIEW

There were two major initial public offerings on the Malaysian stock exchange in June and July. IHH Healthcare listed on the Malaysian stock exchange on 25th July at an offer price of RM 2.80, with a dual listing on the Singapore stock exchange priced at SGD 1.113, raising a total of RM 6.3 billion. Felda Global Ventures listed on the Malaysian stock exchange on 28th June at a price of RM 4.55 per share, raising a total of RM 9.93 billion.

## PORTFOLIO TACTICS

The Malaysian stock market rose during the month, with a rebound in exports after two months of contraction and signs of improving manufacturing activity. The outlook for economic growth remains tempered by uncertainty from slowing overseas demand, although increased government spending ahead of a general election to be held in the coming year has supported the economy. We continue to position towards Plantations (e.g., Sime and United Plantations), Consumers (e.g., UMW Holdings), Health Care (e.g., KPJ & Top Glove), Technology (e.g., UEM Land) and Telecommunications (e.g., Axiata).

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