



OVERVIEW

Stock market performance remained positive in August. The FBM KLCI Index rose 1.19% whilst the FBM EMAS Shariah Index rose 1.06%, for year-to-date gains of 9.93% and 12.76%, respectively. The FTSE All World Index rose 2.22%, bringing its year-to-date performance to 9.94%. The U.S. benchmarks S&P 500 and Dow Jones Industrial Average rose 2.25% and 1.04%, respectively. The MSCI Emerging Markets Index, however, declined 0.30% over the month, pulling year-to-date performance down to 5.78%.

Malaysia's Foreign Exchange Reserves were marginally higher at US\$134.9 billion at the end of August. Inflation moderated to 1.4% year-over-year in July, after easing to 1.6% in June. On 6 September, Bank Negara left the Overnight Policy Rate unchanged at 3% for the eighth consecutive month, indicating Bank Negara's focus to continue supporting growth amidst the downside risks emanating from the uncertain global economy.

The Malaysian ringgit was little changed at 3.12 per USD from the previous month. Crude palm oil prices continued to decline, ending the month at RM 2,920 per tonne after reaching a 1-year high of RM 3,655 per tonne on 10 April. The price of Crude oil rose to US\$96.47 at the end of August, but remains below the high for this year of US\$109.49 that was reached in February.

In the U.S., new home sales increased 3.6% month-over-month in July. The unemployment rate fell to 8.1% (from 8.3% in July), while non-farm payrolls recorded a smaller increase of 96,000 jobs during the month (versus 131,000 jobs created in the previous month). Second Quarter GDP was revised upward to an annualized rate of 1.7%, stronger than the 1.5% growth estimated earlier.

Ongoing uncertainty in Europe will continue to hog the spotlight with looming political and economic battles. Purchasing Manager's Index data remains disappointing, pointing to a gloomy outlook. On 3 September, Moody's downgraded its credit outlook on the European Union's AAA rating to 'negative' from 'stable.'

COMPANY REVIEW

IOI reported 4th quarter earnings of 6.25 sen per share, a 26.8% decline year-over-year. Meanwhile, Axiata reported 2nd quarter earnings of 8.0 sen per share, which was unchanged year-over-year.

PORTFOLIO TACTICS

The Malaysian stock market continued to climb higher during the month, spurred by healthy 2nd quarter GDP growth of 5.4%. With slowing external demand, the sustainability of current

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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	11,378	1.06% ▲	12.76% ▲	22.52% ▲
FBM KLCI (RM)	1,646	1.19% ▲	9.93% ▲	17.93% ▲
S&P 500 (US\$)	1,407	2.25% ▲	13.51% ▲	18.01% ▲
Dow Jones Industrial Average (US\$)	13,091	1.04% ▲	9.19% ▲	15.85% ▲
FTSE All World (US\$)	212	2.22% ▲	9.94% ▲	6.62% ▲
MSCI Emerging Markets (US\$)	947	-0.30% ▼	5.78% ▲	-5.53% ▼

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.12	3.13	2.98
Crude oil (US\$)	\$96.47	\$88.06	\$87.27
Crude palm oil (RM)	RM 2920	RM 2955	RM 3120

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economic growth is questionable. The stock market will remain volatile, due to speculation that general elections may be held in November and continued slowing overseas demand. Our stock preferences remain Plantations (e.g., Sime and United Plantations), Consumers (e.g., UMW Holdings), Health Care (e.g., KPJ and Hartalega) and Telcos (e.g., Axiata).

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