



## OVERVIEW

In local currency terms, the Malaysian stock market traded moderately higher in September, with the FBM KLCI Index rising 0.11% whilst the FBM EMAS Shariah Index rose 0.09%, for year to date gains of 10.05% and 12.86%, respectively. The FTSE All World Index continued to recover, rising 3.25% and bringing its year to date performance to 13.51%. U.S. benchmarks also continued to rise, with the S&P 500 rising 2.58% whilst the Dow Jones Industrial Average rose by 2.75%, bringing year to date returns for these indices to 16.45% and 12.19%, respectively. The MSCI Emerging Markets Index rose 6.05% over the month, bringing year to date performance to 12.19%.

Malaysia's Foreign Exchange Reserves were marginally higher at US\$135.3 billion at the end of September. Inflation remained unchanged at 1.4% in August, the slowest pace in over two years. Subsidies on petrol and price caps on essential goods have limited broad price increases. Bank Negara left the Overnight Policy Rate unchanged at 3% for the eighth 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 continued to appreciate, reaching 3.06 per USD from 3.13 at the end of August. Crude palm oil prices continued to decline, ending the month at RM 2,420 per tonne, well below the 1-year high of RM 3,655 per tonne on 10 April. The price of Crude oil declined to \$92.19 at the end of September from \$96.47 in August, and remains below the high for this year of \$109.49 that was reached in February.

U.S. shares rallied following an announcement by the U.S. Federal reserve of a third round of quantitative easing measures in a bid to bolster economic growth and reduce unemployment. The Federal Reserve announced that it would undertake open-ended purchases of US\$40 billion of mortgage debt each month and hold the federal funds rate near zero until at least mid-2015. Poor unemployment data was a major contributor to the decision as payrolls rose by 96,000 workers in August (less than expected), and the jobless rate fell to 8.1% upon workers leaving the labour force. The U.S. trade deficit widened in July as exports were hit by lower overseas demand. Demand for U.S. durable goods was weaker in August, slowing for the third consecutive month, pointing to continued weakness in exports and the reluctance of businesses to invest amid an uncertain economic outlook.

Global sentiment has taken a downward turn since it has become evident that high growth regions such as Asia are also being affected by slower growth in the rest of the world. Recent data on industrial production and manufacturing sales as well as exports from Asian countries have

September 2012



**Christina Yap** CFA  
Investment Analyst

**Malaysia's economic growth outlook remains tempered by the uncertain external macroeconomic environment.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	11,342	0.09% ▲	12.86% ▲	28.38% ▲
FBM KLCI (RM)	1,637	0.11% ▲	10.05% ▲	22.62% ▲
S&P 500 (US\$)	1,441	2.58% ▲	16.45% ▲	30.21% ▲
Dow Jones Industrial Average (US\$)	13,437	2.75% ▲	12.19% ▲	26.52% ▲
FTSE All World (US\$)	218	3.25% ▲	13.51% ▲	21.63% ▲
MSCI Emerging Markets (US\$)	1,003	6.05% ▲	12.19% ▲	17.27% ▲

  

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.06	3.12	3.19
Crude oil (US\$)	\$92.19	\$96.47	\$79.20
Crude palm oil (RM)	RM 2,420	RM 2,920	RM 2,928

Continued on next page.



shown evidence of the drag of weaker external demand on economic activity. A number of these countries, including South Korea, China, and Japan, have responded with increased fiscal spending and loosened monetary policy.

## COMPANY REVIEW

Maxis announced a net profit for the first half of 2012 of RM 1.04 billion, a decline of 4.9% from last year due to an asset write-off. The company also announced an interim dividend of 8 sen per share.

## PORTFOLIO TACTICS

The Malaysian stock market ended the month higher after a volatile month of trading, as slowing global growth concerns weighed on market sentiment. However, the market managed to recover in the week leading up to the release of the 2013 budget, which was announced on the last trading day of the month. Malaysia's economic growth outlook remains tempered by the uncertain external macroeconomic environment, although domestic public spending should provide support in the period leading to the country's general election. We continue to position towards Plantations (e.g., Sime and United Plantations), Consumers (e.g., UMW Holdings), Health Care (e.g., KPJ & Hartalega), and Telco's (e.g., Axiata).

---

*The information in this report has been obtained from sources which we believe to be reliable. We do not guarantee its accuracy or completeness. No liability can be accepted for any loss arising from the use of this report. All opinions and estimates expressed herein reflect our judgment as of this date and are subject to change without notice. This report is for the information of clients only. We, our directors, associates, clients and/or employees may have an interest in the securities mentioned herein.*

**Vol. 3 No. 9**