



## OVERVIEW

Stock market performance remained positive in October. In local currency terms, the Malaysian stock market was moderately higher, with the FBM KLCI Index rising by 2.37% whilst the FBM EMAS Shariah Index rose by 1.44%, for year-to-date gains of 12.67% and 14.49%, respectively. The FTSE All World Index was slightly down, falling by -0.56% and bringing its year-to-date performance to 12.88%. U.S. benchmarks also declined slightly, with the S&P 500 slowing by -1.85% whilst the Dow Jones Industrial Average was down by -2.39%, bringing year-to-date returns for these indices to 14.30% and 9.51%, respectively. The MSCI Emerging Markets Index dropped by -0.60% over the month, bringing year-to-date performance to 11.52%.

Malaysia's Foreign Exchange Reserves were marginally higher at US\$137.7 billion at the end of October. Inflation was slightly down at 1.3% in September, the slowest pace in over two years. Subsidies on petrol and price caps on essential goods helped to limit broad price increases. Bank Negara left the Overnight Policy Rate unchanged at 3% for the ninth consecutive month.

The Malaysian ringgit marginally appreciated, reaching 3.05 per USD from 3.06 at the end of September. Crude palm oil prices continued to decline, ending the month at RM 2,394 per tonne, well below its 1-year high of RM 3,655 per tonne on April 10. The price of crude oil declined to US\$86.24 at the end of October from US\$92.19 in September, but remains below the high for this year of US\$109.49 that was reached in February.

U.S. shares slowed in October compared to September as investors anticipated the American presidential election. The Dow Jones Industrial Average (DJIA) Index declined in October, and is currently sitting below the 13,000 level. The U.S. easy-money policy has pushed up its markets dramatically since 2009, but the need to pay the piper is going to make further headway difficult. Recently, 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. As a result, housing starts improved by 15% month-over-month in September, the fastest pace since July 2008.

The global economy remained weak in October. Services activity expanded at a slower pace during the month, especially in the U.S., UK, India, China, and Brazil, while activity fell by a larger magnitude in the eurozone and Australia. The eurozone remained a major drag to growth in the global services sector with contractions signaled in Germany, France, Italy, and Spain. Greece is currently facing political hurdles in its austerity measures. The three parties in Greece that make up the coalition are the Conservative

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**Mohammad Amir bin Mokhtar**  
Investment Analyst

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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	11488.38	1.44% ▲	14.49% ▲	19.65% ▲
FBM KLCI (RM)	1673.07	2.37% ▲	12.67% ▲	16.62% ▲
S&P 500 (US\$)	1412.16	-1.85% ▼	14.30% ▲	15.21% ▲
Dow Jones Industrial Average (US\$)	13096.46	-2.39% ▼	9.51% ▲	12.56% ▲
FTSE All World (US\$)	216.59	-0.56% ▼	12.88% ▲	9.20% ▲
MSCI Emerging Markets (US\$)	995.33	-0.60% ▼	11.52% ▲	2.99% ▲

  

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.05	3.06	3.07
Crude oil (US\$)	\$ 86.24	\$ 92.19	\$ 93.19
Crude palm oil (RM)	RM 2394	RM 2420	RM 2942

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New Democracy, the Socialist Pasok, and the small Democratic Left, which control 176 seats in Greece's 300-member parliament. Recently, there were disagreements over the austerity measures proposed to meet the Troika's requirements. The Democratic Left is expected to abstain from the vote on November 7 due to disputes over labor reforms, and there are signs that Pasok lawmakers may not back the austerity programme. If it fails to be approved by parliament, Greece may not be able to receive the €31.5 billion bailout funding it needs to recapitalize banks and for other expenses.

## COMPANY REVIEW

Hartalega Holdings Berhad posted revenue of RM 255.01 million for its second quarter results (ended September 30), above the previous quarterly figure of RM 229.54 million. Its profit after tax reached RM 58.57 million for the same period, which was higher by 26.8% from the preceding fiscal year's corresponding quarter. The Group's profit before tax was also higher by 28.1% to RM 76.28 million. For the quarter, the Group's earnings per share improved from 6.34 sen in the previous quarter to 8.01 sen. In view of the strong results, the board has declared a first single tier interim dividend of 3.5 sen per share for its financial year ending March 2013. The entitlement date is November 23, 2012. The board noted the performance was attributed to the increased manufacturing efficiencies at its production plant.

## PORTFOLIO TACTICS

The Malaysian stock market ended the month higher after a volatile month of trading. Even as slowing global growth concerns weighed on market sentiment, the market managed to recover in the final week of the month mainly due to positive earnings results. 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 Construction (e.g., Gamuda), Consumers (e.g., UMW Holdings), Health Care (e.g., KPJ & Hartalega), Properties (e.g., UEM Land) and Telcos (e.g., Axiata). However, we are planning to reduce our holdings in the Malaysian stock market gradually to reduce our risks from the oncoming general election's outcome.

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