



## OVERVIEW

Global stock market performance was mixed in November. The FBM KLCI Index declined 3.33% whilst the FBM EMAS Shariah Index slipped 4.05%, bringing year to date gains to 8.92% and 9.86%, respectively. Meanwhile, the FTSE All World Index rose 1.35%, bringing its year to date performance to 14.40%. The U.S. benchmarks showed mixed performance, with the S&P 500 rising 0.58% whilst the Dow Jones Industrial Average declined 0.12%, bringing year to date returns for these indices to 14.95% and 9.38%, respectively. The MSCI Emerging Markets Index rose 1.27% over the month, bringing year to date performance to 12.94%.

Malaysia's Foreign Exchange Reserves were marginally higher at US\$138.6 billion as of 14 November. Inflation remained unchanged at 1.3% in October, the slowest rate of increase in more than two years. Bank Negara maintained the Overnight Policy Rate unchanged at 3.0% for the tenth consecutive month, indicating the Central Bank's focus on supporting growth amidst the downside risks emanating from rising external headwinds.

The Malaysian ringgit continued to appreciate, reaching 3.04 per USD from 3.05 at the end of October. Crude palm oil prices continued to decline, ending the month at RM 2,145 per tonne, well below the one-year high of RM 3,655 per tonne on April 10. The price of crude oil rebounded to US\$88.91 at the end of November from US\$86.24 in October, but remains below the high for this year of US\$109.49 that was reached in February.

In the U.S., a great deal of attention is focused on the "fiscal cliff," the combination of more than US\$600 billion in automatic tax increases and spending cuts scheduled to take place beginning in 2013. If there is no amicable solution, the U.S. will walk over the cliff, which could have negative implications for the U.S. and global economies due to substantial income effects. Weighed down by the economic uncertainty, the U.S. Institute for Supply Management manufacturing PMI receded into contraction territory of 49.5 in November. Factory new orders in October also slowed to +0.8% month-over-month from +4.5% in September.

The global economy remained weak. The European Central Bank has cut its real GDP forecasts, expecting the region's economy to shrink 0.5% in 2012, more than the 0.4% contraction it had predicted in September. Real GDP growth continued to fall in the third quarter, with a sluggish manufacturing PMI below 50. High growth regions such as Asia are also affected by slower growth in the rest of the world. China, for example, reported real GDP growth of 7.4% year-over-year in the third quarter, the slowest pace since the first quarter of 2009.

November 2012



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**European Real GDP growth continued to fall in the third quarter, with a sluggish manufacturing PMI below 50.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	10,957.26	-4.05% ▼	9.86% ▲	15.26% ▲
FBM KLCI (RM)	1,610.83	-3.33% ▼	8.92% ▲	13.43% ▲
S&P 500 (US\$)	1,416.18	0.58% ▲	14.95% ▲	16.13% ▲
Dow Jones Industrial Average (US\$)	13,025.58	-0.12% ▼	9.38% ▲	11.11% ▲
FTSE All World (US\$)	218.94	1.35% ▲	14.40% ▲	14.13% ▲
MSCI Emerging Markets (US\$)	1,007.02	1.27% ▲	12.94% ▲	11.68% ▲

  

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.04	3.05	3.18
Crude oil (US\$)	\$ 88.91	\$ 86.24	\$ 100.36
Crude palm oil (RM)	RM 2145	RM 2394	RM 3000

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## COMPANY REVIEW

Axiata announced third quarter earnings of 8.4 sen per share, a 20.4% increase year-over-year, helped by better operational performance across all its operating companies.

## PORTFOLIO TACTICS

The Malaysian stock market ended the month lower upon profit taking activities ahead of looming Malaysia general elections (GE) that must be held by 27 June 2013. Increasingly, expectations are for the GE to be called in March 2013. While the November earnings results were steady compared to the second quarter of 2012, lingering external uncertainties may weigh on the market. We continue to position towards Consumers (e.g., UMW Holdings), Health Care (e.g., KPJ & Hartalega) and Telcos (e.g., Axiata and Maxis).

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