



## OVERVIEW

Stock market performance remained globally mixed in February. In local currency terms, the Malaysian stock market was marginally higher, with the FBM KLCI Index rising by just 0.90% whilst the FBM EMAS Shariah Index rose slightly by 0.05% during the month, for year-to-date gains of -2.74% and -3.26%, respectively. The FTSE All World Index slowly declined by -0.02%, bringing its year-to-date performance to 4.60%. However, U.S. benchmarks rose modestly, with the S&P 500 up 1.36% whilst the Dow Jones Industrial Average rose by 1.76%, bringing year-to-date returns for these indices to 6.61% and 7.77% respectively. The MSCI Emerging Markets Index rose 1.30% over the month, bringing year-to-date performance to 0.01%.

Malaysia's 13th General Election must be held no later than June 27, 2013, or the parliament must be dissolved by the 'Yang Dipertuan Agong' (The King). Rumors abound that the ruling party will call for an election in late April.

Former Deputy Prime Minister Anwar Ibrahim (who is also the current leader of the opposition party) is believed to have a strong support, but we believe his chances of winning are slim. Consensus estimates rate his chances at 50/50.

Bank Negara Malaysia has maintained the Overnight Policy Rate at 3.0% once again, marking the fourteenth consecutive month of near-constant rates. The decision to maintain the rate was aided by current low inflation, which only grew 1.3% year-over-year in January. According to the central bank, Malaysia's growth is supported by domestic demand, sustained growth in private consumption, and some private investment activities.

Inflation in Malaysia is likely to trend up and will not likely pose a major threat to the economy. Therefore, we believe, there are no reasons for the Central Bank to hike interest rates in the coming months given the external threat still remains.

Malaysian exports rebounded, growing 3.5% year-over-year in January, likely sparked by a rush to export goods before the long Chinese New Year break. Exports to China rebounded 8.6% year-over-year in January while exports to the European Union fell -5.7% year-over-year in January. Exports to the U.S. rebounded 8.6% year-over-year while shipments to ASEAN countries experienced double digit growth of 29.3% year-over-year in January largely driven by a sharp rebound in shipments to Singapore.

U.S. exports dropped by -1.2% month-over-month in January from a gain of 2.2% in December, which suggests that the prolonged euro debt crisis and slowing growth in emerging economies are holding back demand for U.S. goods. This was largely attributed to a drop in exports of industrial supplies during the month.

February 2013



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**Malaysian exports rebounded, growing 3.5% year-over-year in January.**

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	11,106	0.05% ▲	-3.26% ▼	7.39% ▲
FBM KLCI (RM)	1,638	0.90% ▲	-2.74% ▼	8.99% ▲
S&P 500 (US\$)	1,515	1.36% ▲	6.61% ▲	12.94% ▲
Dow Jones Industrial Average (US\$)	14,054	1.76% ▲	7.77% ▲	11.05% ▲
FTSE All World (US\$)	233	-0.02% ▼	4.60% ▲	9.90% ▲
MSCI Emerging Markets (US\$)	1,055	-1.30% ▼	0.01% ▲	1.63% ▲

  

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.09	3.11	3.01
Crude oil (US\$)	\$92.05	\$97.49	\$106.55
Crude palm oil (RM)	RM 2375	RM 2512	RM 3248

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In China, the Purchasing Manager's Index (PMI) for the manufacturing sector inched lower to 50.1 in February after slowing to 50.4 in January. The slight moderation was mainly due to Chinese New Year celebrations with factories and businesses closed during the month.

The eurozone's preliminary inflation rate moderated to 1.8% year-over-year in February from 2.0% the month before, which marked the first time the rate fell below the European Central Bank's 2% floor in more than two years. This was mainly due to a moderation in the increase of food prices to 2.7% year-over-year in February from 3.2% in January.

## COMPANY REVIEW

PTTEP's 4Q12 net profit of THB13.768 million was lower by 21.4% quarter-over-quarter and 9.1% year-over-year mainly due to losses from the Montara region, caused by rising production costs and a production adjustment plan to delay the production due to the monsoon season in Australia.

PLDT's headline net income for fiscal year 2012 of PHP35.5 billion was higher by 12% year-over-year, which was in line with market expectations. However, EBITDA for fiscal year 2012 of PHP77.3 billion (-3% year-over-year) was behind estimates of PHP84.7 billion due to the PHP3.8 billion manpower reduction program during the year.

## PORTFOLIO TACTICS

The Malaysian stock market ended the month lower upon profit taking activities ahead of the looming General Election. In fact, the stock market turned jittery on January 21 and 22, falling as much as 3% after Prime Minister Najib Razak indicated he would soon announce a polling date. Uncertainties surrounding the upcoming general election and economic contraction in developed countries may continue to weigh on the market. We continue to position towards Consumers (e.g., UMW Holdings), Health Care (e.g., KPJ & Hartalega) and Telco's (e.g., Axiata and Maxis).

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