



OVERVIEW

Except for Singapore, all ASEAN equity markets recorded gains. Being the last trading month of the year, we believe that equity markets received a boost from year-end window dressing activities. Although markets fared well, concerns remain on international trade and the global political landscape after the unanticipated US election victory of Donald Trump.

Commodity prices, especially crude oil and iron ore, rebounded strongly in December. Crude oil gained from production cuts by major producers, while iron ore prices rallied in anticipation of stronger demand from China and the US. In line with the US Federal Reserve's tightening monetary policy, the dollar continues to be strong as investors flee emerging and other markets in favor of the US markets.

Moving ahead, investors can expect financial markets to remain volatile at least for the first quarter of 2017 as several uncertainties linger on. Concerns over Trump's policies and geopolitical tensions will shape the direction of financial markets in the medium to long term. As a major ASEAN trading partner, the slowdown in China poses a threat to regional economies, but that might be balanced with a pick-up in the US economy.

Malaysia

Bank Negara Malaysia issued a supplementary notice on foreign exchange rules, providing guidance for onshore FX hedging and retention and treatment of export proceeds. It was seen by the market as a measure to prevent further weakness in the ringgit. Separately, Malaysia and Singapore signed a bilateral agreement for the development of a high-speed railway connecting Kuala Lumpur and Singapore. The project commences in 2018 and is expected to be completed by 2026. This and other ongoing infrastructure-related projects are expected to provide a boost to the domestic economy in the upcoming years.

The ringgit continued to be weak, declining -0.4% in December against the US dollar to 4.49. Foreign investors ended 2016 with a net sell position of MYR3.0 billion in Malaysian equities. The FBM KLCI index closed up 1.63% in December and up 0.07% for 2016.

Indonesia

Ratings agency Fitch revised Indonesia's long-term credit rating outlook to positive but maintained its current BBB- rating. It cited lower government debt burden, a favorable growth outlook, and limited sovereign exposure to banking sector risks as the key drivers for the revision. Separately,

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Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	12,014	1.22% ▲	-3.75% ▼	-3.75% ▼
FBM KLCI (RM)	1,642	1.63% ▲	0.07% ▲	0.07% ▲
S&P 500 (US\$)	4,279	1.98% ▲	11.96% ▲	11.96% ▲
Dow Jones Industrial Average (US\$)	19,763	3.44% ▲	16.50% ▲	16.50% ▲
FTSE All World (US\$)	279	2.27% ▲	8.64% ▲	8.64% ▲
MSCI All Country World Index (US\$)	422	2.18% ▲	8.48% ▲	8.48% ▲
MSCI Emerging Markets (US\$)	380	0.22% ▲	11.19% ▲	11.19% ▲
Dow Jones ASEAN Islamic (RM)	8,948	0.68% ▲	6.94% ▲	6.94% ▲
Jakarta Composite Index (RM)	5,297	3.89% ▲	25.42% ▲	25.42% ▲
Philippine Stock Exchange Index (RM)	6,841	1.95% ▲	-0.69% ▼	-0.69% ▼
Straits Times Index (RM)	2,881	-1.10% ▼	5.97% ▲	5.97% ▲
Stock Exchange of Thailand (RM)	1,543	2.30% ▲	29.89% ▲	29.89% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	4.49	4.47	4.29
Crude oil (US\$)	53.72	49.44	37.04
Crude palm oil (RM)	RM 3,218	RM 3,082	RM 2,398



the much talked about tax amnesty program hit a snag after the second-round data showed weaker-than-expected numbers. As of December 2016, total repatriation of IDR143.6 trillion is far below the IDR1,000 trillion target.

On the economic front, inflation remained benign around 3.0% in December, and the ongoing trade surplus hit \$0.8 billion, primarily as a result of a growing non-oil and gas surplus. The rupiah gained 0.7% compared to the previous month and ended the month at IDR13,473.

Foreign investors remained net sellers of Indonesian equities to the tune of \$273 million. For 2016, flows remained positive at \$1.3 billion due to strong inflows up to August 2016. The Jakarta Composite Index ended the month at 5296.7, up 3.02% in local currency terms and 3.89% in ringgit terms. For 2016, the index is up 17.52% in local currency and 25.42% in ringgit terms.

Philippines

The Philippines markets stabilized in December, up 0.97% in local currency and up 1.95% in ringgit terms, as equity market outflows stabilized and stock market valuations turned more reasonable. Further, investors now believe that the Philippines may be less impacted from a potential China-US trade war given its sizeable domestic economy. Year-to-date, the Philippine Stock Exchange Index closed up 0.19% in local currency but down -0.69% in ringgit terms.

Notably, the Philippine economy grew 7.1% in the third quarter of 2016, compared with 7.0% in the second quarter, and 6.0% a year ago. Private sector investments in construction grew by 16.2%, and public investment in infrastructure remained strong, up 20% over last year.

Singapore

The latest Nikkei Singapore Purchasing Managers Index (PMI) showed Singapore's private sector experienced increased orders and new business growth in December but hired more part-time workers given an expectation of slow future growth. IHS Markit, which compiles the index, also reported that companies raised prices at a record rate as they sought to offset rising costs, a sign of inflationary pressures in the coming months.

Singapore's economy shrank -2.0% in the third quarter from the second quarter on an annualized basis. Further, the government downgraded its forecasts for economic growth and exports for 2016 to 1.5%, compared with the previous projection of 1.0-2.0%, amid fresh uncertainty around global trade under US President-elect Donald Trump.

Singapore's Straits Times Index declined -0.60% in December to 2,880.76. In ringgit terms, the index fell -1.10% in the month. For the whole of 2016, the Index is up 3.78% in local currency, and is up 5.97% in ringgit terms.

Thailand

Thailand's consumer confidence rose in December, helped by year-end spending, government stimulus measures to boost consumption, an improvement in exports, and better commodity prices, including rubber. The country's manufacturing activity also experienced growth in output, new orders, and employment in December. Separately, the Thai economy grew 3.2% in the third quarter, compared to a 3.5% expansion in the second quarter, and slightly below the expectations for a 3.4% expansion.

The Stock Exchange of Thailand Index closed up 2.24% in December to 1,542.94. In ringgit terms, the index gained 2.30% in the month. Year-to-date, the Index is up 23.90% in local currency, and is up 29.89% in ringgit terms.

PORTFOLIO TACTICS

We continue to be cautious on the ASEAN region in the near to mid-term, as tepid exports and volatile currencies post-Trump, China slowdown, and future Fed rate hikes may continue to impact the economies of the region. We will continue to look for exciting catalysts and take appropriate long-term positions. Within the region, we favor Indonesia and Philippines over Malaysia, Singapore, and Thailand.