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MARKET REVIEW ASEAN

OVERVIEW

Q1 2018

The strength of the 2017 global market did not carry over to the first quarter of 2018, as the Trump administration imposed import tariffs on steel and aluminum. In retaliation, China introduced its own tariffs for US products, including soybeans, airplanes, and automobiles. As a result, the global markets saw increased volatility and negative returns. Economically, the US continues to see moderate growth.

In China, the Communist Party introduced changes to allow President Xi to remain in power indefinitely. Separately, Chinese and ASEAN exports remained strong due to continued global economic expansion. In Europe, economic and manufacturing growth maintained its upward trend, with Germany and France particularly strong.

For the quarter, S&P 500 fell -0.76%, with the Dow down -1.96% in the US. In Germany, the Deutsche Boerse AG German Stock Index (DAX Index) dropped -6.36% in local currency. On a relative basis, emerging markets fared better with the MSCI Emerging Markets Index rising 1.28%.

For the rest of 2018, the trade headlines will likely continue to take center stage, and the quality and intensity of the US-China trade relationship will probably shape the direction of the global markets. Growth in China and Asia, as well as Europe, could also be instrumental, along with earnings in the US, which are expected to benefit from the recent tax bill.

Zahid Siddique
Senior Equity Analyst

Chinese and ASEAN exports remained strong due to continued global economic expansion.

Malaysia

Malaysia's GDP grew 5.9% in the fourth quarter of 2017, slightly below the 6.2% achieved in the previous quarter but above the consensus forecasts. According to Bank Negara Malaysia, the economy is forecasted to grow between 5.5% and 6.0% in 2018, driven by resilient domestic demand, along with good work conditions, strong wages, infrastructure projects, and improved global economic growth.

Malaysia's equity market will likely stay healthy with the run-up to the upcoming elections. Furthermore, a stronger ringgit and stable oil prices could also further attract foreign investments.

The FTSE Bursa Malaysia KLCI gained 3.99% in the first quarter, the best among the ASEAN countries.

Market Indicators	Current Value	1 Month	1 Quarter	1 Year
FBM EMAS Shariah (RM)	13,163	-1.67% ▼	-0.55% ▼	5.46% ▲
FBM KLCI (RM)	1,856	0.55% ▲	3.99% ▲	10.23% ▲
S&P 500 (US$)	5,173	-2.54% ▼	-0.76% ▼	13.99% ▲
Dow Jones Industrial Average (US$)	24,103	-3.59% ▼	-1.96% ▼	19.39% ▲
FTSE All World (US$)	334	-2.18% ▼	-0.94% ▼	15.35% ▲
MSCI All Country World Index (US$)	505	-2.15% ▼	-0.91% ▼	15.37% ▲
MSCI Emerging Markets (US$)	528	-1.99% ▼	1.28% ▲	24.76% ▲
Dow Jones ASEAN Islamic (RM)	2,424	-3.24% ▼	-4.64% ▼	-0.50% ▼
Jakarta Composite Index (RM)	6,189	-6.98% ▼	-7.94% ▼	-3.87% ▼
Philippine Stock Exchange Index (RM)	7,980	-7.41% ▼	-14.88% ▼	-7.28% ▼
Straits Times Index (RM)	3,428	-2.78% ▼	-1.77% ▼	3.81% ▲
Stock Exchange of Thailand (RM)	1,767	-3.51% ▼	0.89% ▲	11.21% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US$	3.87	3.92	4.43
Crude oil (US$)	64.94	61.64	50.60
Crude palm oil (RM)	RM 2,378	RM 2,571	RM 2,833

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Indonesia

Indonesia's GDP grew 5.2% in the fourth quarter of 2017, the strongest in four years as the central bank continued to lower the benchmark interest rate. Household spending rebounded slightly, but credit and export growth remained weak. For 2017, the economy grew 5.1%.

In 2018, Indonesia's economy is forecasted to grow 5.3%, according to Indonesia's Finance Ministry.

The Jakarta Composite Index fell -2.38% in local currency and -7.94% in ringgit terms in the first quarter.

Philippines

Economists expect the Philippines' GDP to grow 7.0% both in the first quarter and full-year 2018, mainly driven by President Duterte's "Build, Build, Build" infrastructure program, exports, and outsourcing services. Notably, inflation has been rising steadily in the Philippines, currently standing at roughly 4.0%, the highest in the ASEAN region. However, increasing optimism may lead to higher expected sales in 2018 compared to 2017.

The Philippine Stock Exchange Index retreated -6.28% in the first quarter in local currency and -14.88% in ringgit terms, the largest decline across the region.

Singapore

According to the latest quarterly survey by the Monetary Authority of Singapore, economists now expect the economy to grow 3.2% in 2018, compared with earlier estimates of 3.0% and 2017 GDP growth of 3.6%. The growth in 2018 is expected to be driven by the continued strength in the electronics exports sector due to positive global growth. However, economists are concerned about the US-China trade war escalating over the year. Of note, Singapore's export growth is linked strongly to Chinese and US growth.

The FTSE Straits Times Index gained 1.09% in the first quarter in local currency, and fell -1.77% in ringgit terms.

Thailand

Thailand's economy is expected to grow 4.1% in 2018, compared to 3.9% growth in 2017, according to central bank forecasts. Like Singapore, Thailand is benefiting from manufacturing and electronics sector expansion. In addition, tourism, particularly tourists from China, has been and should remain a key driver of growth along with infrastructure projects picking up.

Both the elections, which were scheduled for November 2018, and the coronation ceremony for King Rama X, have been postponed once again, adding to political uncertainty.

The Stock Exchange of Thailand rose 1.58% in the first quarter in local currency and 0.89% in ringgit terms.

PORTFOLIO TACTICS

We are optimistic on the ASEAN region in the near to mid-term, as improved exports and stable currencies offset future Fed rate hikes or other adverse events. Given that the economic conditions have improved, we see potential favorable returns in the region. As such, we will continue to look for exciting catalysts and take appropriate long-term positions. Within the region, we favor Malaysia, Singapore, and Thailand over Indonesia and the Philippines.

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