

Equities Weekly – A Weak Start To The Quarter [9 Apr 2012]

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A WEAK START TO THE QUARTER

Equity markets were largely down over the week ended 6 April 2012, with global equities losing -1.7% for the week. Amongst the various regions, the developed nations were the week's worst performers, with Europe, Japan and the US losing -3.3%, -2.6% and -0.5% respectively. Asia ex-Japan was the best performing region, with gains of 0.3% for the week, largely helped by strong performances in Indonesia, Korea and China, which returned 1.1%, 1% and 1.2% respectively. Market's were generally quiet over the week as a spate of holidays (Qing Ming in Hong Kong, Good Friday in many countries) kept the week short and volumes light.

Despite the weak start to the quarter, global equity markets have seen one of the best quarters in recent times as highlighted in our [Equity Market Review 1Q 12: A Positive Quarter for All Markets](#).

[All returns in MYR terms]

US: FOMC MINUTES & NON-FARM PAYROLLS DISAPPOINT

Minutes for March's meeting released by the Fed indicated only a "couple" of members had advocated that "the initiation of additional stimulus could become necessary if the economy lost momentum" or if inflation looked likely to fall below its mandated 2% target. The difference in the number of members, although not specified, showed a relatively marked decrease from "a few members", with the market interpreting it as the Fed suggesting that QE3 was more than likely not on the cards. Despite the market's interpretation of the minutes, should employment growth turn sluggish and economic growth deteriorate later on in the year, the option could very well be exercised if adjudged to be needed.

In other economic news, despite the unemployment rate falling to 8.2% from 8.3% and US non-farm payrolls growing by 120,000 in March, the payrolls figure had missed consensus expectations of 203,000. Despite the seeming setback of missing expectations, non-farm payrolls has been on a stellar run following 3 consecutive months of over 200,000 additions to the payroll.

EUROPE: DEBT JITTERS

Spain's bond issuance failed to bring comfort to investors, as borrowing costs on their newly issued debt rose. Spain's issuance of 3 year bonds saw its yield rise to 2.89%, up from 2.44% in 15 March, with a lower bid-to-cover ratio of just 2.41x, down from 4.96x (a sign of lower investor demand). Similarly, Spanish 4 year bonds issued saw rising yields, with the yield rising to 4.32% from 3.38% in 1 March, while the bid-to-cover ratio fell to 2.46x from 2.59x. Investors have seemingly been worried about the effect on Spain's economy with the latest austerity budget as

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unemployment is expected to reach a staggering 24.3% from its current level of 23.5%, mainly due to expectations of a -1.7% contraction in the Spanish economy.

In monetary policy affairs, ECB President Mario Draghi rebutted the Bundesbank's (German Central Bank) calls for plans to exit the 'easy money' policies that the ECB has implemented. Draghi comments of "given the present conditions of output and unemployment, which is at historical high, any exit strategy talking for the time being is premature." have signalled that the ECB is unlikely to withdraw its support to capital markets anytime soon, despite him keeping a close watch on inflation with remarks of "It also is important to keep in mind that all non-standard measures are temporary in nature and all the necessary tools are available to address upside risks to medium-term price stability in a firm and timely manner."

Given that risks to the downside are becoming more pronounced in the European periphery with the Italian and Spanish economies struggling, we do not expect the ECB to withdraw its policy support in the foreseeable future.

SOUTH EAST ASIA

Malaysia: Economic Transformation programme Exceeds 2011 Targets

Private investments in Malaysia for 2011 surpassed its target by 13% to reach RM 94 billion in the first year of implementation of the Economic Transformation Programme (ETP). This was the highest investment amount over the past 5 years according to the Bank Negara 2011 Annual Report. Gross National Income (GNI, at current price) also surpassed its target by 4% and reached RM 830 billion. The confidence created by the ETP also attracted more foreign direct investment (FDI) in which FDI increased 12.3% to RM 32.9 billion as compared with 2010. Overall, within the 12 National Key Economic Areas (NKEAs), five key sectors performed 20% above its KPIs.

The ETP aims to attract RM 1.4 trillion of investments to generate a GNI of RM 1.7 trillion whilst creating 3.3 million incremental jobs by 2020. These figures translate into a GNI per capita of USD 15,000 and should help Malaysia attain into a High-Income nation status.

Thailand: Inflation Exceeds Expectations

Thailand's inflation rate grew 3.45% on a year-on-year in March, beating consensus estimates of a 3.2% increase. This is the first time inflation has accelerated in the past five months after it eased to 3.35% in February. Based on the Energy Policy and Planning office, retail fuel prices in Thailand have risen more than 20% since beginning of this year and were the main reason for the increase in inflation. The energy component in the consumer price index rose by 4.7% in March as compare to a year earlier and increased from last month's 4.0% rise. Nevertheless, inflation still remains benign in Thailand and we expect Bank of Thailand to maintain an accommodative monetary policy to promote economic growth.

[We are displaying market earnings and valuations based on in-house estimates or consensus estimates for all markets under coverage]

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Market	Local Currency				MYR			5 year	PE	PE	PE	Earnings	Earnings	Earnings
	6-Apr-12	31-Mar-12	2012	2011	31-Mar-12	2012	2011							
	Index Level	Return MTD	Returns YTD	Returns	Return MTD	Returns YTD	Returns	Bd yield	2011	2012	2013	Grth Yr11(%)	Grth Yr12(%)	Grth Yr13(%)
MSCI World	328.02	-1.6%	9.5%	-9.4%	-1.5%	6.0%	-6.3%	2.0	12.7	11.5	10.2	9.5	10.1	13.2
USA	1398.08	-0.7%	11.2%	0.0%	-0.5%	7.7%	3.5%	0.90	13.4	11.9	10.7	22.4	12.9	11.2
Europe (Stoxx 600)	259.07	-1.6%	5.9%	-11.3%	-3.3%	3.5%	-11.0%	0.72	13.1	12.7	10.8	-11.6	3.5	17.6
Japan^	9688.45	-3.9%	14.6%	-17.3%	-2.6%	4.6%	-9.7%	0.31	15.2	12.3	11.2	11.9	23.3	10.7
MSCI Emerging Markets	1036.71	-0.5%	13.1%	-20.4%	-0.4%	9.4%	-17.6%	5.4	11.0	10.0	8.6	9.5	9.5	16.3
MSCI Asia ex Jap	521.23	0.2%	13.6%	-19.2%	0.3%	10.0%	-16.3%	2.2	12.1	11.3	9.5	10.9	6.7	18.7
Singapore	2986.20	-0.8%	12.8%	-17.0%	-0.7%	12.6%	-15.0%	0.62	14.6	15.6	11.4	0.9	-6.4	35.9
Hong Kong	20593.00	0.2%	11.7%	-20.0%	0.5%	8.3%	-17.1%	0.66	10.4	9.4	8.4	23.2	10.9	11.8
Taiwan	7706.26	-2.9%	9.0%	-21.2%	-2.8%	8.1%	-21.5%	1.01	14.9	12.2	11.1	-13.3	22.7	9.4
Korea	2029.03	0.7%	11.1%	-11.0%	1.0%	9.5%	-10.2%	3.69	10.2	10.0	8.5	15.5	1.9	17.6
China (HSML100)*	6390.78	0.9%	11.0%	-19.3%	1.2%	7.6%	-16.4%	3.16	9.3	8.3	7.5	26.8	11.8	11.3
Shanghai A (SHCOMP)	2306.55	1.9%	4.9%	-21.7%	1.9%	1.3%	-15.2%	3.16	9.7	8.4	7.6	33.8	16.1	10.5
China A (CSI 300)	2519.83	2.6%	7.4%	-25.0%	2.6%	3.8%	-18.8%	3.16	10.4	8.8	7.7	33.8	18.3	14.5
Malaysia	1598.87	0.2%	4.5%	0.8%	0.2%	4.5%	0.8%	3.35	17.1	15.8	14.0	-1.0	8.3	12.9
Thailand	1182.41	-1.2%	15.3%	-0.7%	-1.5%	13.9%	-2.5%	3.65	12.5	10.7	9.9	34.3	17.0	8.1
India^	17486.02	0.5%	13.1%	-24.6%	0.2%	13.7%	-34.4%	8.35	13.5	12.1	11.7	22.7	11.7	3.3
Indonesia	4166.37	1.1%	9.0%	3.2%	2.0%	6.1%	4.2%	5.17	14.3	12.2	10.8	41.5	17.2	12.9
Russia#	1613.25	-1.5%	16.7%	-21.9%	-1.4%	12.9%	-19.7%	7.31	5.7	5.5	4.6	35.9	4.8	18.1
Brazil	63691.18	-1.3%	12.2%	-18.1%	-1.3%	10.5%	-24.7%	11.14	11.3	9.2	8.4	3.6	22.4	10.2
Australia^^	4319.85	-0.4%	6.5%	-14.5%	-0.7%	3.8%	-11.3%	3.50	12.1	11.0	9.8	4.9	10.4	12.4
Nasdaq 100	2762.50	0.3%	21.3%	2.7%	0.5%	17.5%	6.3%	-	14.7	12.8	11.3	43.0	14.8	12.8

* Mainland Companies - Hang Seng Mainland 100 Index is a market capitalization weight index that comprise both H-share companies and red-chip stocks listed in main board of SEHK and including in HSCI index. The index is the benchmark of all China Mainland stock performance in Hong Kong

^ For Japan and India, their financial reporting year ends during the month of March

^^ For Australia, their financial reporting year ends during the month of June

Russia benchmark index - RTSIS\$ is denominated in USD. However, 5 years bond yields are based on RUB denominated sovereign bonds as there are no USD denominated bonds. We acknowledge and accept the difference based on the assumption that while USD denominated share prices are not trading at a premium or discount to RUB denominated share prices (for the same company stock), there should be no significant difference in tracking Russia equity index in either RUB or USD

