

KLSE/ SGX Outlook 2015

Background

- Oil price bottoming
- Sentiment negative, retailers out
- Low interest rates world wide
- Loan growth slowing
- GST uncertainty
- Weak RM
- CPO weak

XLE Energy Select Sector SPDR NYSE

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26-Feb-2015

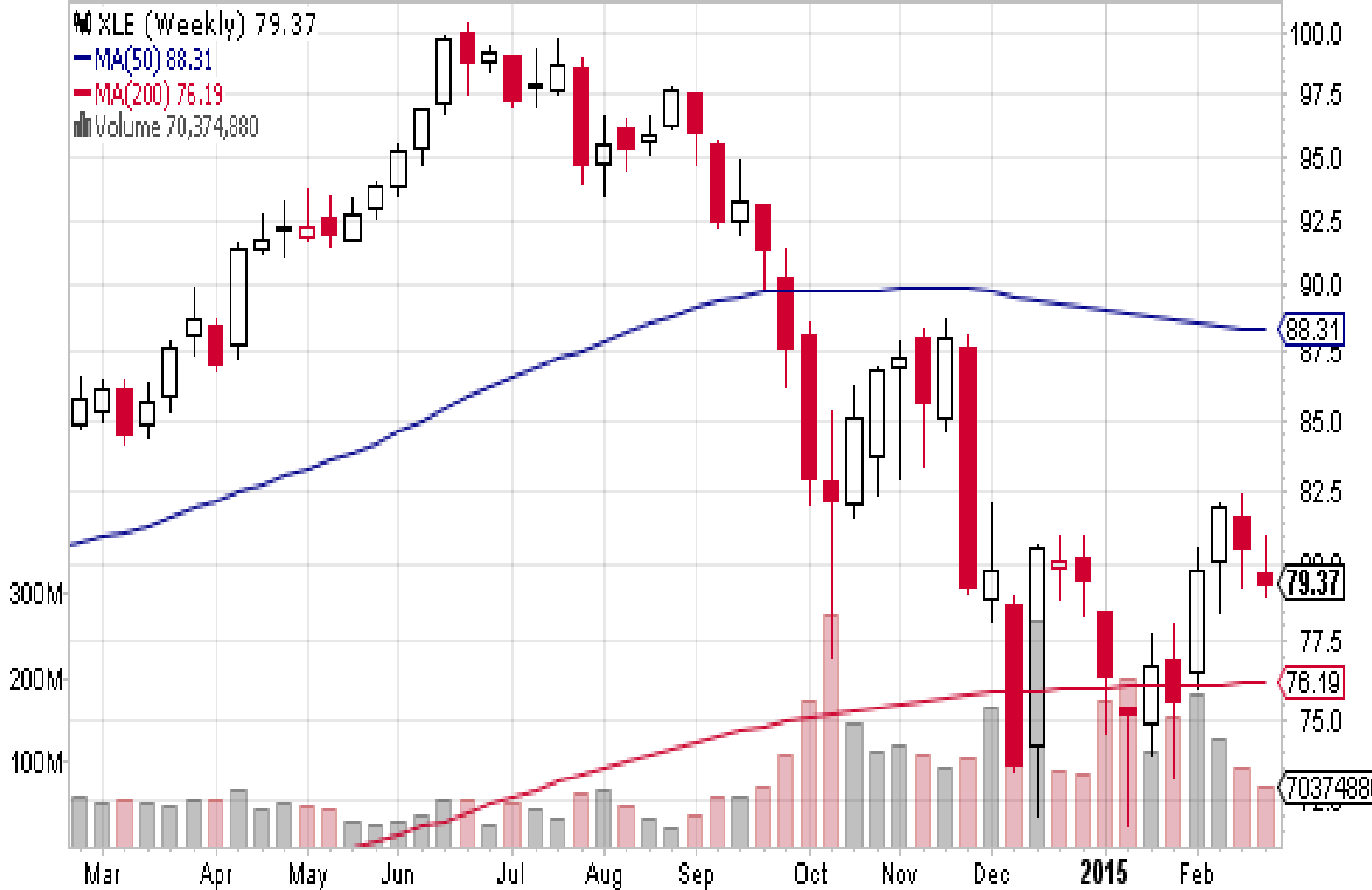
Open 79.75 High 81.00 Low 78.95 Close 79.37 Volume 70.4M Chg -1.17 (-1.45%) ▼

XLE (Weekly) 79.37

MA(50) 88.31

MA(200) 76.19

Volume 70,374,880



Low inflation

\$CRB Reuters/Jefferies CRB Index (EOD) INDX

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27-Feb-2015

Open 222.29 High 224.21 Low 220.54 Close 224.08 Chg -0.68 (-0.30%) ▼

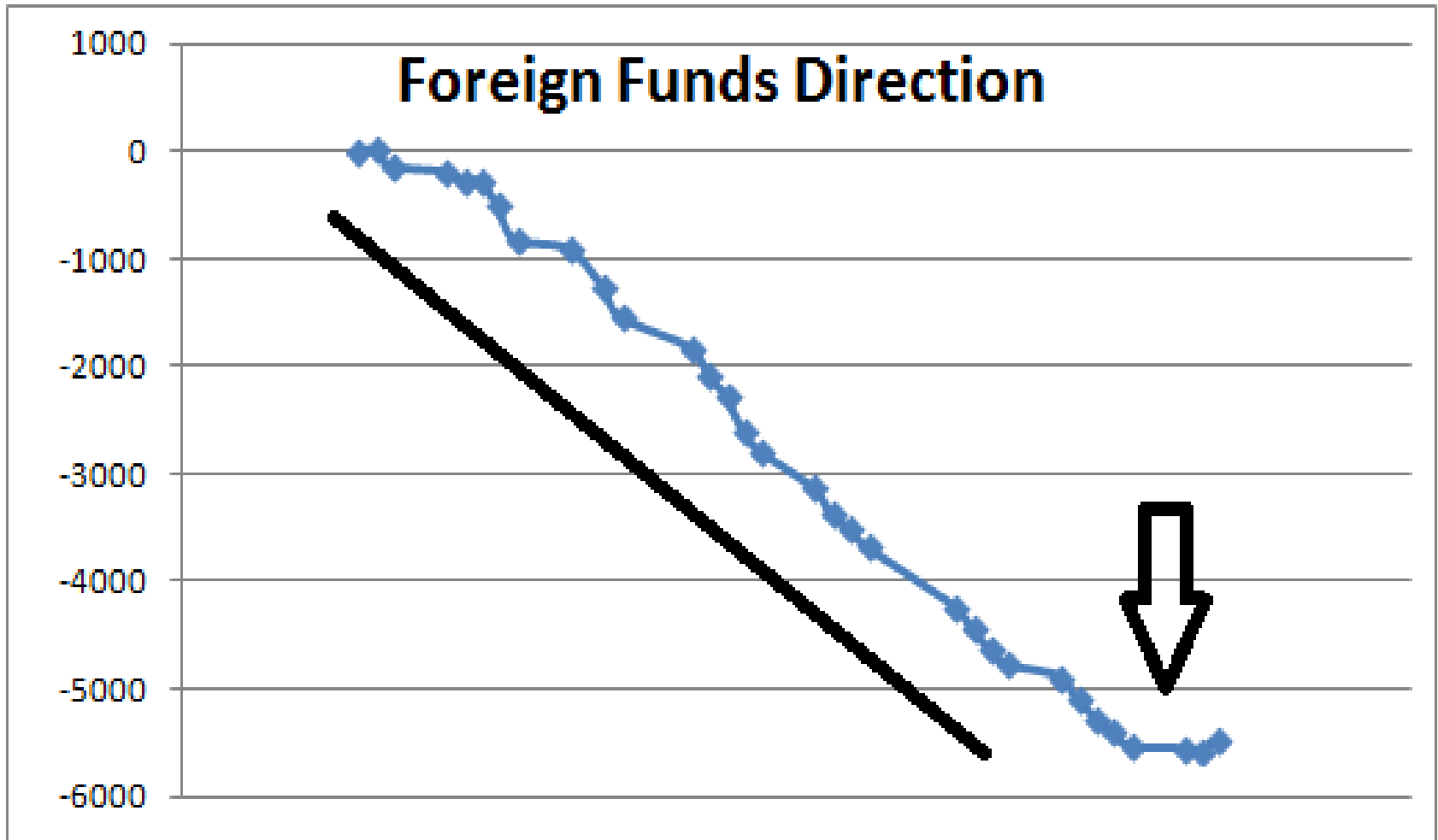


Oil price impact

- Low petrol prices a stimulus to 90 % of businesses and contributes to higher margins

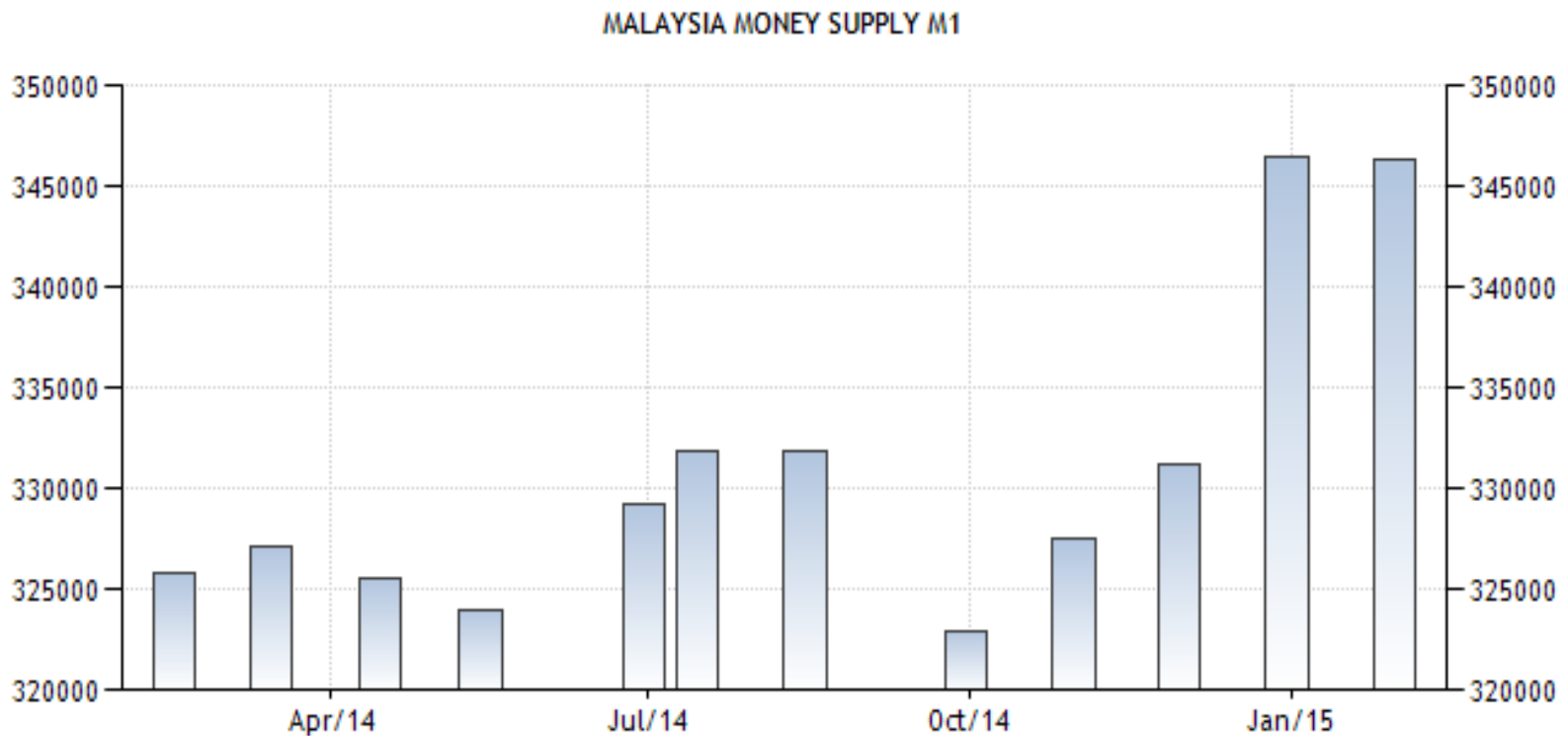
Foreign fund direction

- Not so aggressive in last 2 months, lowest in 5 years



M1 Slowing

- From Bank Negara website
- Avoid highly leveraged companies / small caps



Defaults

- Car loans
- Credit cards
- Housing

GST

- Partially discounted
- Focus on tourist related/ hotel/ rubber gloves electronics/ consumer stocks with inelastic demand
- GST impact will taper off as time passes.
- Lower tax revenues from Petronas cushioned by higher revenues from GST
- GST exemption list growing

QE

- 13 Trillion injected into world markets 3 trillion yet to go
- Weak economies world wide, governments will print more money,
- Currency wars, race to debase
- Japan, Russia, Much of Europe still in recession, low growth
- 8 countries with negative interest rates

Secret meetings between US Federal Reserve and Obama

- Obama wishes to keep zero interest rates.

Some good news

- EPF to up exposure to overseas to 26 %
- Malaysia's growth still among the worlds best
- Zeti "Fears of Malaysia's woes overblown"
- Templeton's Hasenstab still favors Malaysia
- Demand positive for MGS
- Not in crises but in murky waters, MEIR economist Shankaran Nambiar
- Retailers lowest participation rate in 15 years