

Going to 2015, What to Expect ?

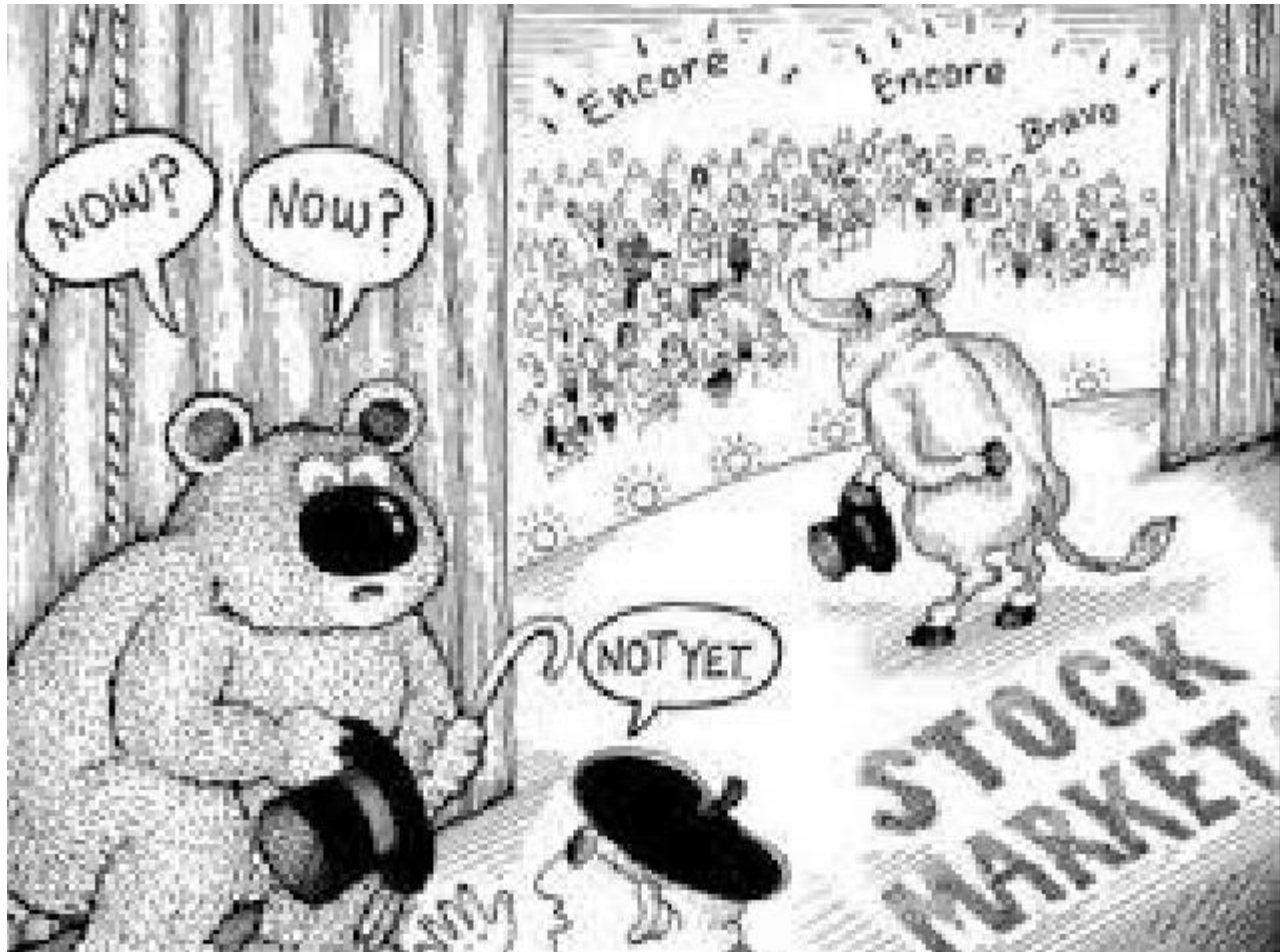
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Agenda

- Discuss the outlook of 4 major economies; US, Europe, Japan and China
- Local economy outlook
- Appetizer for commodities in 2015
- Conclusion



Diverging World Economies

Global Quarterly Real GDP Growth (% YoY)

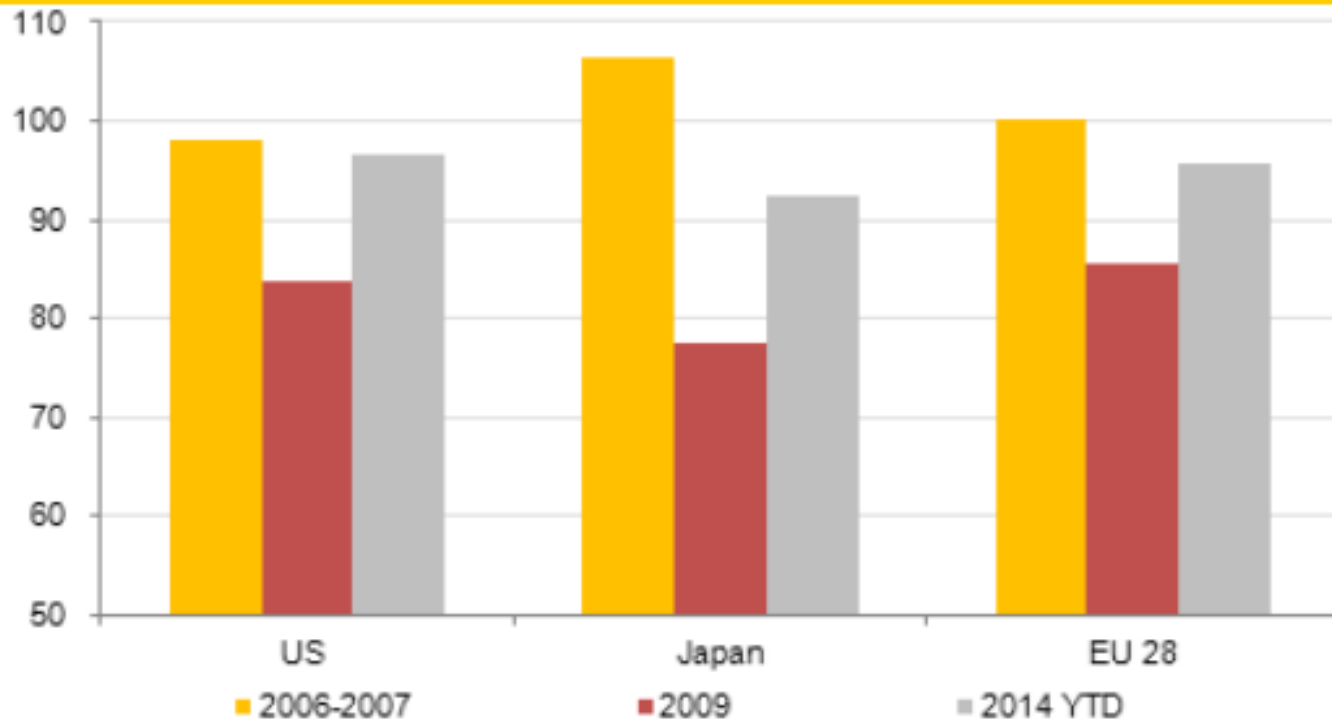
	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
WORLD	2.6	3.0	3.5	4.0	3.8	3.7	3.6
US	1.7	1.8	2.3	3.1	1.9	2.6	2.4
Eurozone	(1.2)	(0.6)	(0.3)	0.4	1.1	0.8	0.8
Japan	0.5	1.4	2.2	2.3	2.5	(0.3)	(1.3)
UK	0.8	1.7	1.7	2.7	2.9	3.2	3.0
China	7.7	7.5	7.8	7.7	7.4	7.5	7.3
Russia	0.8	1.0	1.3	2.0	0.9	0.8	0.7
Brazil	1.9	3.5	2.4	2.2	1.9	(0.9)	(0.2)
India	4.4	4.7	5.2	4.6	4.6	5.7	5.3
S. Korea	2.1	2.7	3.4	3.7	3.9	3.5	3.2
Hong Kong	2.9	3.0	3.0	2.9	2.6	1.8	2.7
Taiwan	1.4	2.6	1.5	3.4	3.4	3.9	3.6
Singapore	1.5	4.0	5.0	4.9	4.8	2.3	2.8
Indonesia	6.0	5.8	5.6	5.7	5.2	5.1	5.0
Thailand	5.4	2.9	2.7	0.6	(0.5)	0.4	0.6
Malaysia	4.2	4.5	5.0	5.1	6.2	6.5	5.6
Philippines	7.7	7.9	7.0	6.3	5.6	6.4	5.3
Vietnam	4.8	5.0	5.5	6.0	5.1	5.4	6.2

Sources: Bloomberg, CEIC, Maybank KE estimate (for Global GDP Growth)

Note: Our internal calculation of global real GDP growth has an over-estimation bias of between +0.2ppt to +0.3ppt versus actual numbers based on IMF figures

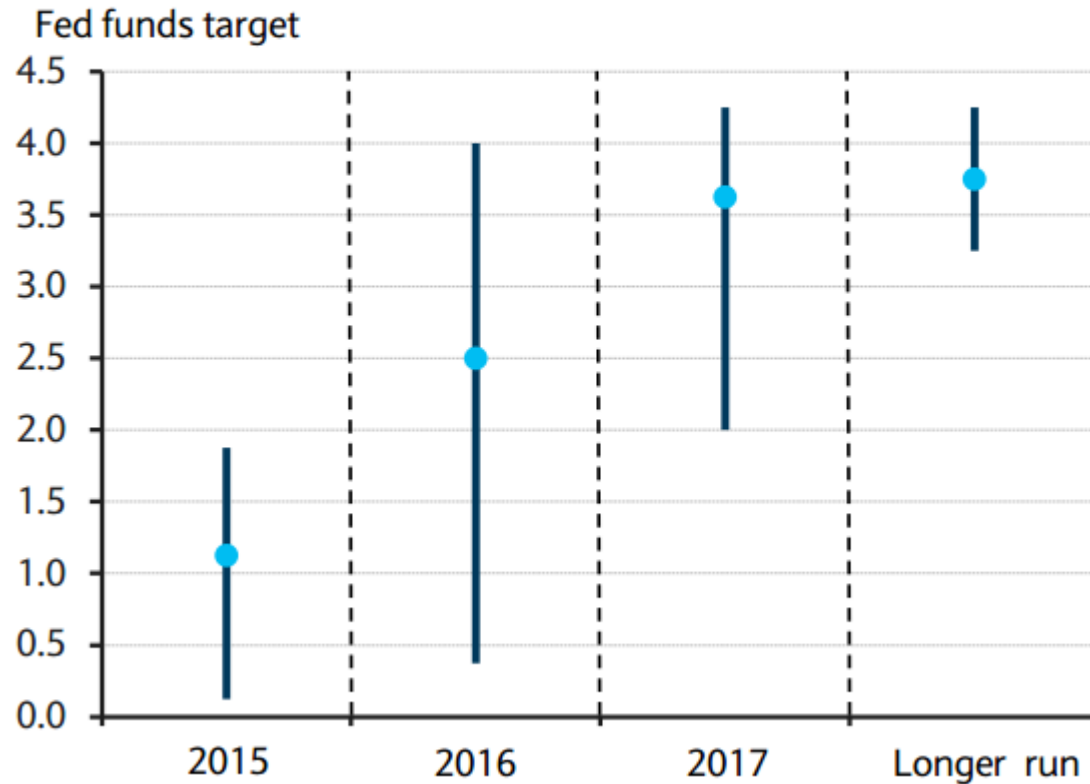
Only US is recovering

Capacity Utilisation Rate in US, Japan, Europe (Index, June 2000 = 100)



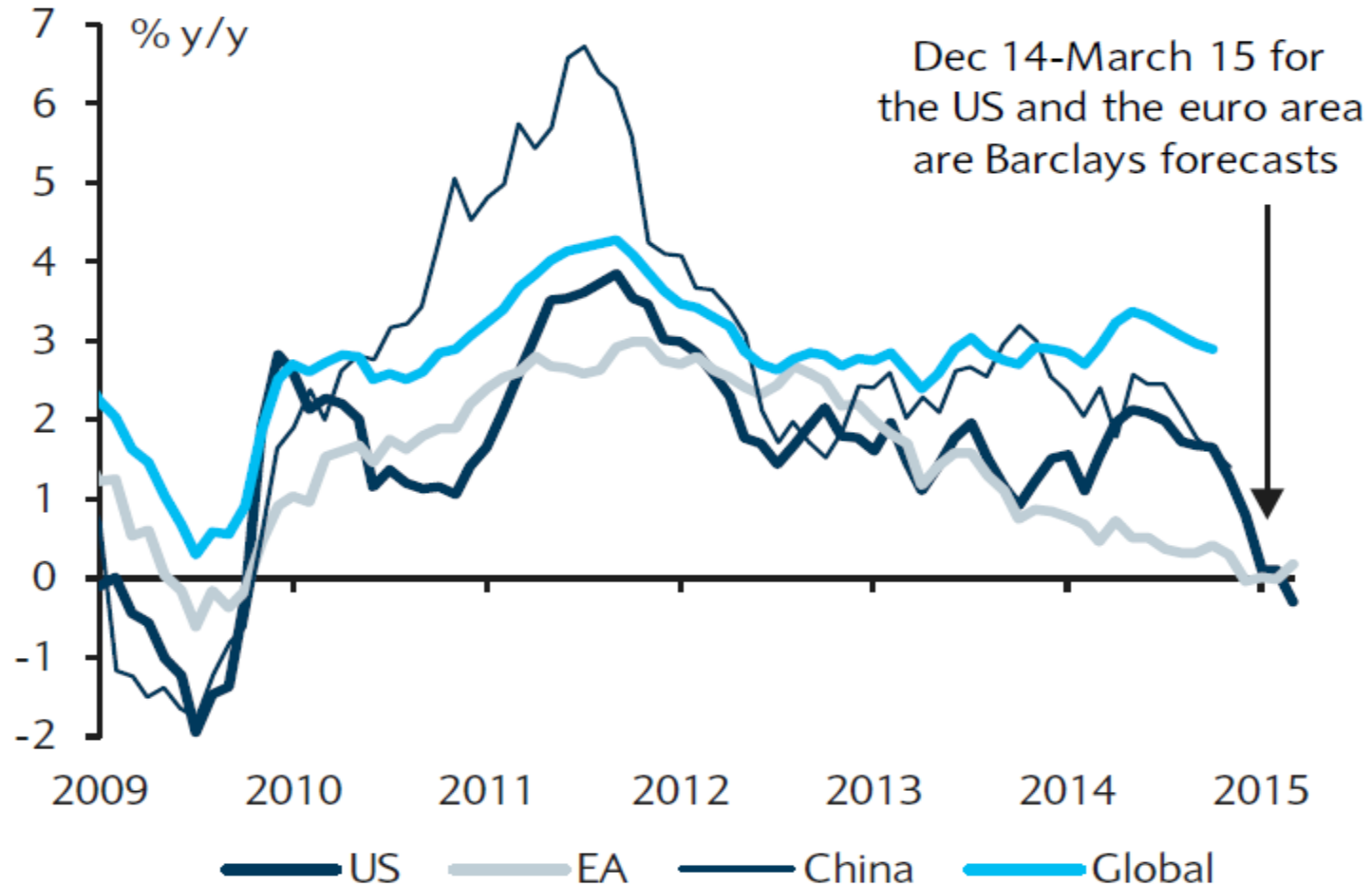
Let The Tightening Begins

Uncertainty about the pace of policy firming in 2016 remains elevated



Risk of Deflation in 2015

Headline inflation % y/y



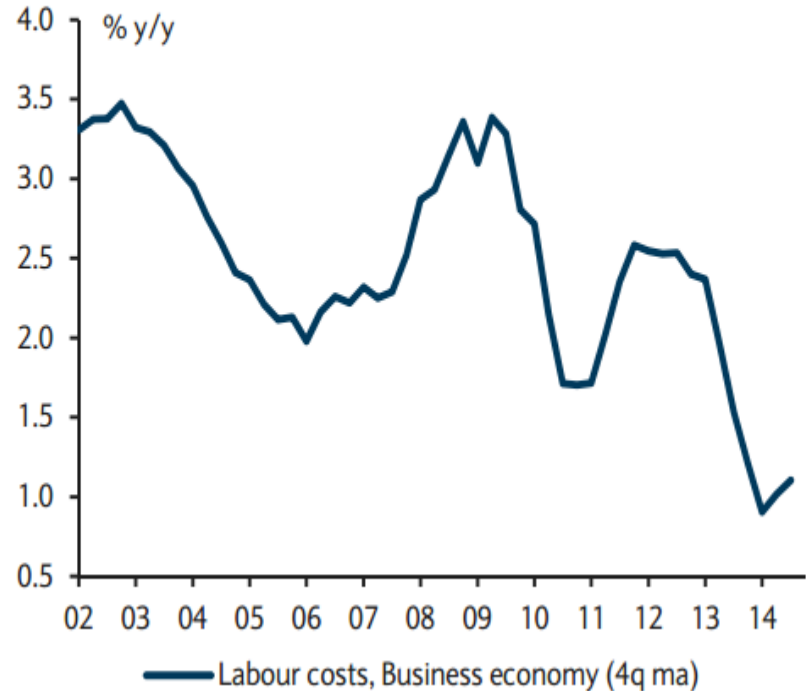
Source: Eurostat, CEIC, BLS, Barclays Research

Deflation Risk Imminent Prompting Further Actions in 2015

FIGURE 1
Euro area headline and core inflation profile

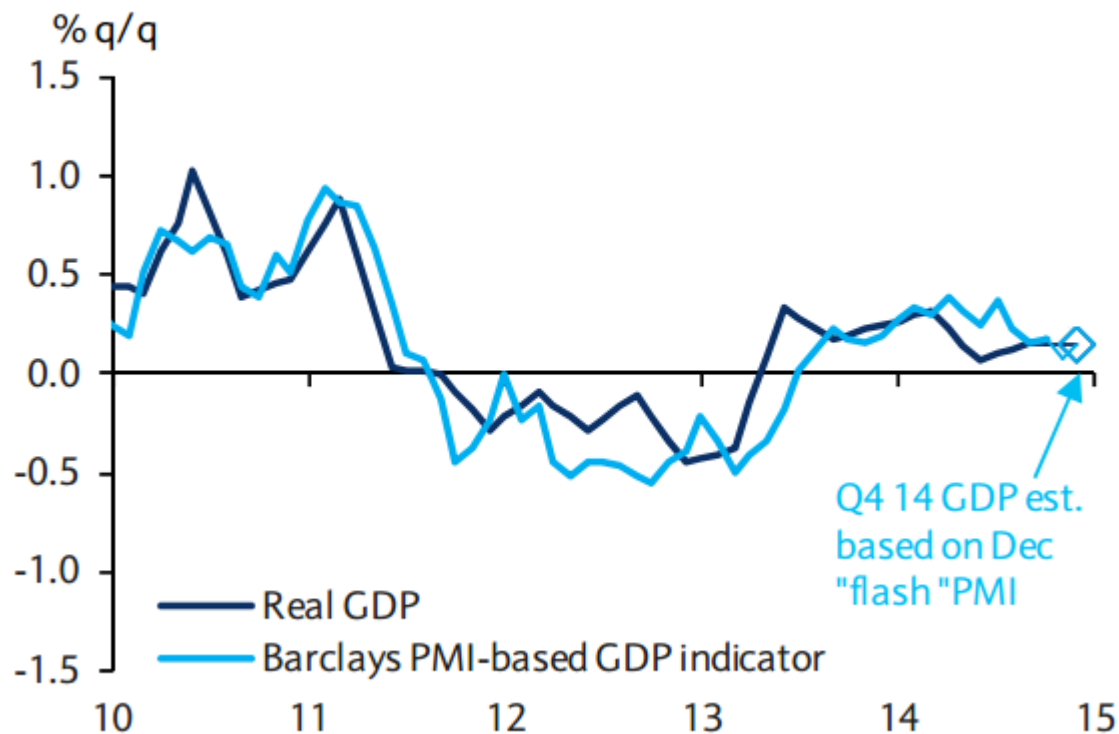


FIGURE 2
Inflation pressures from labour remain subdued



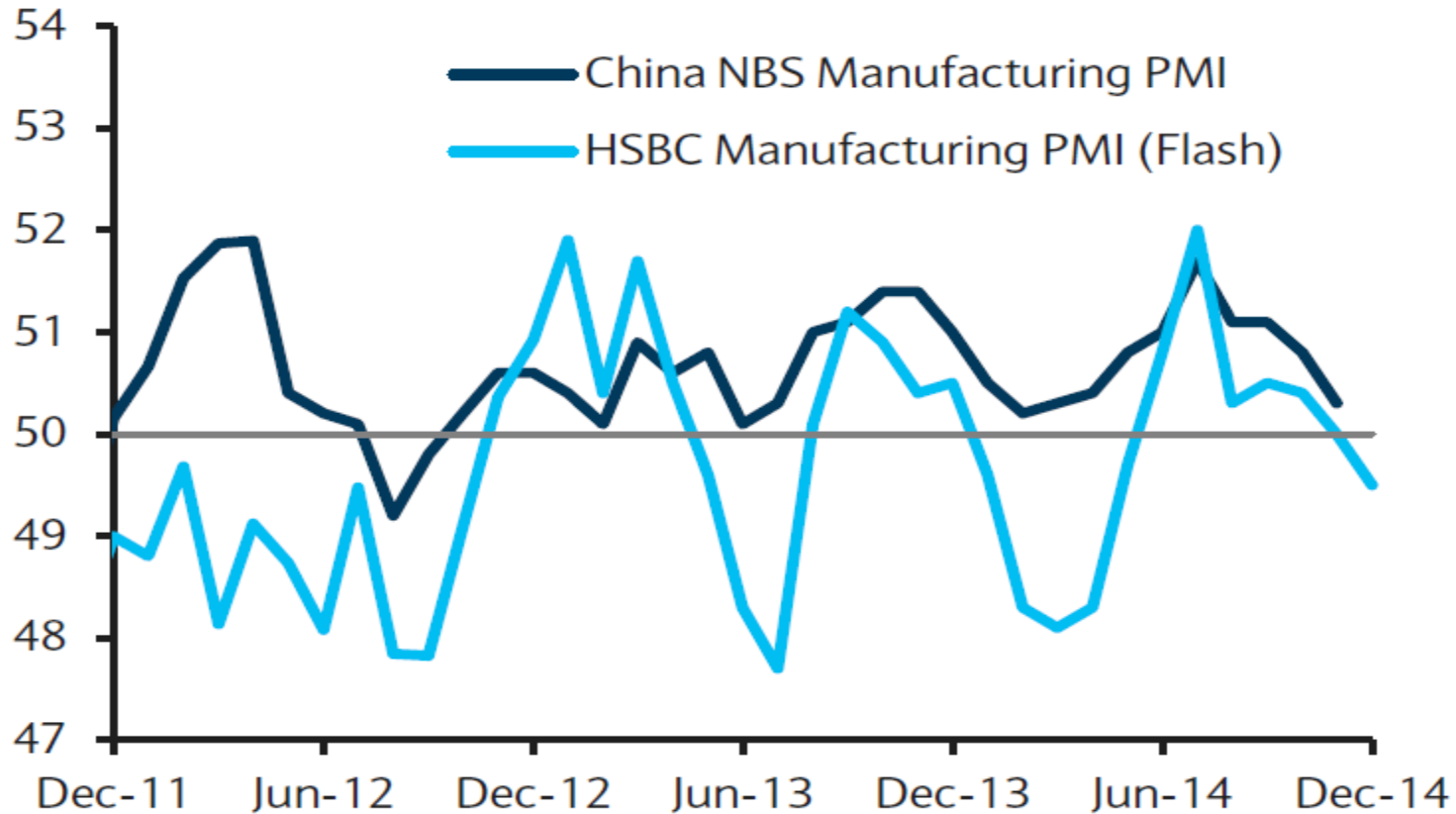
Anticipate Subdued Growth in Euro Region in 2015

Euro area PMIs in line with our Q4 forecast



Weaker Dragon Economy

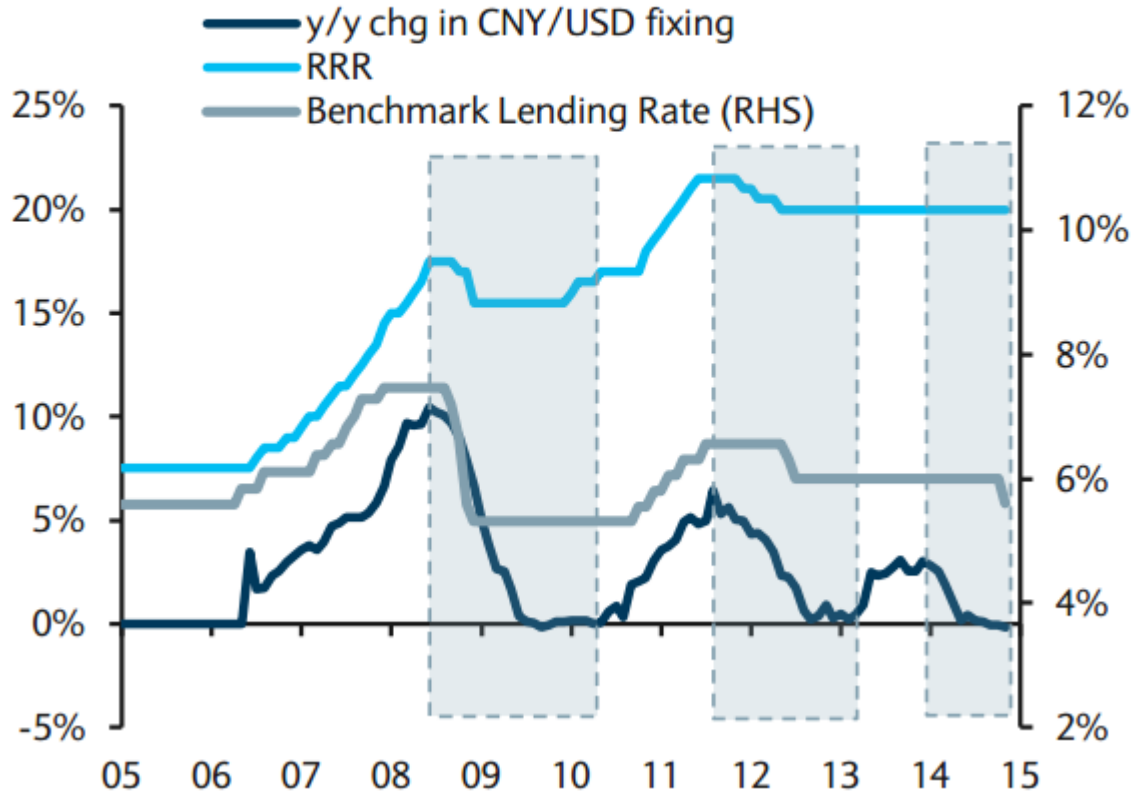
Index, 50+ = expansion



Source: Haver Analytics, Barclays Research

Rate Cut A Positive Step

The pace of CNY appreciation broadly moves in the same direction as other monetary tools



Slower Growth for China Is Expected in Years to come

Galaxy Entertainment Group Limited (0027.HK) ★ Watchlist

42.40 -0.95(2.19%) Hong Kong - As of 2:59AM EST

Beat the market

Get the app



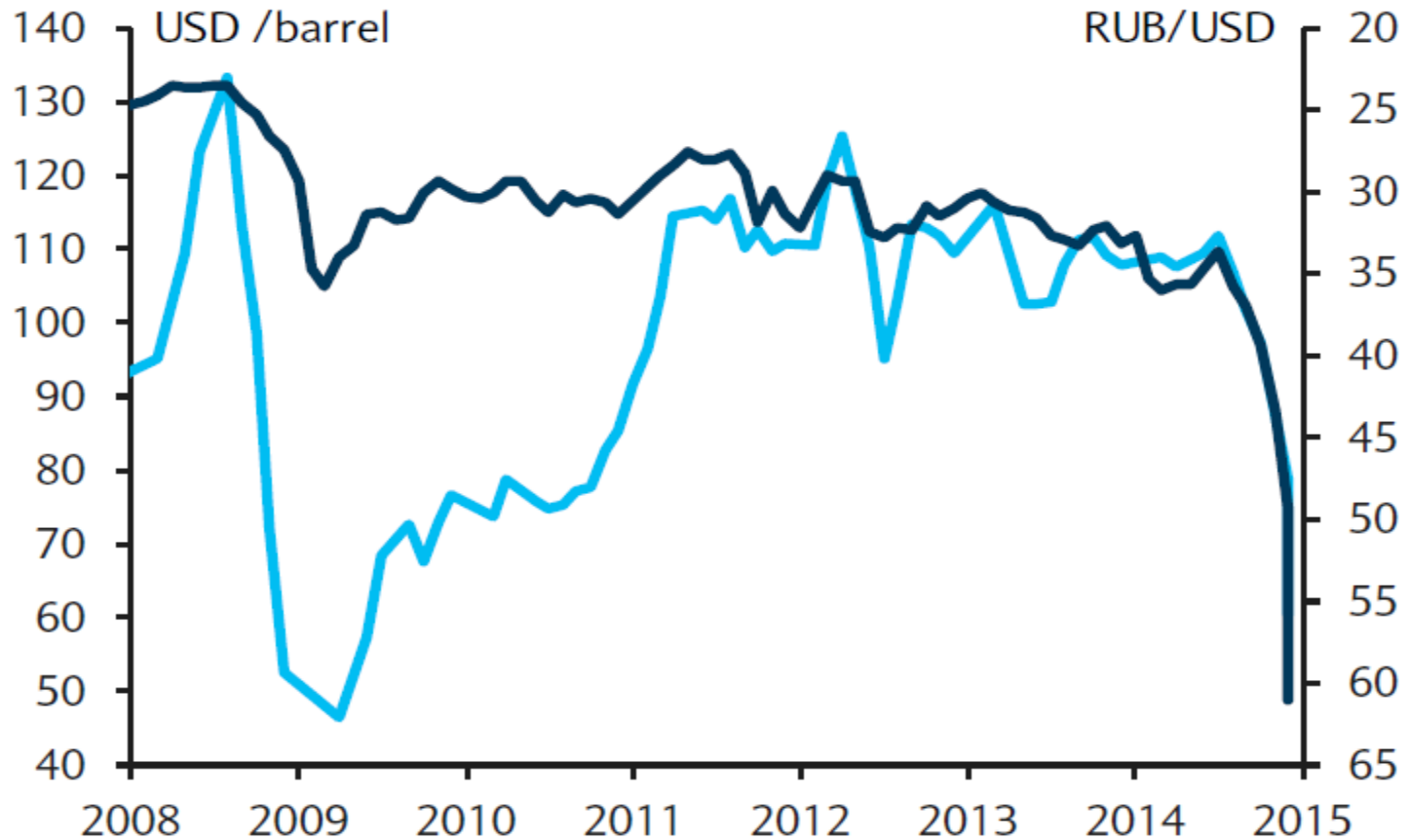
1d 5d 1m 3m 6m YTD 1y 2y 5y 10y Max Custom + Indicator + Comparison Reset Go To Symbol



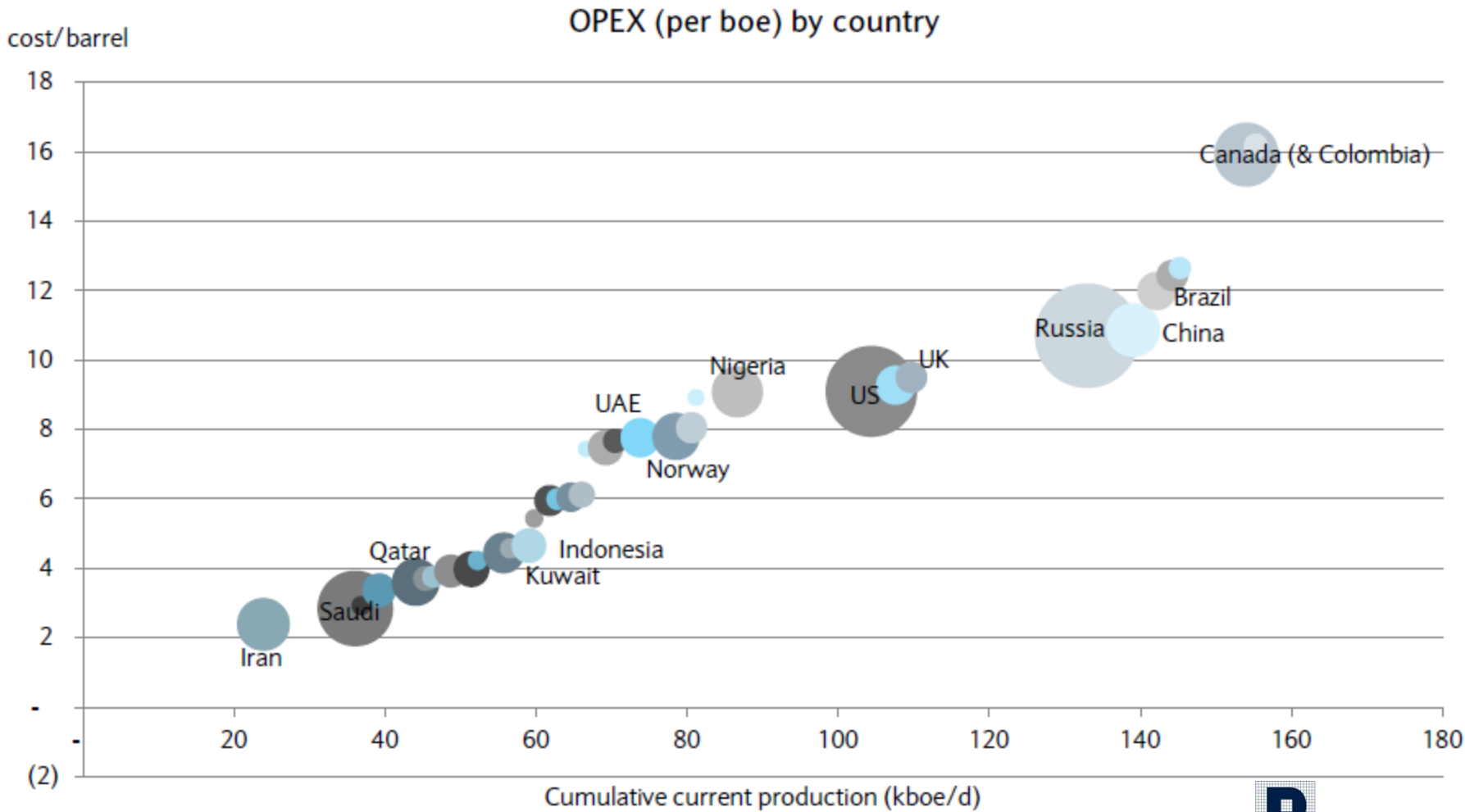
— M2 — Credit — TSF

Russia Is Suffering

Oil prices and ruble monthly prices



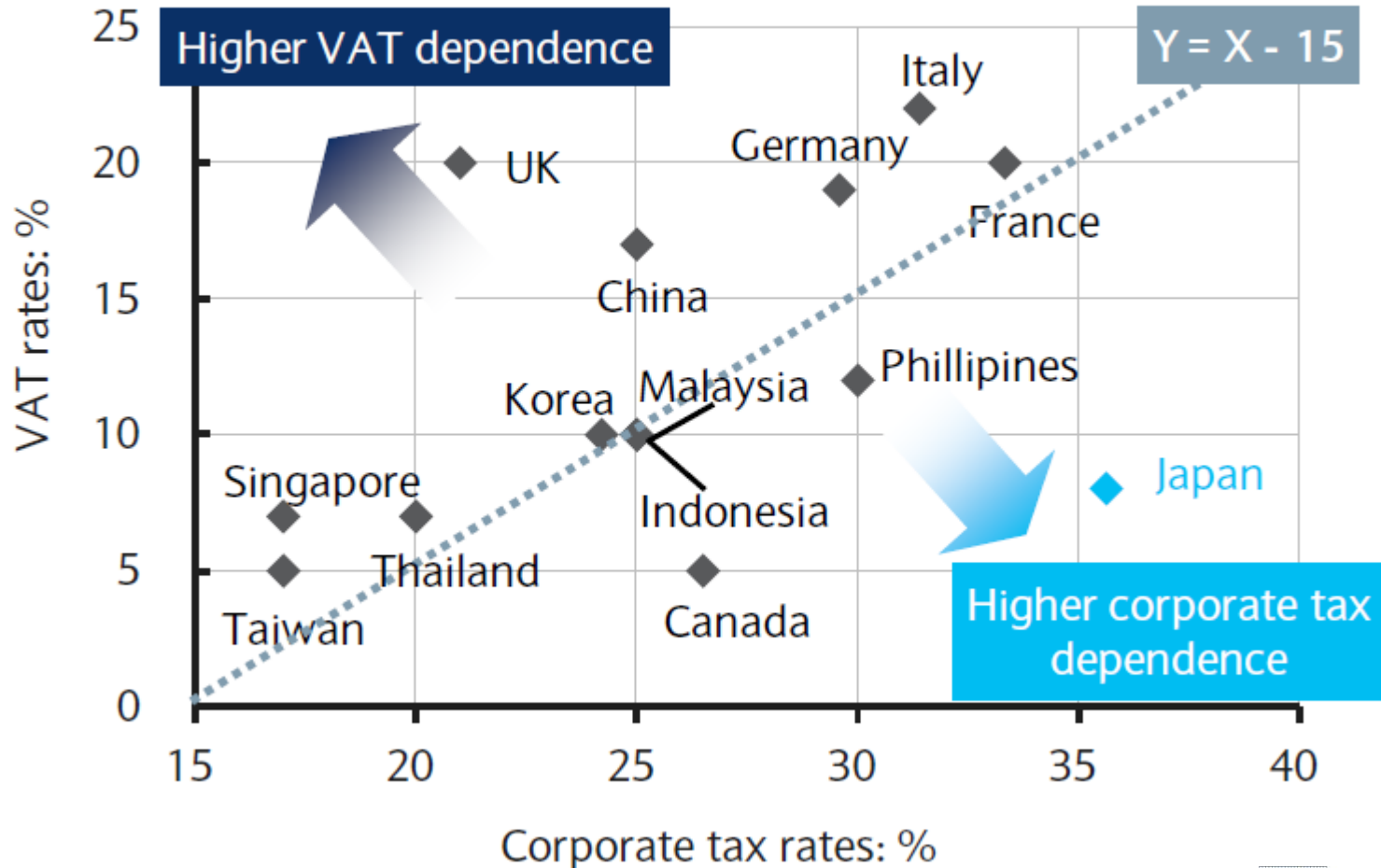
OPEX per barrel of oil equivalent is extremely low for many producing countries. Even though these costs do not include government take (taxes and royalties), which could add \$10-20, prices would have to fall to \$30-40/bbl and stay there to see significant shut-ins.



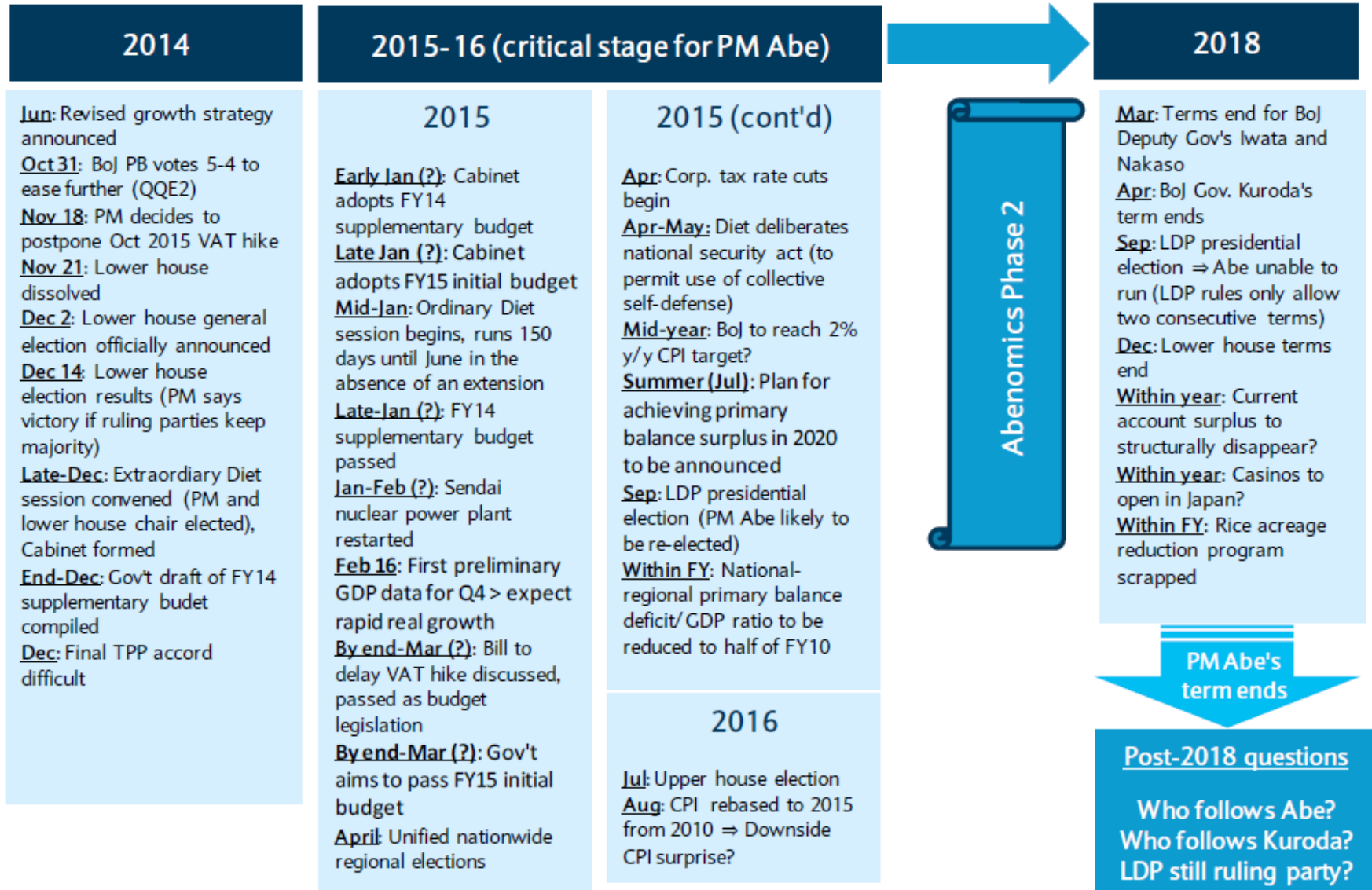


Tax Balancing in Japan

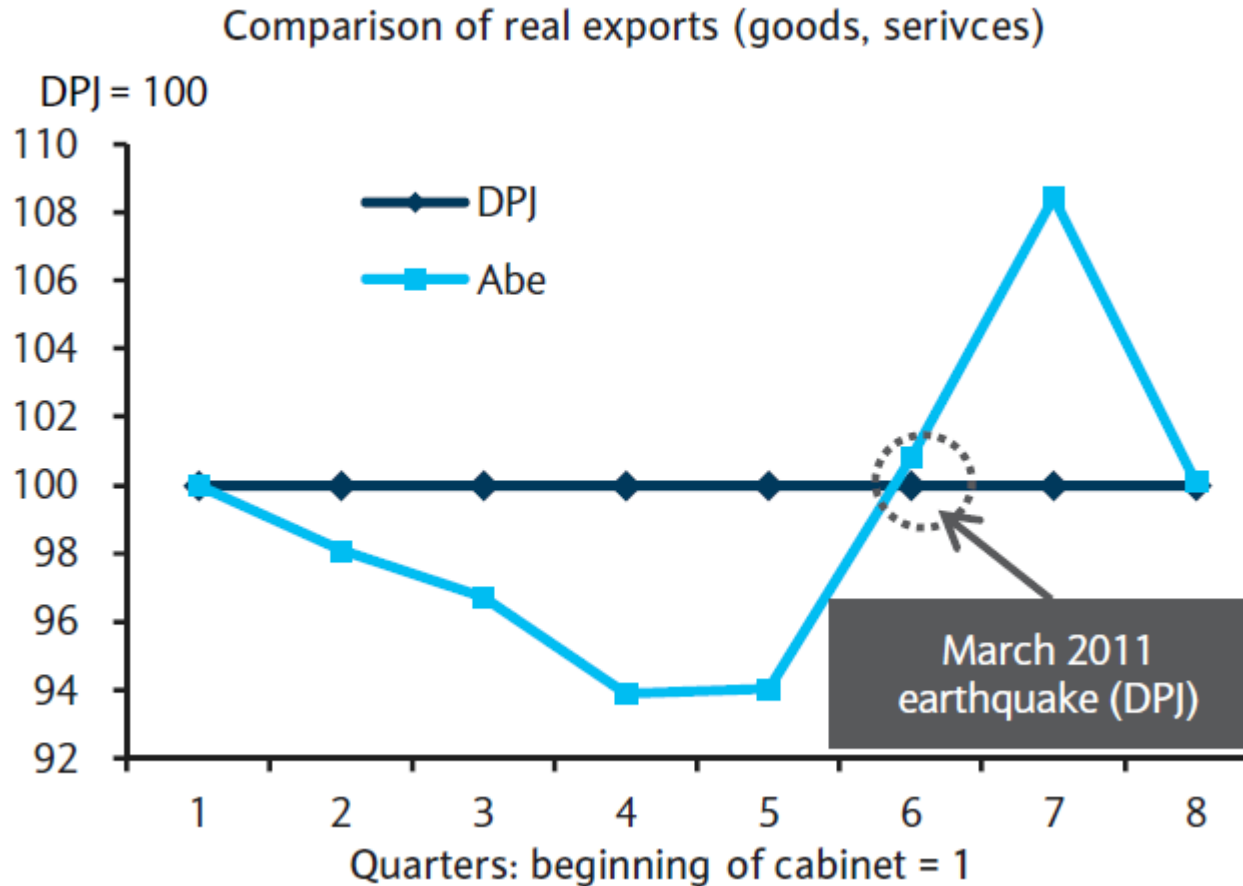
Comparison of VAT and corporate tax rates



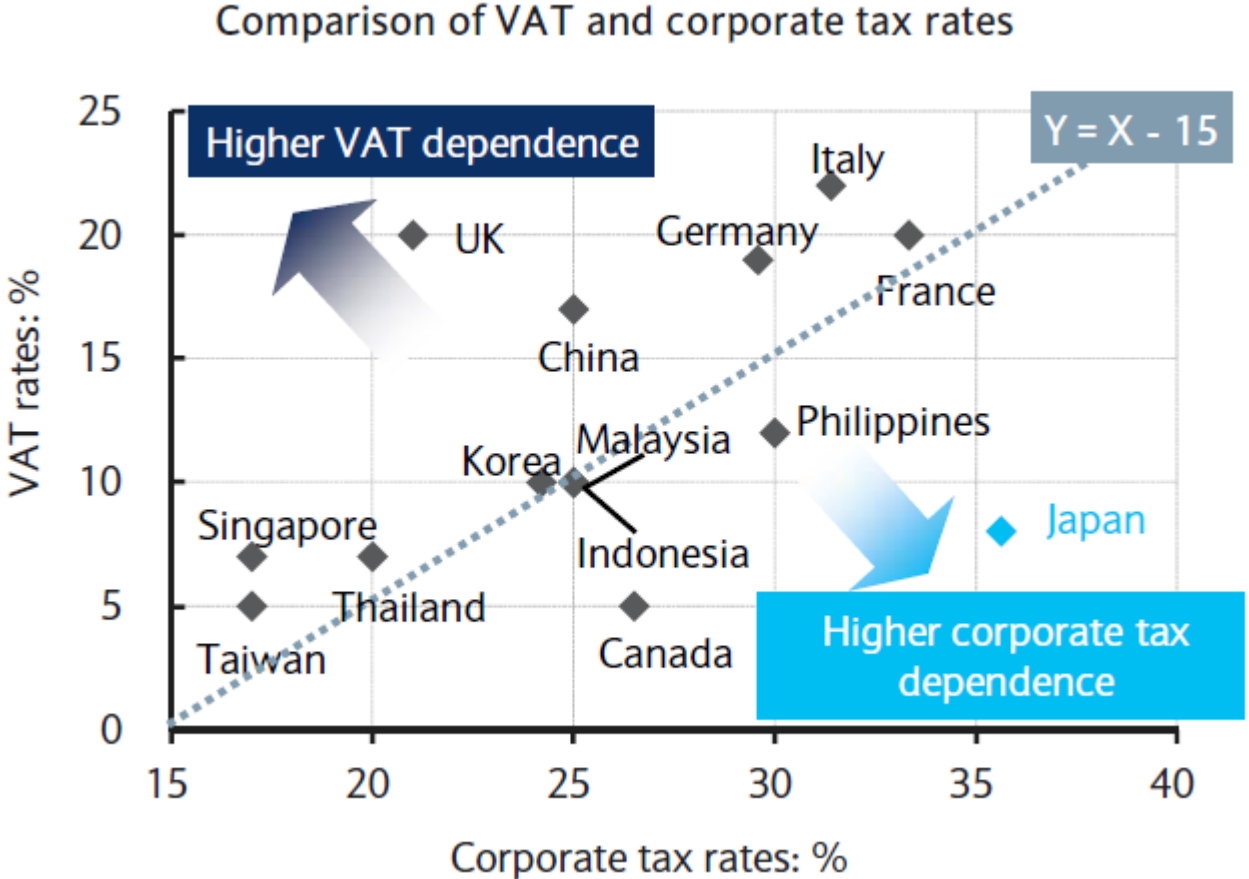
Abenomics?



Is Abenomic Really Working ?



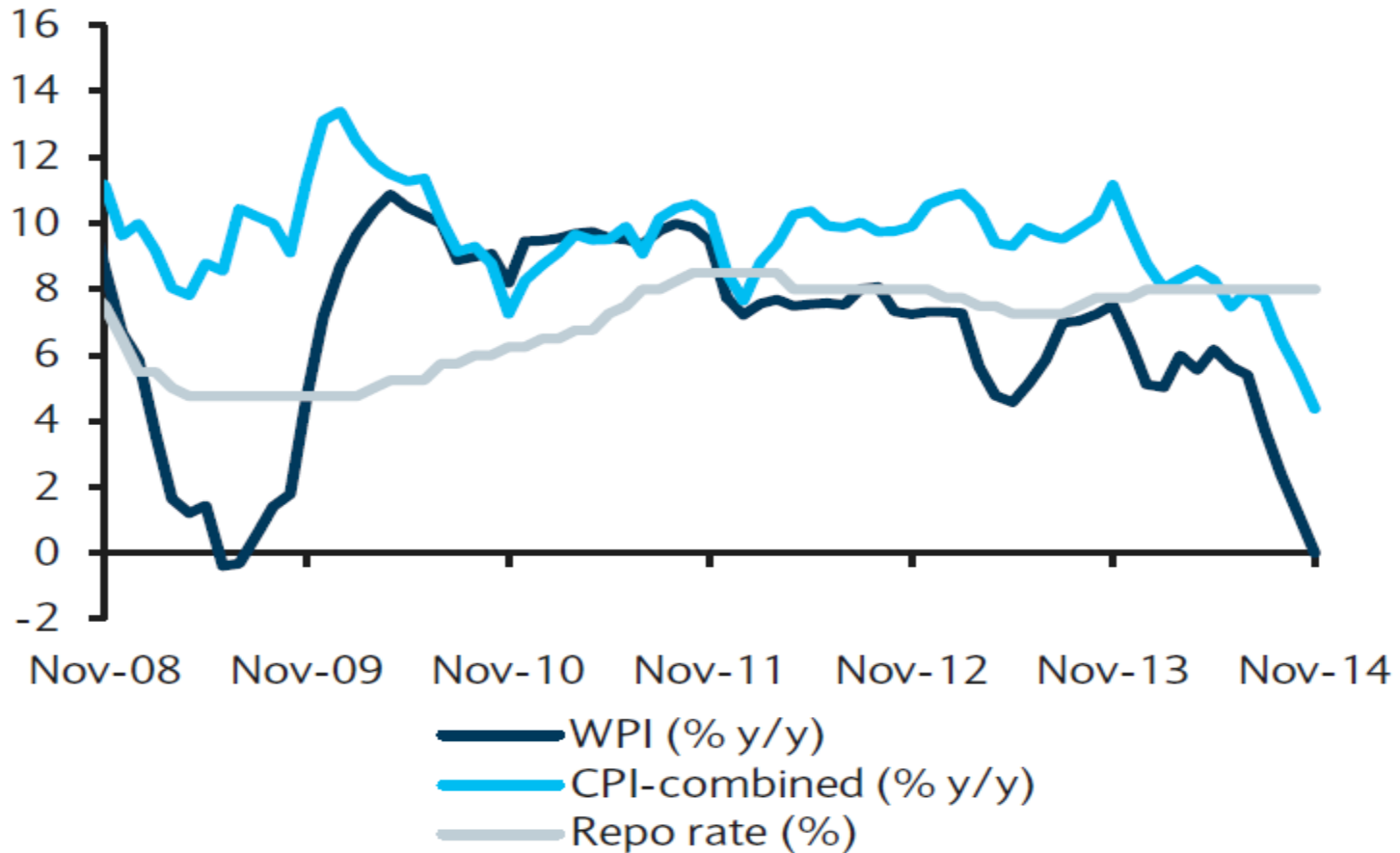
Tax Divergence in Japan





Lower Inflation Seems to work

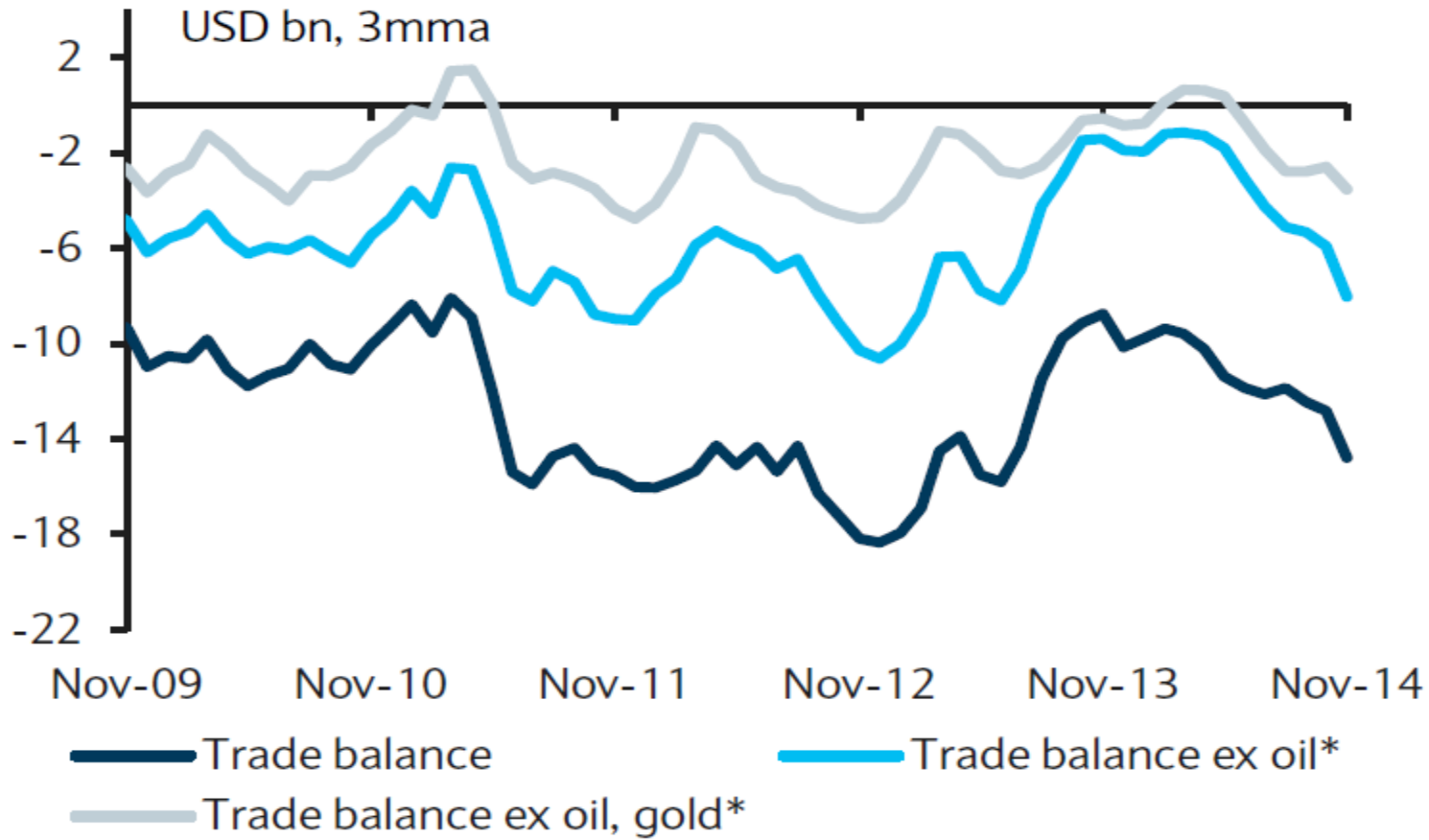
India: Inflation continues to decline...



Source: Haver Analytics, Barclays Research

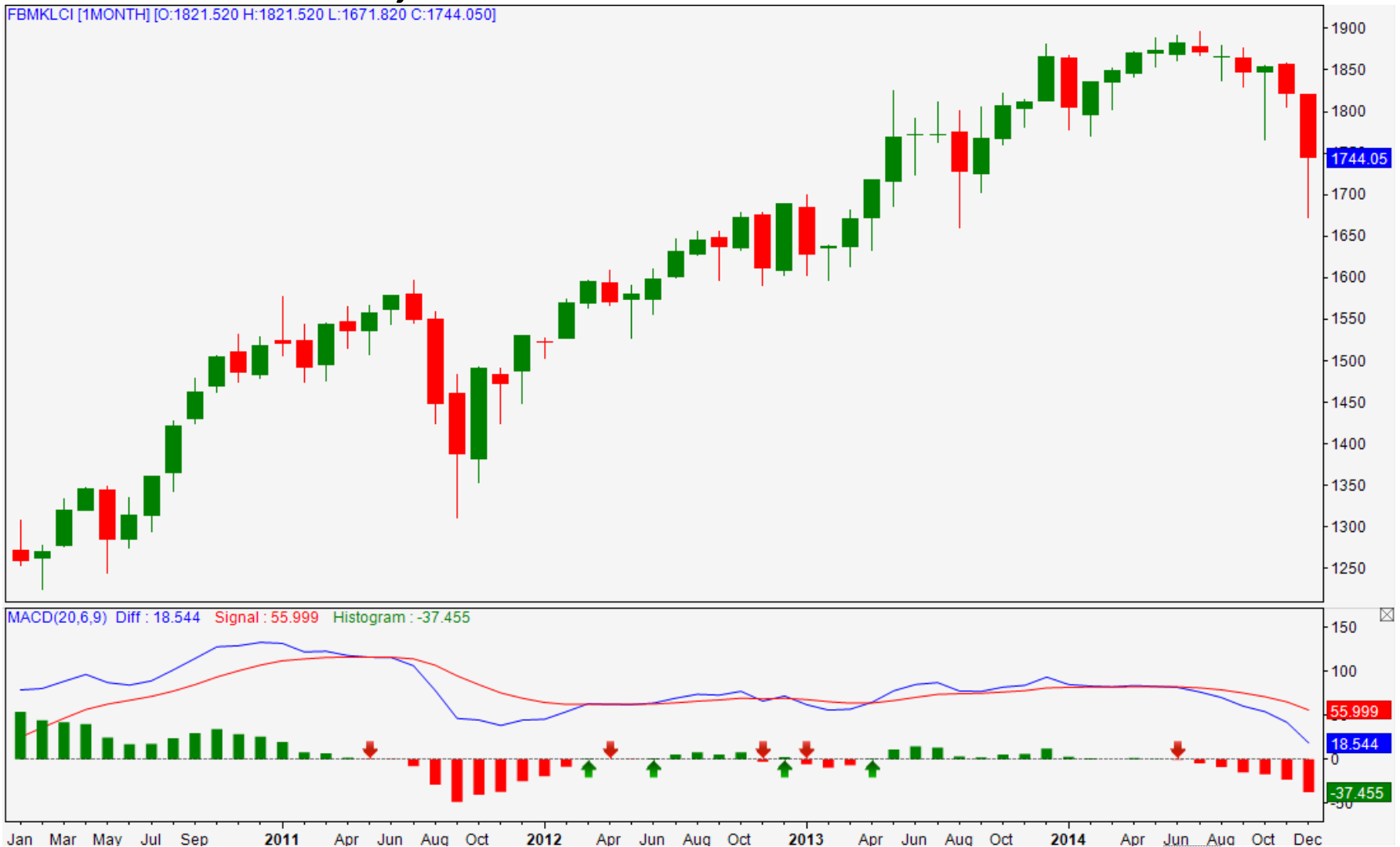
But Gold Importing Remains High

India: ... but wider trade deficit raises concerns



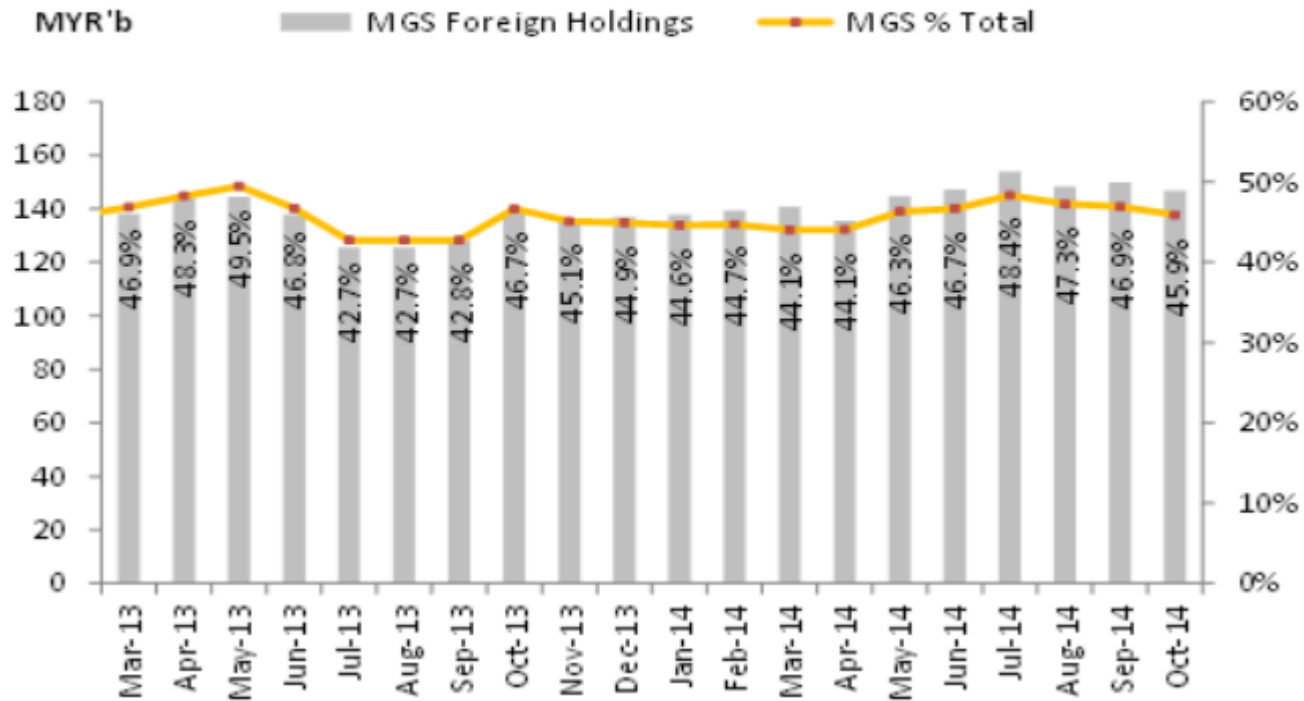


2014, Mixed Performance



Is not the Equity market we should be worry,it's the bond market

Malaysia: Foreign Holdings of Malaysian Government Securities



Fiscal Impact

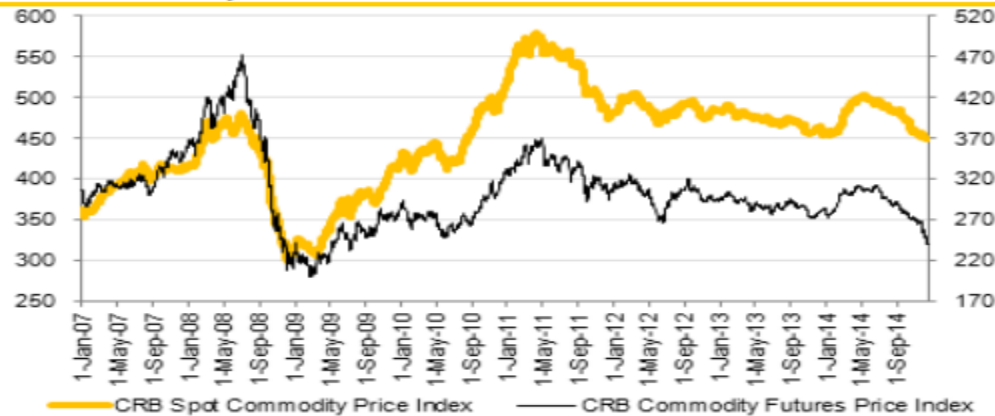
Figure 2: Sensitivity of fiscal balance to different global oil prices

Average Tapis oil price (US\$/bbl)	95	85	75	70	65	60	55
% change from government assumption of US\$105/bbl	-9.5	-19.0	-28.6	-33.3	-38.1	-42.9	-47.6
(+) Savings from fuel subsidies (RM bn)	5.0	7.5	12.0	12.0	12.0	12.0	12.0
(-) Reduction in PITA/export duty revenue (RM bn)	-2.5	-5.0	-7.5	-8.8	-10.0	-11.3	-12.5
Net effect on fiscal balance (RM bn)	2.5	2.5	4.5	3.3	2.0	0.8	-0.5
Net effect on fiscal balance (% of GDP)	0.2	0.2	0.4	0.3	0.2	0.1	0.0
(-) Reduction in Petronas dividend (from budgeted RM27bn)	0.0	0.0	-2.0	-3.0	-3.0	-4.0	-5.0
Net effect on fiscal balance (RM bn)	2.5	2.5	2.5	0.3	-1.0	-3.3	-6.2
Net effect on fiscal balance (% of GDP)	0.2	0.2	0.2	0.0	-0.1	-0.3	-0.5

SOURCES: CIMB RESEARCH

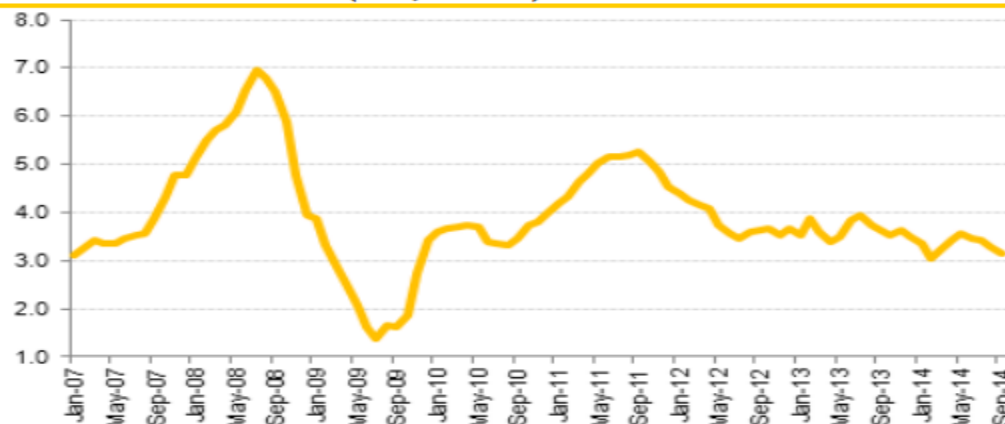
Deflation, A key risk driven by low Commodities Prices

CRB Commodity Price Index

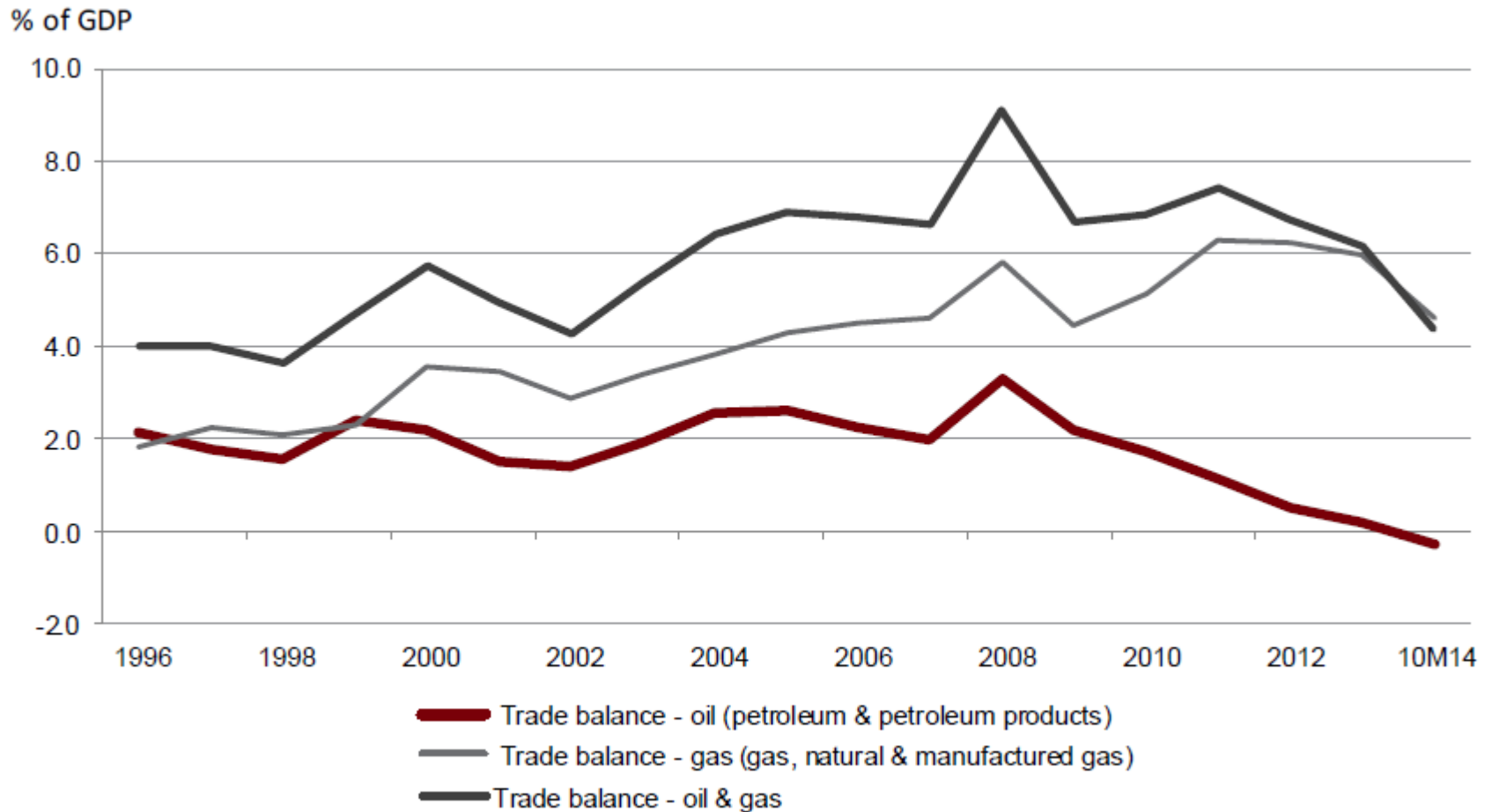


Source: Bloomberg

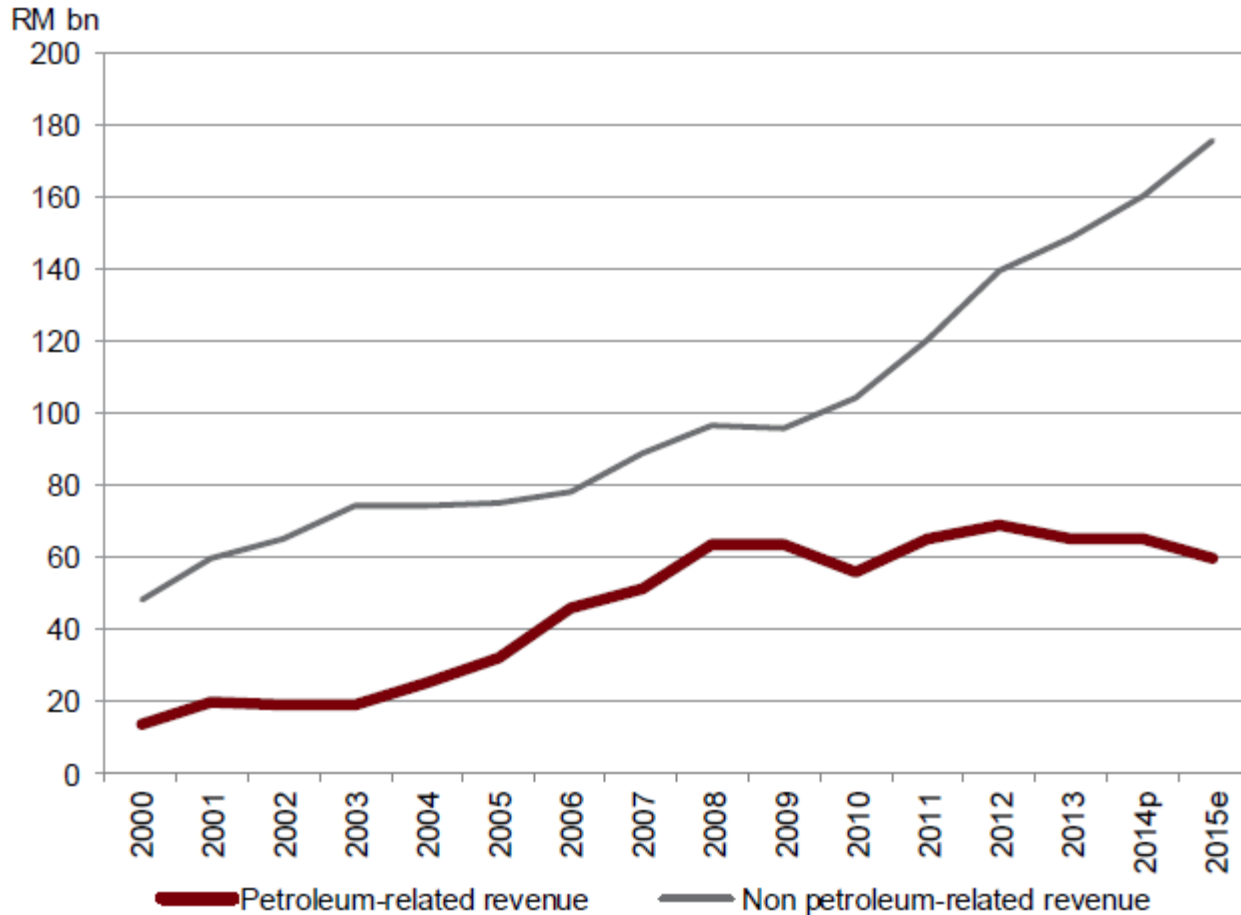
Global Inflation Rate (CPI, % YoY)



Substantial Gas Player

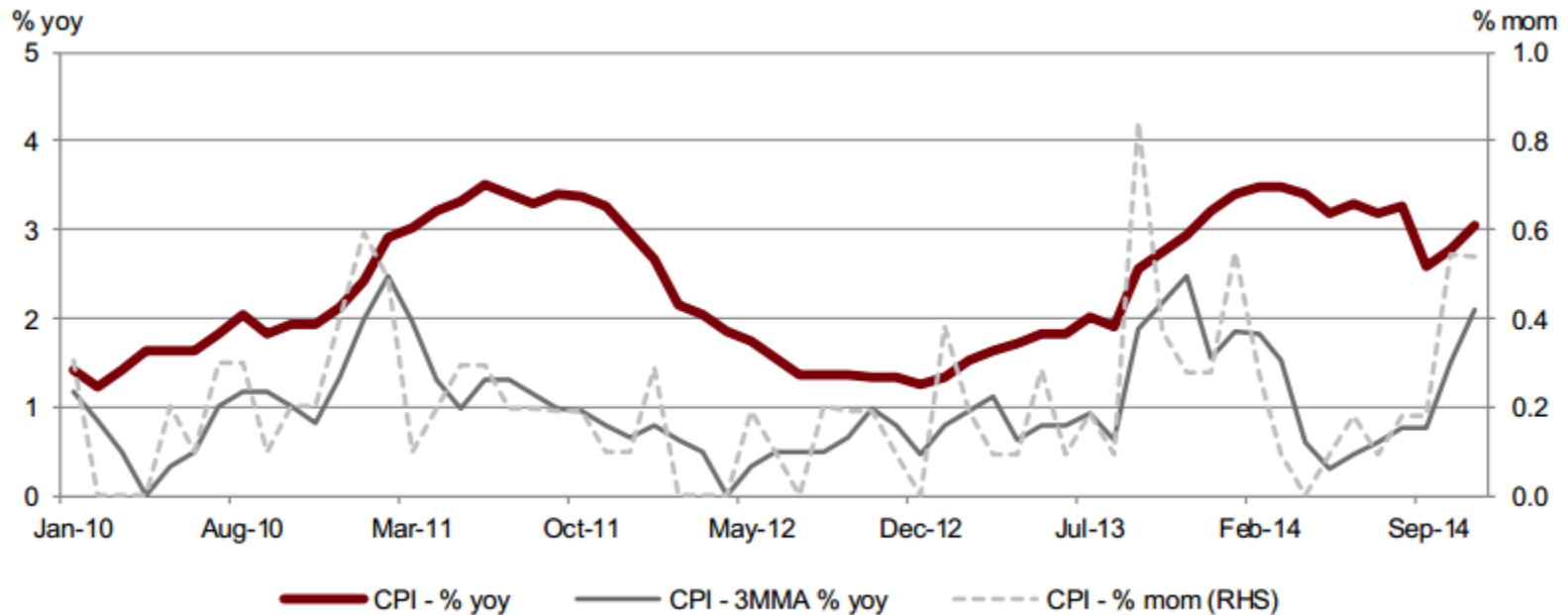


Still Dependent on Oil Revenue



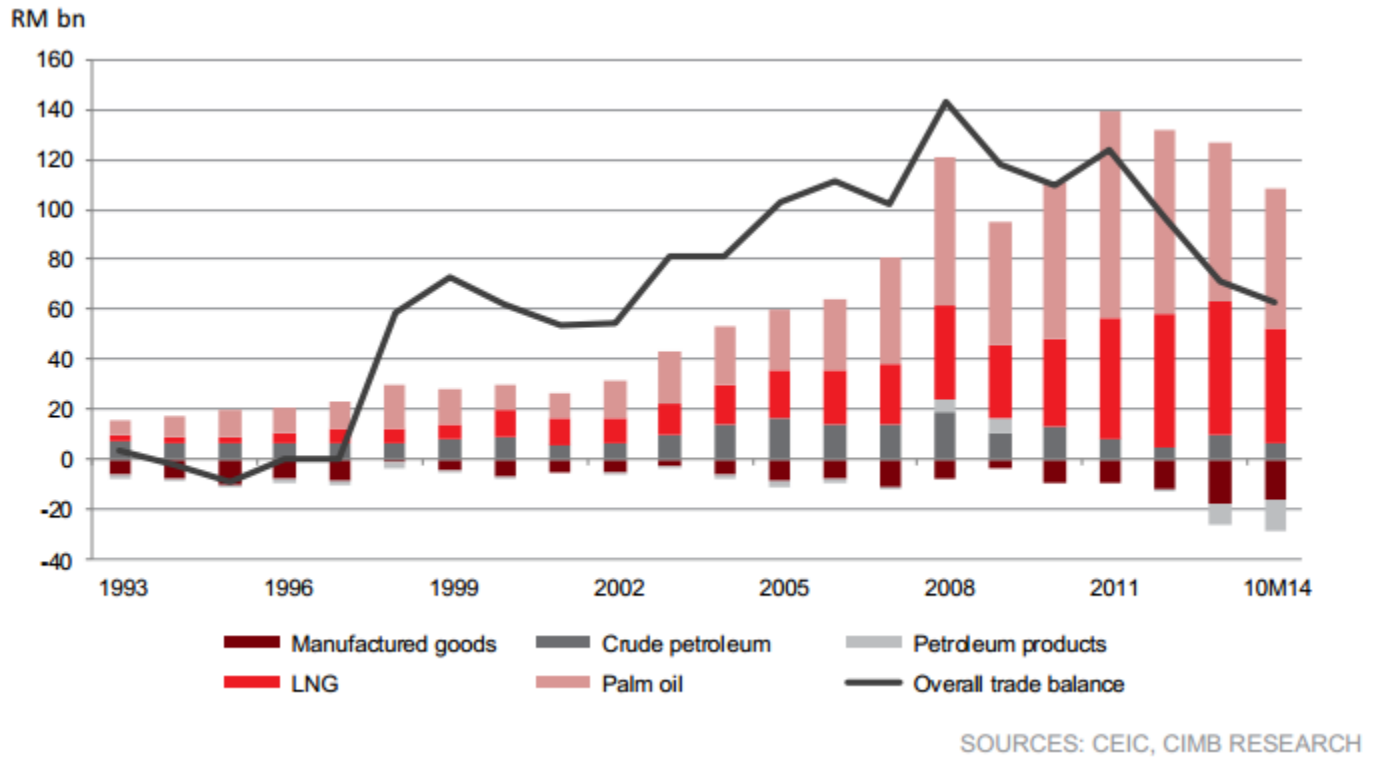
Rising Price Despite Lower Crude Oil Price

Figure 1: Headline inflation edged up to 3.0% yoy in Nov



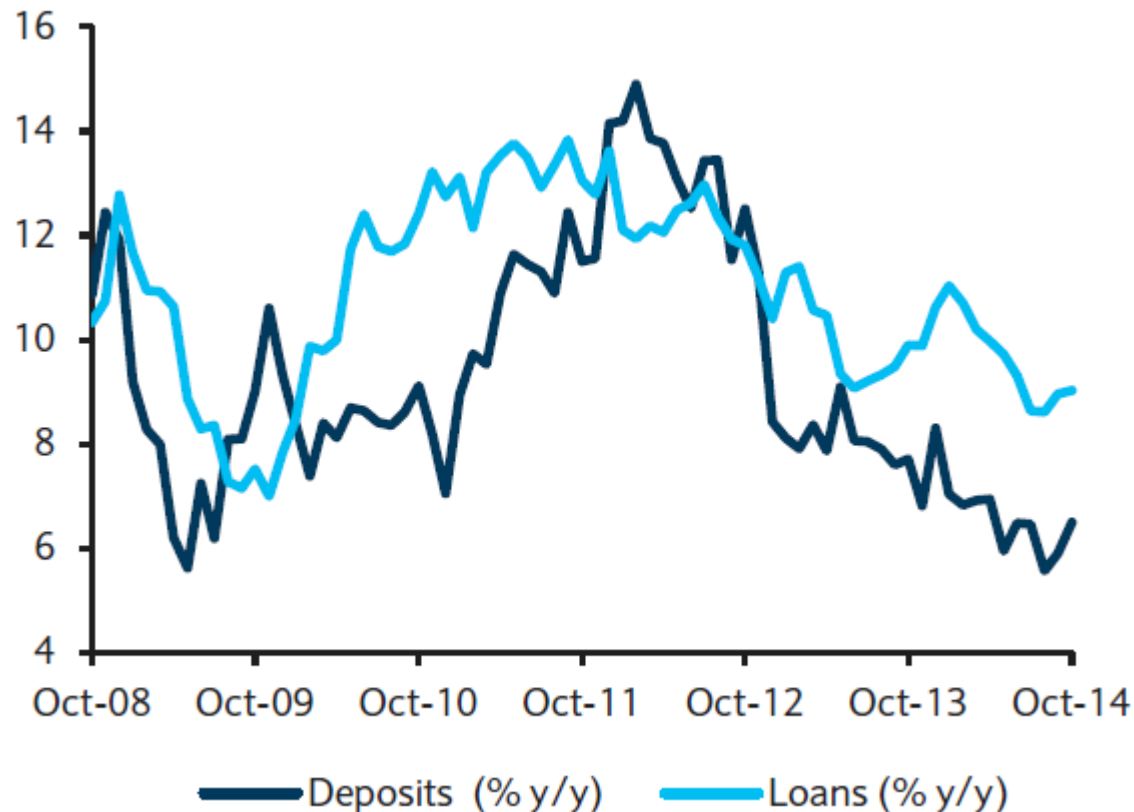
SOURCES: DEPARTMENT OF STATISTICS (DOS), CIMB RESEARCH

Trade Balance Deficit



Cautious Consumer or Tighter Restrictions ?

Credit growth is slowing



Barometer of Risk in Malaysia CDS Market



Conclusion

- Risk premia definitely increase in recent times
- Be cautious on any tell tale signs
- Tough year for Malaysians
- Still there's opportunity but be very selective

**WHAT
GOES**



**MUST
COME**

