Weekly Digest

2015/30 | 27 July 2015 Amanah Mutual Berhad

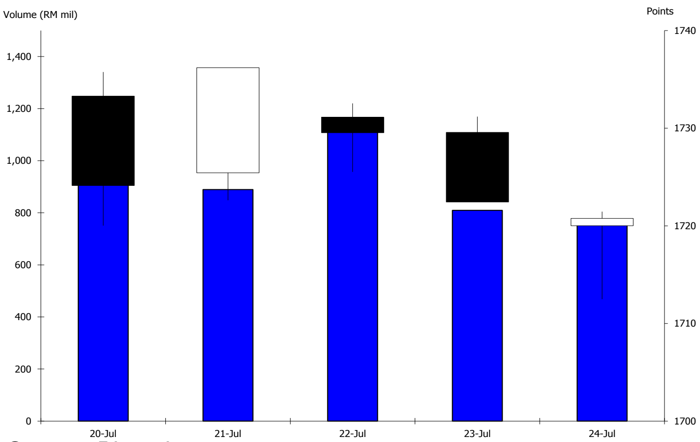
Weekly Factsheet ended July 24: Sea of red

TABLE 1: WEEKLY CLOSING IN MAJOR MARKET INDICES

	17-Jul	24-Jul	%wow	%ytd
KL Composite	1,726.73	1,720.76	-0.3	-2.3
Dow Jones	18,086.45	17,568.53	-2.9	-1.4
Nikkei 225	20,650.92	20,544.53	-0.5	17.7
DAX Index	11,673.42	11,347.45	-2.8	15.7
UK FTSE100	6,775.08	6,579.81	-2.9	0.2
AUS ORD 30	5,652.54	5,556.80	-1.7	3.1
STI Index	3,353.45	3,352.65	0.0	-0.4
Hang Seng	25,415.27	25,128.51	-1.1	6.5
SSE Index	3,957.35	4,070.91	2.9	25.9

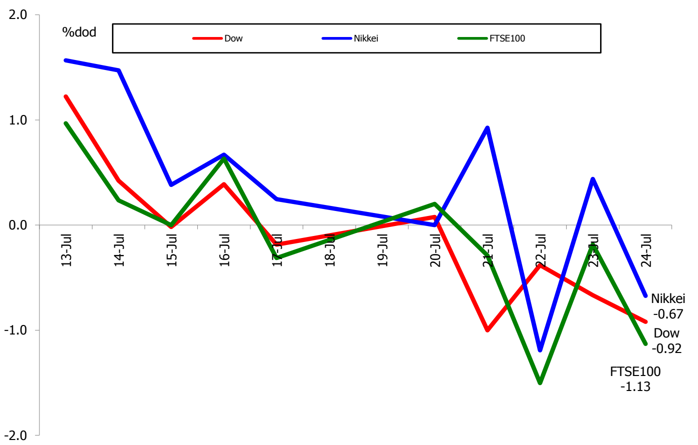
Source: Bloomberg

CHART 1: KLCI DAILY PERFORMANCE



Source: Bloomberg

CHART 2: MAJOR STOCK INDICES (DAILY % CHANGE)



Source: Bloomberg

Equity markets ended last week on a negative note amidst the continued softening of global commodity prices as global demand remained soft. The ringgit ended the week by breaching the RM3.80 psychological level to RM3.8098 while reserves had declined by $5 billion during the first two weeks of July. Although this is a large amount, it is nothing out of the ordinary as we have witnessed reserves declining by the same amount or even larger. For example during March and January this year by $5.4 billion respectively. In December last year reserves level was pared down by $9.7 billion.

STOCK MARKET HIGHLIGHTS

- **U.S. stocks sell off, book hefty weekly losses.** The S&P 500 closed 22.50 points, or 1.1%, lower at 2,079.65, booking a 2.2% weekly loss. The weekly decline for the benchmark was the steepest since March. The Nasdaq Composite dropped 57.78 points, or 1.1%, to 5,088.63, ending the week with a 2.3% weekly loss. The tech-heavy index retreated from its record closing level set on Monday. The Dow Jones Industrial Average dropped 163.39 points, or 0.9%, to 17,568.53, recording a 2.9% weekly loss. *(MarketWatch)*

- **European stocks driven lower, locking in weekly losses.** The Stoxx Europe 600 fell 0.9% to 394.65, the lowest close since July 10, with only the telecom sector logging a gain. On the national indexes, the U.K.'s FTSE 100 fell 1.1% to 6,579.81 in part as mining stocks sold off, including a 6.3% tumble for Antofagasta PLC and a 4.5% slide in Glencore PLC The FTSE 100 fell 2.9% for the week. Germany's DAX 30 closed down 1.4% at 11,347.45, and France's CAC 40 fell 0.6% to 5,057.36. The indexes marked weekly declines of 2.8% and 1.3%, respectively. *(MarketWatch)*

- **Asian stocks follow U.S. slump as investors await China data.** Asian stocks fell, after the Dow Jones Industrial Average posted its worst week since January, as investors awaited data on China amid a selloff in commodities. The MSCI Asia Pacific Index dropped 0.4% to 141.95 as of 9:00 a.m. in Tokyo after the Dow slumped 2.9% last week. Japan's Topix index fell 0.7%. South Korea's Kospi index dropped 0.5%. Australia's S&P/ASX 200 Index lost 0.2% and New Zealand's NZX 50 Index slipped 0.4%. *(Bloomberg)*

- **Stocks on Bursa Malaysia ended higher following continued buying interest amid profit taking ahead of the weekend, dealers said.** The benchmark index on Bursa Malaysia ended a half-day trading session marginally lower on lack of catalyst and ahead of the long weekend. At 12.30 pm, the FTSE Bursa Malaysia KLCI finished at 1,726.73, down 0.53 of-a-point, after fluctuating between 1,720.7 and

CHART 3: REGIONAL STOCK INDICES (DAILY % CHANGE)

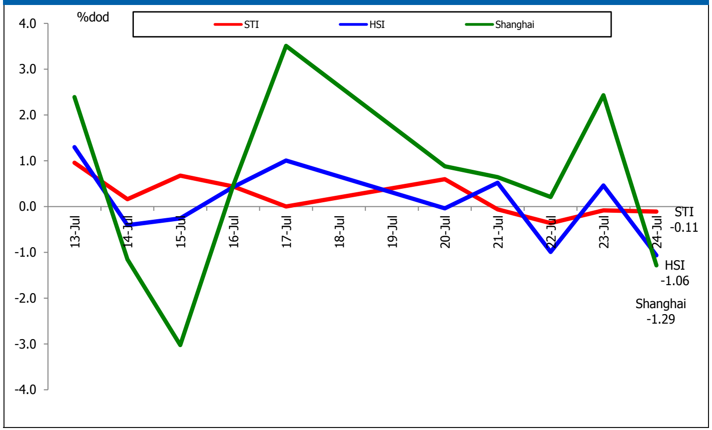


CHART 4: RINGGIT vs MAJOR CURRENCIES (% W-O-W)

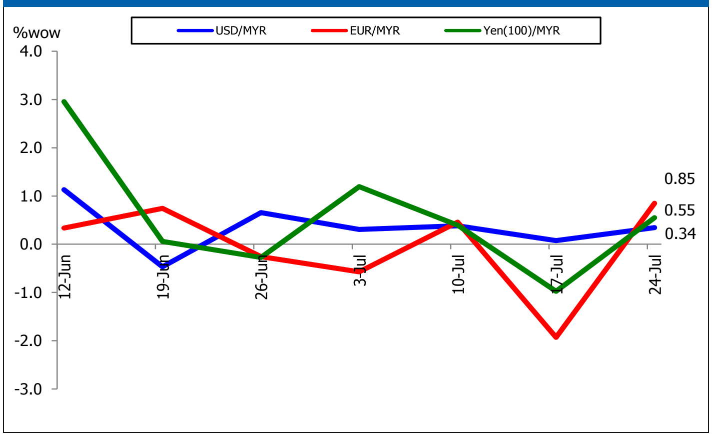
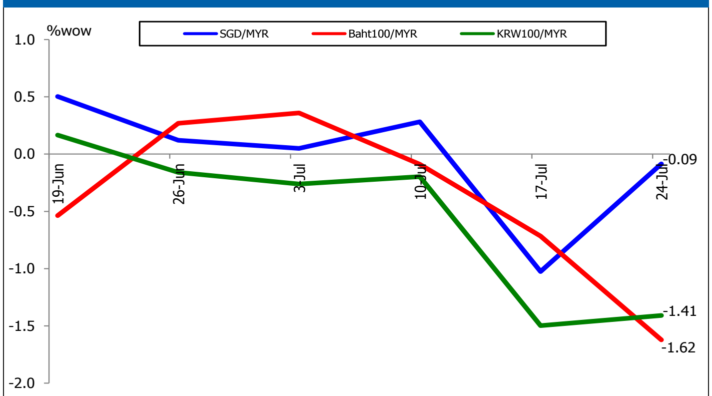
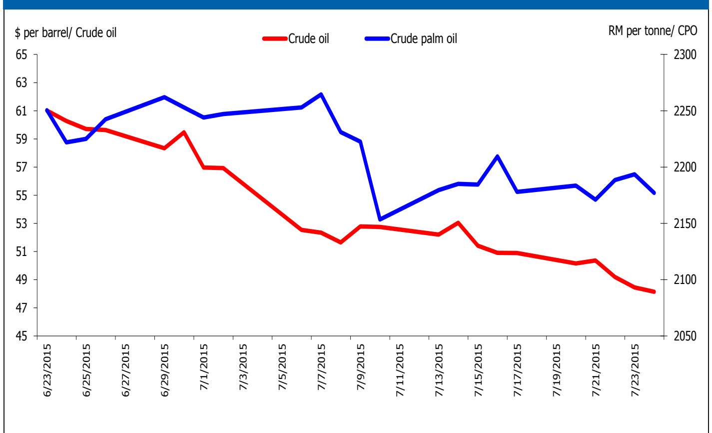


CHART 5: RINGGIT vs REGIONAL CURRENCIES (% W-O-W)



Source: Bloomberg

CHART 6: CRUDE OIL vs CRUDE PALM OIL



1,727.5. Of heavyweights, Petronas Chemicals added two sen to RM6.40, Maybank was flat at RM9.20, Public Bank declined two sen to RM18.98, TNB lost 30 sen to RM12.36 and Axiata eased one sen to RM6.37. *(Bernama)*

ECONOMIC HIGHLIGHTS

- **Malaysia: S&P maintains stable sovereign ratings outlook on Malaysia.** Its Sovereign Analyst for Malaysia, YeeFarn Phua, said the ratings outlook on Malaysia remained stable despite the current political pressures. "It has not interfered with policy making yet." We expect the administration to carry on its fiscal and economic reforms," he told. *(Bernama)*

- **Malaysia: Consumer spending stabilised a month after GST, says BBDO.** Consumer spending somewhat stabilised a month after the Goods and Services Tax (GST) was introduced on April 1 and is expected to further improve over the next six months, said BBDO (Malaysia) Sdn Bhd. Chief Innovation and Strategy Officer Anirban Ganguly said consumers had adjusted their spending accordingly after the GST implementation. *(Bernama)*

- **Malaysia: Bank Negara's international reserves at RM379.4 billion as at July 15.** Bank Negara Malaysia's (BNM) international reserves amounted to RM379.4 billion (equivalent to $100.5 billion) as at July 15, 2015. The reserves position is sufficient to finance 7.9 months of retained imports and is 1.1 times the short-term external debt, the central bank said. *(Bernama)*

- **U.S.: U.S. consumer prices up as fuel and food costs rise.** U.S. consumer prices rose for a fifth straight month in June, pushed higher by a rise in the cost of fuel and food. Prices rose 0.3% last month after increasing by 0.4% in May, according to the Labor Department's Consumer Price Index. Continuing price rises are likely to strengthen the case for an increase in U.S. interest rates. *(BBC)*

- **U.S.: Long run of low U.S. inflation not unusual.** Public fretting by some U.S. central bankers over excessively low inflation aside, the current bout of sub-par U.S. inflation isn't that unusual and will likely be cured as employment rises. U.S. inflation has lingered below the Fed's 2% target for more than three years. *(Reuters)*

- **U.S.: Fed September lift-off odds stay at 50% despite global troubles.** Six weeks of international turmoil from Greece to China have had zero impact on economists' outlook for the first Federal Reserve rate rise. Odds for a September liftoff remain at 50%, exactly where they were in June, according to the median of 46 responses in a July 20-22 survey. *(Reuters)*

- **U.S.: Home sales approach eight-and-a-half-year high, prices surge**. U.S. home resales rose in June to their highest level in nearly 8-1/2 years, a sign of pent-up demand that should buoy the housing market recovery and likely keep the Federal Reserve on track to raise interest rates later this year. The National Association of Realtors said on Wednesday existing home sales increased 3.2% to an annual rate of 5.49 million units, the highest level since February 2007. *(Bloomberg)*

- **U.S.: Jobless claims lowest since 1973; leading index rises.** The number of Americans filing new applications for unemployment benefits last week dropped to its lowest level in more than 41-1/2 years, suggesting the labor market maintained a sturdy pace of job growth in July. Other data on Thursday also offered an upbeat assessment of the economy. *(Reuters)*

- **E.U.: EU investors spooked by rout seek 'Asia Beyond China' in ASEAN.** European investors are paying renewed attention to Southeast Asia as the Greek crisis and China's stock market rout encourage companies to look for cheaper and more stable markets, said Michael Pulch, the European Union's ambassador to Singapore. *(Reuters)*

- **E.U.: Greece reopens banks, starts repaying some debts.** Greece reopened its banks and ordered billions of euros owed to international creditors to be repaid on Monday in the first signs of a return to normal after last week's deal to agree a tough new package of bailout reforms. *(Reuters)*

- **E.U.: Greek business warn of closures as capital controls choke supplies.** Greece risks seeing a wave of companies forced out of business within weeks because of restrictions on foreign transfers that have persisted even after banks reopened this week, the head of the Athens Chamber of Commerce warned on Tuesday. *(Reuters)*

- **E.U.: Lagarde push for Greece debt relief sets up showdown with Merkel**. Now that Greece is eligible again for loans from the IMF, getting any more money from the fund may hinge on a test of wills between Christine Lagarde and Angela Merkel. The bailout of as much as 86 billion euros ($95 billion) proposed by European leaders this month assumes financing from the International Monetary Fund and is conditional on Greece seeking a new loan program from the IMF once the current one expires in March. *(Bloomberg)*

- **E.U.: ECB deadline looms for Greece as the Troika heads back to Athens**. Greek Prime Minister Alexis Tsipras's 4 a.m. win in Parliament sets the clock ticking on yet another make-or-break deadline: this time it's Aug. 20, when Greece has to make its next major payment to the European Central Bank. Lawmakers' endorsement of the policy measures completed the work creditors' demanded from Tsipras at this stage and paved the way for formal bailout talks to begin. *(Reuters)*

- **U.K.: Carney indicates interest rates may rise at 'turn of year'.** Bank of England governor Mark Carney has indicated that U.K. interest rates could rise "at the turn of this year". In a speech he said that he expected rates to rise over the next three years, reaching "about half as high as historical averages", or about 2%. But he added that shocks to the economy could change the timing and the size of any rate rise. Interest rates have been at 0.5% for six years as the U.K. economy recovers from the financial crisis. *(BBC)*

- **Japan: Japan business mood subdued on uncertainty over China: Reuters Tankan.** The Reuters Tankan - which closely tracks the central bank's quarterly tankan survey - also showed both manufacturers' and service-sector morale staying largely muted over the next three months. The subdued sentiment joins a recent batch of data which have blown hot and cold on the health of Japan's economy, and shows companies were far from assured about the outlook. *(Reuters)*

- **Japan: Japan's trade deficit stands at 69.0 bln yen in June.** Japan's goods trade deficit logged at 69.0 billion yen (about $556.6 million) in June, according to a preliminary report Thursday released by the Finance Ministry. On a customs-cleared basis, exports of the world's largest economy increased 9.5% from a year earlier, while imports dropped 2.9%, said the ministry. *(Xinhuanet)*

- **Japan: Growth unlikely to be as strong as gov't wishes: IMF report**. The International Monetary Fund warned Thursday that Japan's economy is unlikely to grow as strongly as the government wishes in the medium term due partly to a labour shortage in the graying society. Prime Minister Shinzo Abe's government decided last month to aim for a real expansion of 2% or more to attain its 2020 fiscal reform goal, but in an annual report on the Japanese economy the IMF said, "Growth is projected to stabilize at around 0.7% over the medium-term". The IMF urged Japan to adopt "prudent economic assumptions" and show concrete measures to boost revenues and cut expenditures in order to impart further credibility to the fiscal strategy. *(Mainichi)*

- **China: China must learn lessons from stock market rout.** Beijing may have averted a crisis in its stock markets with heavy-handed intervention, but the world's biggest corporate debt pile -$16.1 trillion and rising - is a much greater threat to its slowing economy and will not be so easily managed. China must learn lessons from its stock market rout, the country's Vice Finance Minister said on Saturday, signalling his intent to focus on supervision and the development of new frameworks to make it possible to weather any future market turbulence. *(The Star Online)*

- **China: Manage, meddle or magnify?** Corporate China's corporate debt - $16.1tril - at 160% of GDP, is twice that of the United States, having sharply deteriorated in the past five years, a Thomson Reuters study of over 1,400 companies shows. And the debt mountain is set to climb 77% to $28.8 trillion over the next five years, credit rating agency Standard & Poor's estimates. *(The Star Online)*

- **China: China's economic growth outlook still promising: president.** The Chinese economy is entering a new stage of slower but more resilient growth, which President Xi Jinping has called the "new normal." The essence of the "new normal" is not fast growth, but an improved economic structure that relies more on the services industry, consumption, and innovation. *(Xinhuanet)*

- **China: China's been hoarding gold and it isn't likely to stop.** With China finally coming clean that it's been the second-biggest buyer of gold over the past six years, analysts and traders say the purchases will continue. In the first update since 2009, the People's Bank of China said on Friday that it owns about 1,658 metric tons, implying purchases of 100 tons a year. The stockpile may eventually reach more than 5,000 tons, according to Robin Bhar, an analyst at Societe Generale SA in London. *(Bloomberg)*

- **China: FDI inflows up 0.7% in June**. Foreign direct investment (FDI) into the Chinese mainland rose 0.7% year on year in June, the Ministry of Commerce said Tuesday. The growth slowed sharply from a 7.8% rise in May. In the first half of the year, FDI, which excludes investment in the financial sector, stood at $68.41 billion, up 8.3% from the same period last year, the ministry said. Investment in the country's burgeoning service industry continued robust growth, accounting for 63.5% of total investment flows during the January-June period. *(Xinhua)*

- **China: China's FDI up 8% in Jan-June on M&A.** Foreign investment into China rose 8.0% in the first half of this year as mergers and acquisitions by overseas companies more than quadrupled in value, the commerce ministry said Tuesday. Foreign direct investment (FDI), which excludes financial sectors, totalled $68.41 billion during the January-June period, the ministry said. *(New Straits Times)*

- **China: Overseas investors pull back on yuan-denominated assets.** The amount of money invested by overseas institutions and individuals in yuan-denominated assets declined in June, following two months of rises, new data from the People's Bank of China (PBOC) showed. Foreign holdings in yuan-denominated assets last month dropped 10.24 billion yuan from May to 4.42 trillion yuan ($722.55 billion), a decline mainly seen in the stock market, with investors rushing to cash out in the recent market freefall. *(New Straits Times)*

- **China: Deficit hits $104b in first half**. The country saw intensified net capital outflow in the first six months as the foreign exchange settlement deficit increased, according to official data released on Thursday. Chinese banks bought foreign exchange worth 5.31 trillion yuan ($855 billion) in the first half and sold the equivalent of 5.96 trillion yuan, resulting in a net sale of 647.4 billion yuan. This compares with a 383.8 billion yuan deficit in the second half of last year. *(Xinhua)*

RELEASE FOR THE WEEK (JULY 27 — AUGUST 2 , 2015)

U.S.

- June Durable Goods Orders on July 27
- July Markit U.S. Composite PMI on July 28
- July Consumer Confidence Index by Conference Board on July 28
- Weekly Mortgage Applications by Mortgage Bankers Association on July 29
- Weekly Initial Jobless Claims by Department of Labor on July 30
- FOMC Rate Decision on July 30
- 2Q 2015 GDP Annualized by Bureau of Economic Analysis on July 30
- July Consumer Sentiment Index by University of Michigan on July 31

Eurozone

- June Money Supply (M3) by European Central Bank (ECB) on July 27
- July Consumer Confidence Indicator by European Commission on July 30
- June Unemployment Rate by Eurostat on July 31
- July Consumer Price Index (CPI) by Eurostat on July 31

Japan

- June Retail Trade by Ministry of Economy, Trade and Industry on July 29
- June Industrial Production Index (IPI) by Ministry of Economy, Trade and Industry on July 30
- June Jobless Rate by Ministry of Internal Affairs on July 31
- June Job-to-Applicant Ratio by Ministry of Health, Labour & Welfare on July 31
- June Consumer Price Index (CPI) by Ministry of Internal Affairs on July 31

China

- July Manufacturing PMI on July August 1

- **Malaysia**

- June Money Supply (M3) by Bank Negara Malaysia (BNM) on July 31