Weekly Digest

2015/35 | 2 September 2015 Amanah Mutual Berhad

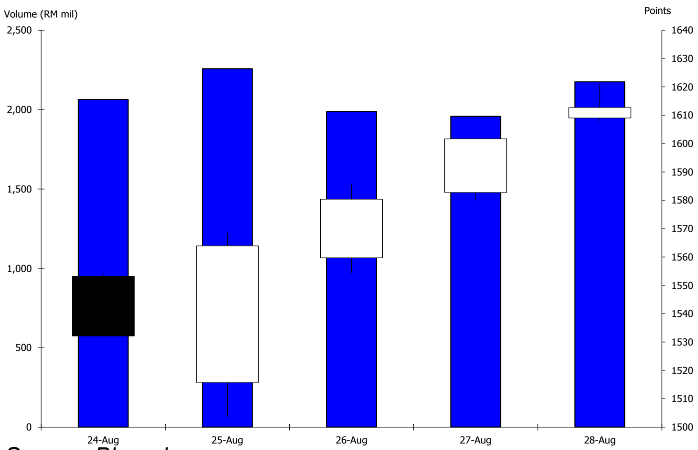
Weekly Factsheet ended August 28: A volatile week that ends well?

TABLE 1: WEEKLY CLOSING IN MAJOR MARKET INDICES

	21-Aug	28-Aug	%wow	%ytd
KL Composite	1574.67	1612.74	2.4	-8.4
Dow Jones	16459.75	16643.01	1.1	-6.6
Nikkei 225	19,435.83	19,136.32	-1.5	9.7
DAX Index	10124.52	10298.53	1.7	5.0
UK FTSE100	6187.65	6247.94	1.0	-4.8
AUS ORD 30	5224.814	5274.696	1.0	-2.1
STI Index	2971.01	2955.94	-0.5	-12.2
Hang Seng	22409.62	21612.39	-3.6	-8.4
SSE Index	3507.744	3232.349	-7.9	-0.1

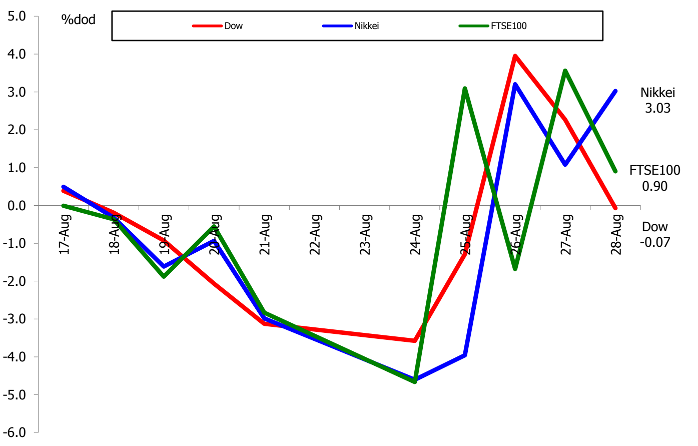
Source: Bloomberg

CHART 1: KLCI DAILY PERFORMANCE



Source: Bloomberg

CHART 2: MAJOR STOCK INDICES (DAILY % CHANGE)



Source: Bloomberg

Among notable developments last week were the 2Q15 U.S. GDP growth being revised upwards to 3.7% from an initial estimation of 2.3% and also Brent and WTI crude oil price rallied by a little over 10% - their biggest daily percentage gains since December 2008 and March 2009 respectively – on Thursday. Despite the People's Bank of China's another round of cutting one-year lending rate and statutory reserve requirement, the Shanghai Composite Index still went down by 7.9% week-on-week. The FBM KLCI jumped 2.4% on the week while ringgit ended its tenth week of depreciation against the dollar at RM4.1990.

STOCK MARKET HIGHLIGHTS

- **U.S. stocks finish turbulent week with modest gains.** After plunging early in the week, U.S. stocks have since gone into recovery mode. The Dow, which has traveled more than 10,000 points this week, jumped 619 points on Wednesday and 369 points on Thursday for its best two-day gain in its history. The Nasdaq and S&P 500 each rose about 4% on Wednesday and more than 2% on Thursday. All in all this week, the Dow gained 1.1%, the S&P 500 added 0.9% and the Nasdaq rose 2.6%. *(Forbes)*

- **European stocks post first weekly gain since yuan devaluation.** After wild swings over the past few days, European stocks ended up posting their first weekly gain since China devalued its currency. The Stoxx Europe 600 Index rose 0.3pc at the close of trading, adding most of those gains in the final settlement period. An advance of 0.3pc in the first few minutes of trading gave way to losses of as much as 1pc as the session progressed, before the gauge moved higher. *(Irish Independent)*

- **Shanghai composite widens gains to 5% in final half-hour.** China's benchmark Shanghai composite ended 5% higher, with gains accelerating in the final half-hour of trade. Friday's rally followed a 5.4% gain on Thursday amid reports late in the session that the People's Bank of China purchased blue-chip stocks and requested that state-owned banks buy more yuan on its behalf. Despite the stellar gains, the index still ended the week down 7.8%. *(CNBC)*

- **Bursa Malaysia ends higher.** Bursa Malaysia closed higher Friday amid encouraging signals on the U.S. economy and rally in China's stock market, a dealer said. At 5 p.m., the benchmark FTSE Bursa Malaysia KLCI (FBM KLCI) went up 11.04 points to 1,612.74, after moving between 1,608.24 and 1,621.24 throughout the day. Among actives, AirAsia lost 1.5 sen to 87 sen, Frontken and APFT slipped half a sen each to 15.5 sen and 22 sen respectively. Sumatec added one sen to 13.5 sen and SapuraKencana perked 11 sen to RM1.72. Of the heavyweights, Maybank rose 11 sen to RM8.76 while

CHART 3: REGIONAL STOCK INDICES (DAILY % CHANGE)

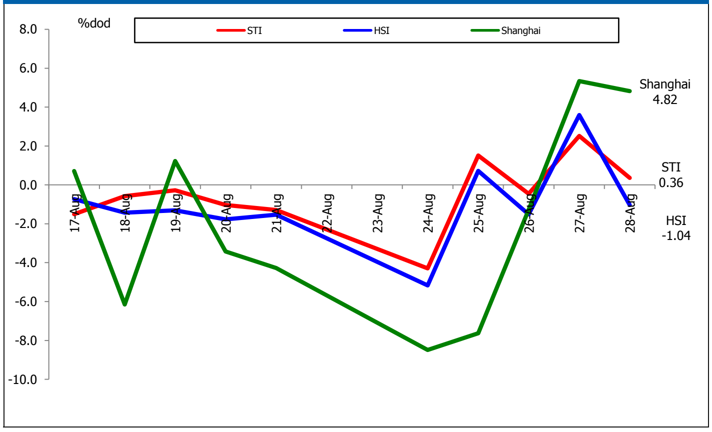


CHART 4: RINGGIT vs MAJOR CURRENCIES (% W-O-W)

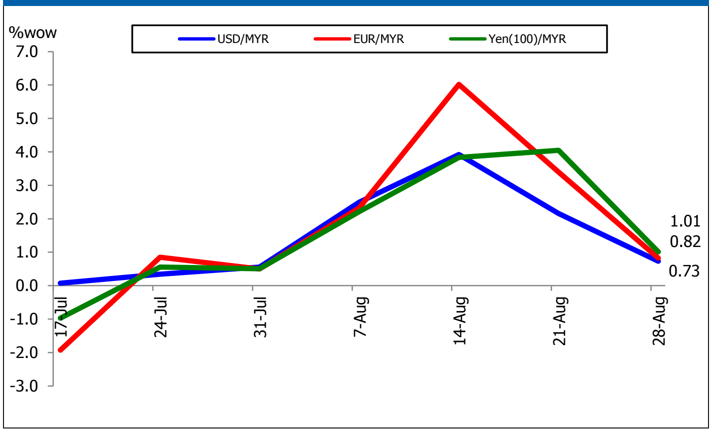
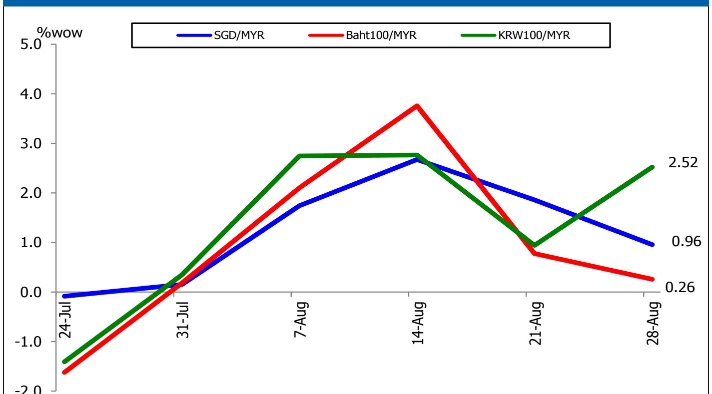
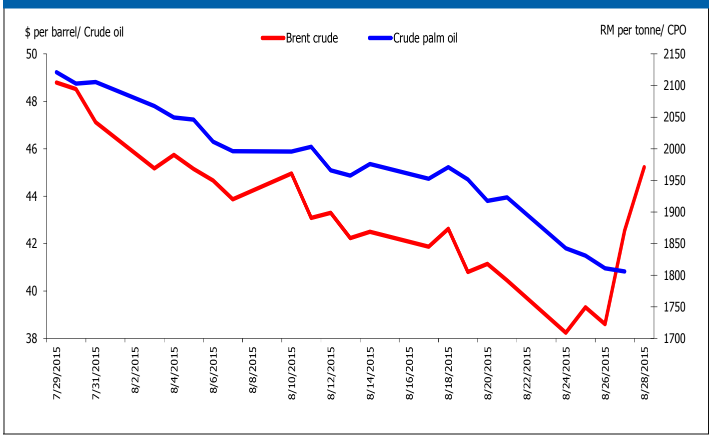


CHART 5: RINGGIT vs REGIONAL CURRENCIES (% W-O-W)



Source: Bloomberg

CHART 6: CRUDE OIL vs CRUDE PALM OIL



Axiata was flat at RM6.14. Public Bank and TNB eased two sen each to RM18 and RM11.18 respectively, and Maxis lost five sen to RM6.57. *(Bernama)*

ECONOMIC HIGHLIGHTS

- **Malaysia: Malaysia's GDP forecast remains intact**. Malaysia's forecast of achieving between 4.5%-5.5% Gross Domestic Product (GDP) growth remains intact despite facing some challenges, said International Trade and Industry Minister Datuk Seri Mustapa Mohamed. *(Bernama)*

- **Malaysia: Survey finds GST adversely affects companies' cash flow.** The implementation of the GST has adversely impacted companies' cash flow, a survey by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) showed. *(The Edge)*

- **Malaysia: Leading index up 0.3% in June.** The Leading Index (LI) which monitors the economic performance in advance, showed an increase of 0.3% in June to 117.6 points. The components that contribute to the increase were real imports of other basic precious and other non-ferrous metal (0.8%), number of new companies registered (0.3%), real money supply, M1 (0.2%) and real imports of semi conductors (0.2%). *(Bernama)*

- **Malaysia: RCEP negotiation hits historical breakthrough with countries agreeing on modalities In-goods.** ASEAN members and its six dialogue partners, which are currently in talks for the formation of the regional comprehensive economic partnership (RCEP) agreement, have achieved a "historical breakthrough" as they unanimously agreed on modalities in goods. *(Bernama)*

- **Malaysia: Labour force participation rate increases.** The labour force participation rate for June rose slightly by 0.3% to 67.8% compared with 67.5% in the previous month, the Department of Statistics said. As of June, 13.837 million people were employed in the labour market. *(Bernama)*

- **Malaysia: Malaysia, Thailand seek to use their currencies in trade, investment.** The central banks of Malaysia and Thailand agreed on Thursday to promote the greater use of their currencies to settle trade between the two countries, in the latest attempt by emerging economies to reduce their exposure to increasingly volatile global markets. *(New Straits Times)*

- **Malaysia: Foreign selling eases on Bursa Malaysia**. Foreign selling of Malaysian equities eased on Thursday with net selling dwindling to a low of –RM9mil on Thursday as the FBM KLCI notched its third day of gains. BIMB Securities Research data showed local retailers decided to take profit as their net selling climbed to –RM30.1mil. *(The Star)*

- **U.S.: Home price growth edges up in June**. U.S. single-family home prices rose a tad faster from a year ago in June, suggesting resilience in the housing sector as the Federal Reserve has stuck to a near-zero interest rate policy. The S&P/ Case Shiller composite index of 20 metropolitan areas in June gained 5.0% year over year, a bit quicker than the 4.9% rate in May. *(Reuters)*

- **U.S.: New home sales rebound in July, supply improves**. New U.S. single-family home sales rose a bit less than expected in July, but the trend pointed to housing market strength that should underpin economic growth for the rest of the year. *(Reuters)*

- **U.S.: Services sector growth slows in August**. The U.S. services sector expanded at a slower pace in August than July as new business growth softened, an industry report showed on Tuesday. Financial firm Markit said its preliminary or "flash" reading of its Purchasing Managers Index for the services sector slipped to 55.2 in August from the final 55.7 reading in July, below the 56 level expected by economists in a Reuters survey. *(Reuters)*

- **U.S.: Consumer confidence, housing data signal economy's resilience**. U.S. consumer confidence hit a seven-month high in August, suggesting underlying strength in the economy that could still allow the Federal Reserve to raise interest rates this year. The Conference Board said its consumer index jumped 10.5 points to 101.5 this month, the highest reading since January, amid optimism over the labour market. *(Reuters)*

- **U.S.: U.S. dollar fails to get usual safety bid from volatility in short term.** Most bouts of global market volatility in recent years have featured one constant: the U.S. dollar strengthens as investors clamor for the perceived safety of U.S. assets such as Treasuries. *(Bloomberg)*

- **U.S.: CBO says U.S. revenue gains push down deficit, delay default.** The U.S. budget deficit is likely to fall by $60 billion in 2015 due to strong revenue gains, the Congressional Budget Office said on Tuesday, enabling the government to stave off default without a debt limit hike perhaps through early December. *(Reuters)*

- **U.S.: Second-quarter GDP growth revised sharply higher to 3.7%.** The U.S. economy grew faster than initially thought in the second quarter on solid domestic demand, showing fairly strong momentum that could still allow the Federal Reserve to hike interest rates this year. Gross domestic product expanded at a 3.7% annual pace instead of the 2.3% rate reported last month, the Commerce Department said on Thursday in its second GDP estimate for the April-June period. *(Reuters)*

- **U.S.: Jobless claims fall more than expected**. The number of Americans filing new applications for unemployment benefits fell more than expected last week, pointing to a steadily firming labor market. Initial claims for state unemployment benefits slipped 6,000 to a seasonally adjusted 271,000 for the week ended Aug. 22. *(Reuters)*

- **Japan: Government says ready to act if needed to quell market swings**. Japan is ready to "take appropriate measures," if necessary, to quell volatility in the financial markets. Chief Cabinet Secretary Yoshihide Suga told reporters that Japan's economy, the world's third-largest, is still "on track for a moderate recovery," despite the roller-coaster market gyrations of recent weeks. *(Reuters)*

- **China: China cuts rates, reserve ratio after stocks plummet again.** The People's Bank of China (PBOC) said it was cutting the one-year benchmark bank lending rate by 25 basis points to 4.6%, cutting one-year benchmark deposit rates by the same amount, and reducing reserve requirements (RRR) by 50 basis points to 18% for most big banks. *(Reuters)*

- **China: How China is keeping treasuries cheap amid safe-haven stampede.** With the world’s No. 2 economy cooling, the People’s Bank of China has been buying yuan and selling dollars to steady the exchange rate following its shock yuan devaluation on Aug. 11. The bank has sold at least $106 billion of its $3.7 trillion trove of reserve assets in the last two weeks, including Treasuries, according to an estimate from Societe Generale SA. *(Reuters)*

- **China: China official blames Fed for global market rout, not yuan.** The global stock market rout of the past week was sparked by concerns over a possible interest rate rise by the U.S. Federal Reserve and not by the devaluation of China's yuan currency, a senior Chinese central bank official told Reuters on Thursday. Yao Yudong, head of the bank's Research Institute of Finance and Banking, said the U.S. central bank should delay any rate hike to give fragile emerging market economies time to prepare. *(Bloomberg)*

U.S.

- August Markit United States Manufacturing PMI on Sep 1
- July Construction Spending by U.S. Census Bureau on Sep 1
- August ISM Manufacturing by Institute for Supply Management on Sep 1
- Weekly Mortgage Applications by Mortgage Bankers Association on Sep 2
- August ADP National Employment Report on Sep 2
- July Factory Orders on Sep 2
- Weekly Initial Jobless Claims by Department of Labor on Sep 3
- July Trade Balance by US Census Bureau on Sep 3
- August Unemployment Rate by Bureau of Labor Statistics on Sep 4

Eurozone

- July Markit Eurozone Manufacturing PMI on Sep 1
- July Unemployment Rate by Eurostat on Sep 1
- July Retail Sales and Volume by Eurostat on Sep 3
- Announcement of ECB Interest Rates by European Central Bank (ECB) on Sep 3

Japan

- 2Q15 Capital Investment/Spending by Ministry of Finance on Aug 31
- August Nikkei Japan PMI Manufacturing on Aug 31
- August Nikkei Japan PMI Services on Sep 2

China

- August Manufacturing PMI on Aug 31
- August Caixin China Manufacturing PMI on Aug 31

Malaysia

- Foreign Reserves as at August 28, 2001 by Bank Negara Malaysia (BNM) on Sep 3
- July External Trade Balance by Department of Statistics Malaysia (DOSM) on Sep 4