



Malaysian Markets

- **Equities:** Equity markets dipped in November, with most markets easing off from highs seen in October. The KL Composite Index ("KLCI") could not sustain above the psychological 1,400 mark. The KLCI, the Shariah index and the FTSE Bursa Malaysia Emas Index were all lower by 1% for the month. Smaller companies suffered, with the MESDAQ Index plunging by 11% while the Second Board Index fell by 8%.
- However, Malaysia, supported by plantation stocks that are benefitting from high palm oil prices, outperformed its regional peers such as Singapore (-8%), HK (-9%) and China (-18%). The regional sell-off was mainly concentrated in China related markets as investors took the opportunity to lock-in profits gained over the previous bumper month as well as renewed concerns over the health of the world economy, especially the US.
- Amidst uncertainties in the global economy, we maintain our outlook from the previous month and will continue to focus on thematic plays, domestic sectors and dividend yielding stocks while retaining a cash buffer to take advantage of opportunities that may present themselves.
- **Fixed Income:** In the Malaysian bond market, concerns over rising inflation caused by potentially higher transportation and energy prices triggered a sell-off in Malaysian Government Securities (MGS). MGS yields rose as much as 20 basis points across most tenures and there was a slight steepening of the yield curve, reflecting expectations of higher inflation in the future.
- Local corporate bonds experienced similar yield movements as sovereign bonds. There were four large issuances in November which were Cerah Sama, OCBC sub-debt, RHB sub-debt and Tesco. The issuances were generally well received despite expectation of larger issuances, namely Binariang, before the year end.
- We expect Bank Negara Malaysia to maintain its Overnight Policy Rate at 3.5% despite rising inflationary expectations.

Global Markets

- Confidence in **Global Equity** markets were tested in November, with most equity markets recording losses. The MSCI World Index was down 4% for the month, reflecting concerns over the health of the global economy, credit crunch situation and the US subprime mortgage market.
- **Emerging Market** ('EM') stock prices fell by 6% while the MSCI World Index declined 4%. EM was particularly affected by the decline in China related equities as investors took opportunity to lock in profits made over a bumper October month ahead of worries about measures that the Chinese government is taking to curb inflation and a slowing in corporate earnings. Concerns over rising inflationary pressures also weighed down on **Indochina**. The Ho Chi Min Stock Index failed to stay above the 1,000 level.
- **Global Properties** and **Infrastructure** markets fell in November. For both the property and infrastructure segments, the US property and infrastructure sector continued to experience high volatility intra-month over persistent concerns over the subprime mortgage situation and higher borrowing costs. Global REIT fundamentals however remain strong in the long-term while infrastructure securities are still attracting demand from global funds seen by the interest in China Railway's IPO, of which its stock surged 67% on its debut in Shanghai
- **Global Banks** struggled in November as they were unable to shake off concerns over the sector's exposure to US subprime mortgages and the fallout of a global credit crunch. The sell-off of banking stocks were compounded by subprime-related provisions, causing a number of global bank stocks to trade at levels below the start of this year.
- **Commodity** prices generally declined in November as measured by the UBS Bloomberg CMCI Index which fell 2%. A barrel of light crude fell below US\$90 end of November, as supply-fear concerns eased ahead of expectation that OPEC may increase output levels. The general fall in energy prices however has not changed the need for cleaner, renewable and cheaper alternate fuel. The **Environmental Opportunities** segment remains positive and is expected to see continued demand as more funds are dedicated to such research and development, continued positive newsflow on environmental legislation and government efforts within the segment.

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