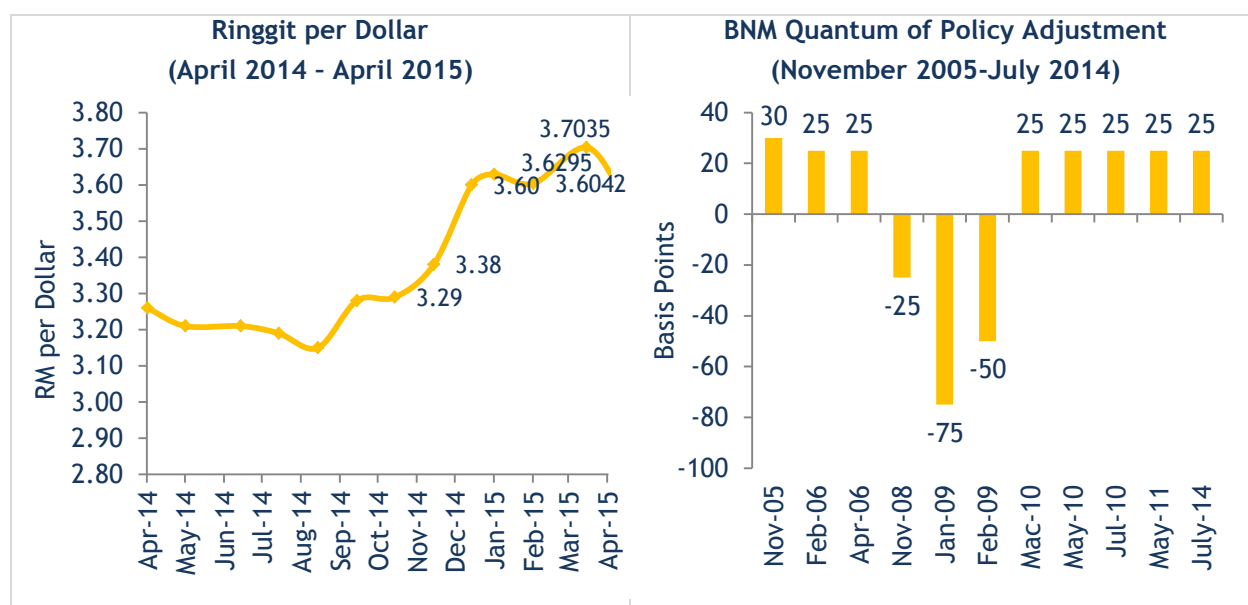


“OPR Maintain at 3.25%”



Source: Bloomberg, M&A Securities

Our View: May 2015 Policy Decision

Bank Negara Malaysia (BNM), in its 3rd policy meeting of the year, decided to maintain policy rate at 3.25%, a decision widely predicted by a chorus of investors and market watchers alike. BNM thinks that Malaysia economic growth is still healthy, backed by steady domestic demand although external conditions remain a challenge due to uneven growth across advanced economies. Hence, since risks to growth remain contained and well anchored, there is just no compelling reason to make a cut in policy rate as at the current level it remains supportive and accommodative to the economy. We are of the view that OPR may not get any adjustment as long as the US is still coy and uncertain of its policy direction. Although widely speculated to get a hefty adjustment this year but the US Federal Funds Rate (FFR) remains status quo, much thanks to lethargic global commodity prices that resulted in US inflation remain to remain weak.

With the US economy is still grappling in 1Q15 due to sagging export and bloating import with March trade deficit reached above USD50 billion, the highest seen since 2008, the US is in danger of falling in contraction economic mode. The strength of Dollar along with anemic growth of US major trading partners (i.e. China, Eurozone) have been the chief cause of US elevating trade deficit. Given the US less-than-steady economic growth, we are not surprise if the US would push adjusting its FFR into next year (i.e. 2016). Nonetheless, the adjustment of FFR in small dose of 25 basis points is highly absorbable (if any this year) and it is unlikely that Malaysia's BNM may react to this. Unless and until FFR get adjusted to above the absorbable rate of 25 basis points, in successive pattern with sharp elevation, only then that BNM may intervene in adjusting the OPR. Otherwise, OPR may stay at 3.25% throughout the year. In addition to this, the less-than-pressurized Malaysia's inflation rate YTD (1Q15 average: 0.6%; 2014 average: 3.2%), suggests that BNM is not worried of runaway inflation despite the fact that the nation had made the bold move of adopting GST in April this year. This is much thanks

to the weak global commodity prices in 1Q15. Note that Malaysia's next policy meeting will be held in July.

Analysis on Policy Statement

So far, BNM has been cool about the assessment of the economy and we don't see alarming tone on the policy outlook. In short, OPR remains supportive and accommodative to the broader economy. The global and domestic assessment of the economy is more or less the same with March MPC policy statement with the cautious underlying tone persist. Hence, we opine business as usual as we see no red flag to suggest any deceleration in economic momentum.

Policy Outlook

As narrated before, we think that OPR will likely to be maintained throughout the year unless and until the US changes its policy direction, sharply and successively. Otherwise, we opine that OPR will stay at 3.25% in 2015.

Strategy Outlook

The coyness and indecisiveness of the US on its policy direction may not be easy for investors, punters and speculators as lack of policy direction and uncertainty may push them to the sideline. In short, they may not want to take big bets until the path is clear. This will make investing decision a challenge as liquidity or capital inflow may get static unless and until there is fresh catalyst on the US FFR. Volatility may stay weak while there is no reason to demand for higher risk premia. In summary, global equity market is desperately waiting for better policy clue from the US.

Malaysia Economic Forecast
(2012-2015F)

	2012	2013	2014	2015F
BNM	5.6%	4.7%	6.0%	4.5%-5.5%
MoF				4.5%-5.5%
MIER				5.0%-5.5%
M&A Securities				5.0%

Source: Various, M&A Securities

BNM Policy Meeting Schedule (2015)

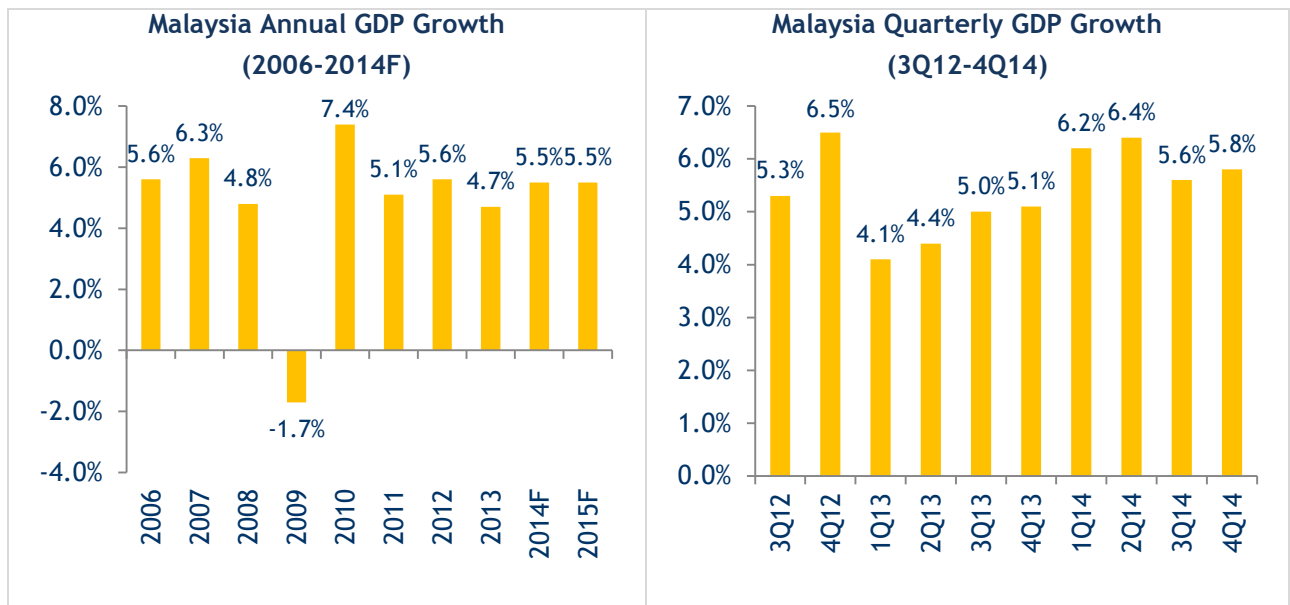
Schedule of BNM Monetary Policy Committee Meetings for 2015	
MPC Meeting No.	Dates
1st	27 and 28 January 2015 (Tuesday and Wednesday)
2nd	4 and 5 March 2015 (Wednesday and Thursday)
3rd	6 and 7 May 2015 (Wednesday and Thursday)
4th	8 and 9 July 2015 (Wednesday and Thursday)
5th	2 and 3 September 2015 (Wednesday and Thursday)
6th	4 and 5 November 2015 (Wednesday and Thursday)

Source: BNM, M&A Securities

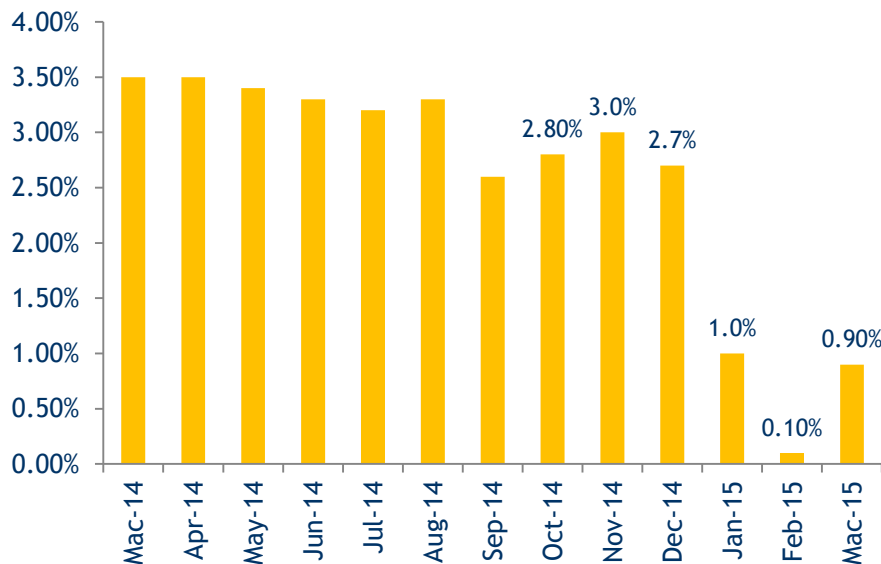
US Federal Reserve FOMC Meeting Schedule (2015)

US Federal Reserve FOMC Policy Meetings for 2015	
FOMC Meeting No.	Dates
1st	27-28 th January (Tuesday and Wednesday)
2nd	17-18 th March (Tuesday and Wednesday)
3rd	28-29 th April (Tuesday and Wednesday)
4th	16-17 th June (Tuesday and Wednesday)
5th	28-29 th July (Tuesday and Wednesday)
6th	16-17 th September (Tuesday and Wednesday)
7th	27-28 th October (Tuesday and Wednesday)
8th	15-16 th December (Tuesday and Wednesday)

Source: FOMC, M&A Securities



Malaysia: Inflation Trend (March 2014 - March 2015)



M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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M & A Securities Sdn Bhd (15017-H)

(A wholly-owned subsidiary of INSAS BERHAD)

A Participating Organisation of Bursa Malaysia Securities Berhad

Principal Office

Level 1,2,3 No.45-47 & 43-46

The Boulevard, Mid Valley City,

Lingkaran Syed Putra,

59200 Kuala Lumpur

Tel: +603 - 2282 1820 Fax: +603 - 2283 1893