



# Macro and markets panel session. Where are we now & where might we be going?

**Khazanah Megatrends Forum**

30 September 2013

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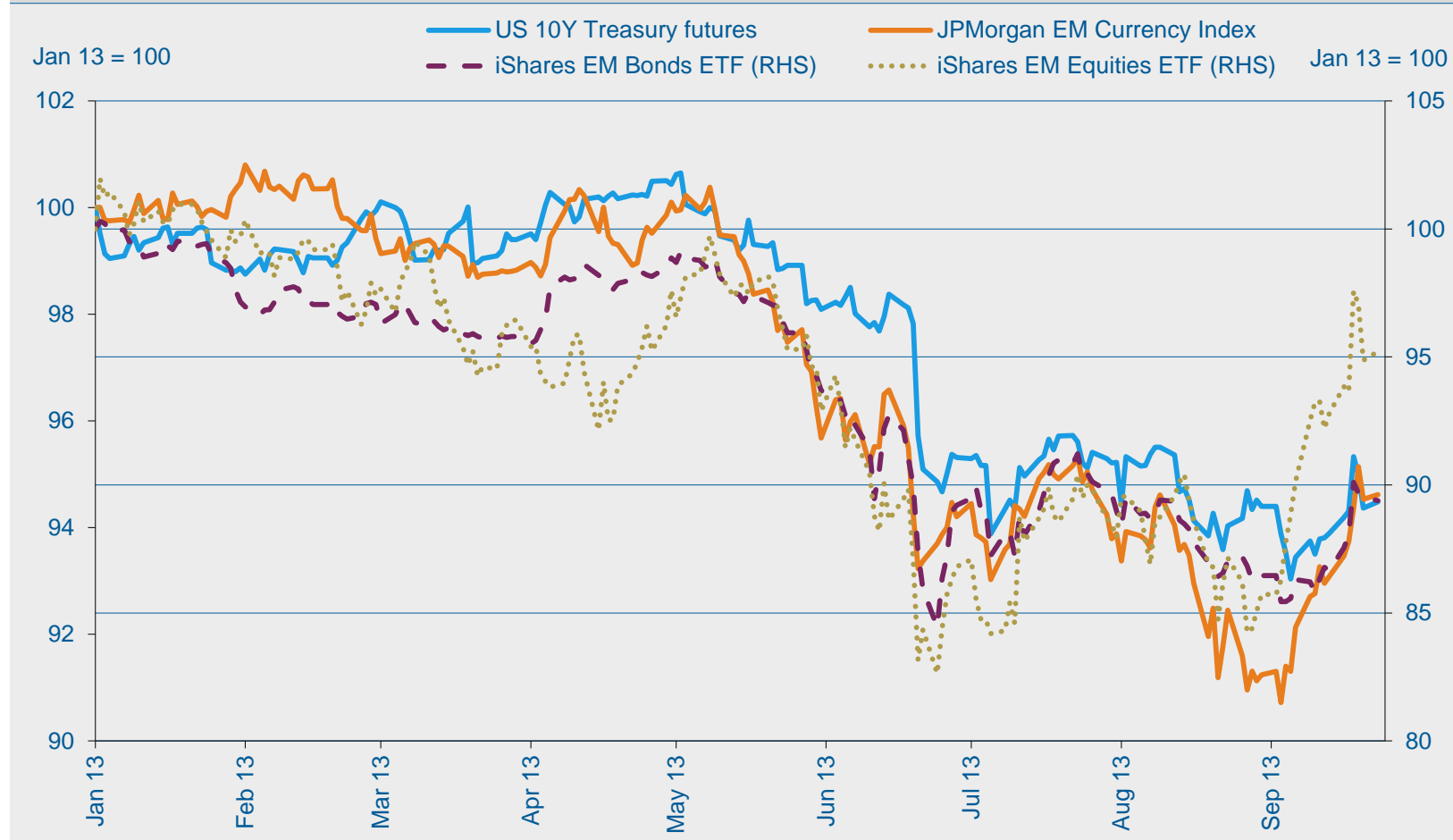
*"Everything that was good for the market yesterday is no good for it today."*

# Emerging market asset prices seem to be pegged to US Treasury bond movements

Has the US Fed's latest announcement of inaction turned the tide for emerging market assets?

## US 10 year treasury bond yield is currently an excellent lead indicator for the direction of emerging market asset values

Source: Bloomberg, CLSA,  
23 Sep 13



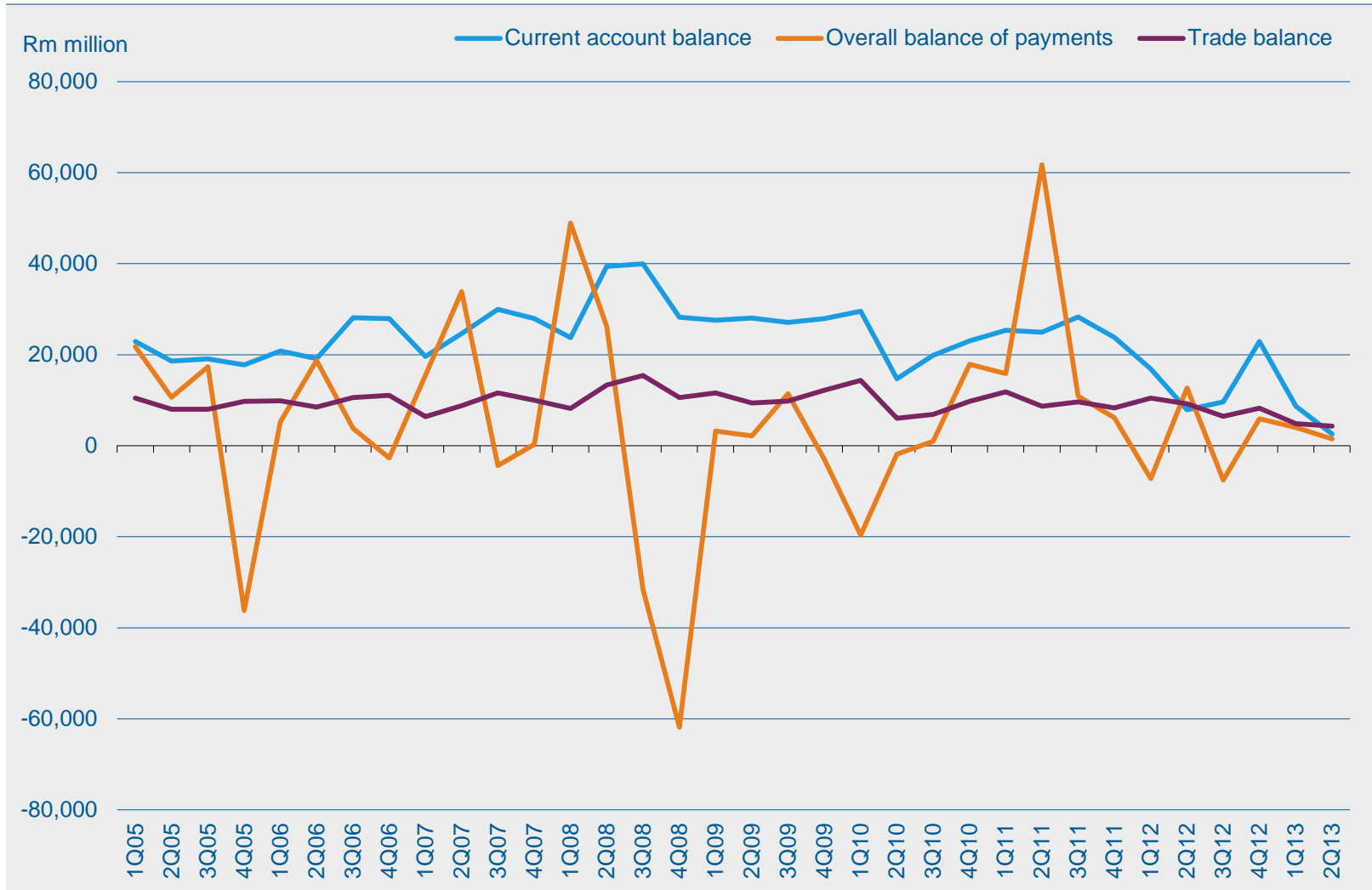
# Plans went awry after the Fed's "taper" hint on 21 May

US Treasury 10 year bond yield vs MSCI Asia ex-Japan index 1 May 13 to 24 Sep 13

Source: Bloomberg,  
24 Sep 13



# What of Malaysia? Our current account, BoP & trade accounts have not slipped into negative territory



Source: CIMB, Sep 13

# Not too hot, not too cold = low Beta

## KLCI vs SET vs STI vs JCI

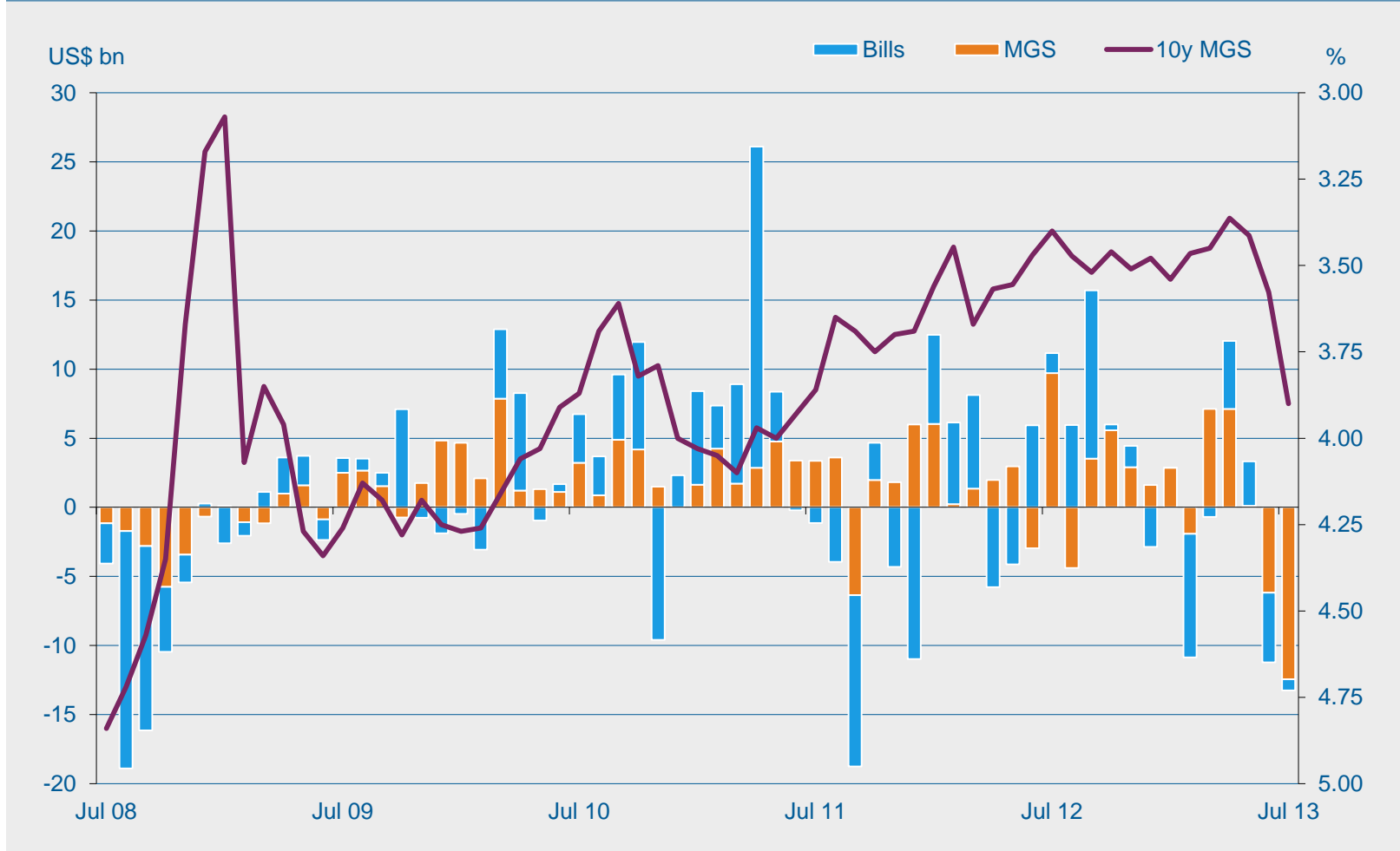
Source: Bloomberg, Sep 13



# Recent exodus of foreign funds from the Malaysian sovereign market created some feelings of 1998 déjà vu

**Foreign ownership of MGS and BNM bills (US\$) Jul 08 to Jul 13**

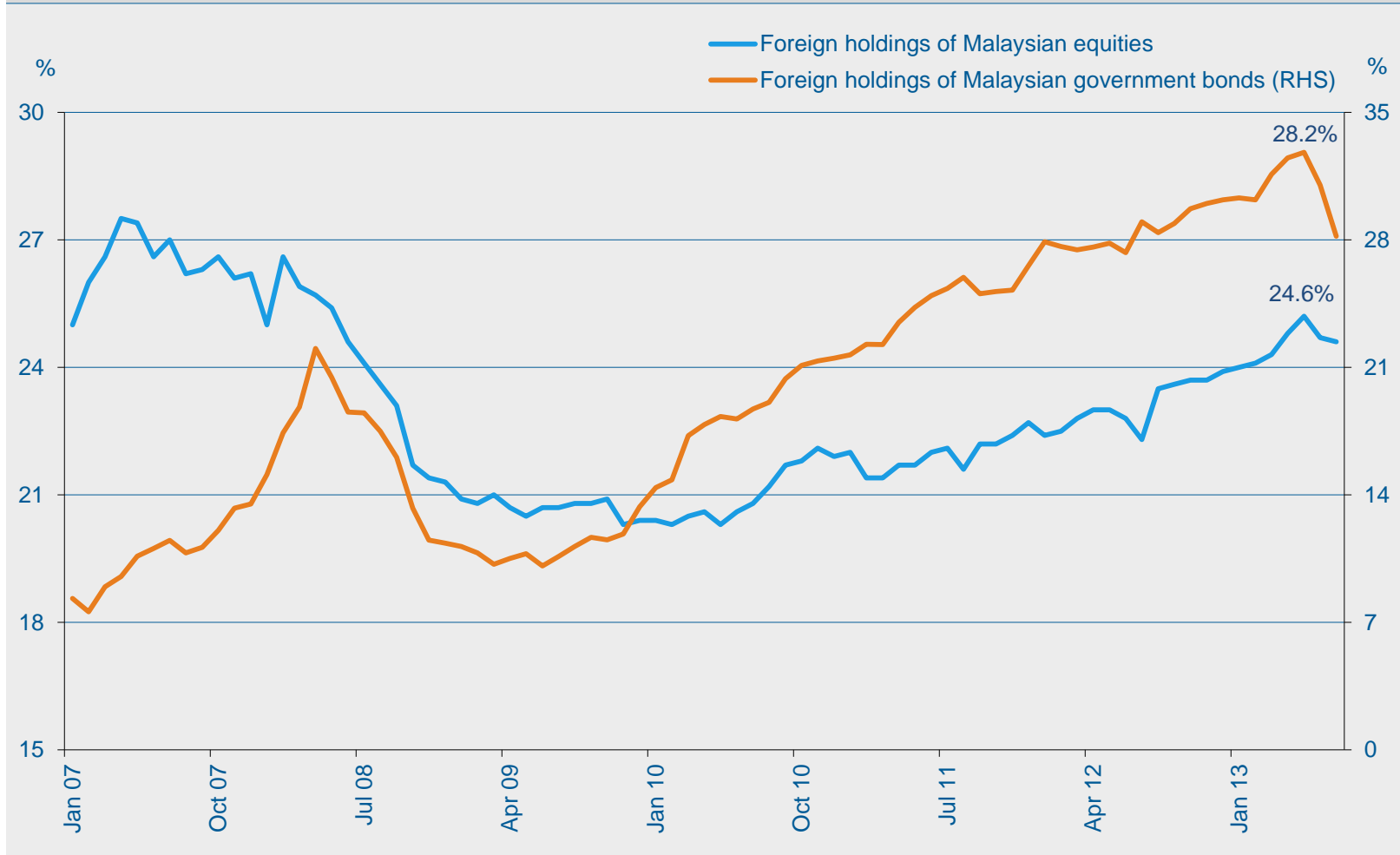
Source: Credit Suisse, Bank Negara Malaysia, Sep 13



# The damage to Malaysian bonds was more extreme than Bursa Malaysia equities

## Foreign holdings of Malaysian equities & government bonds

Source: CIMB Securities, Bank Negara Malaysia, Sep 13

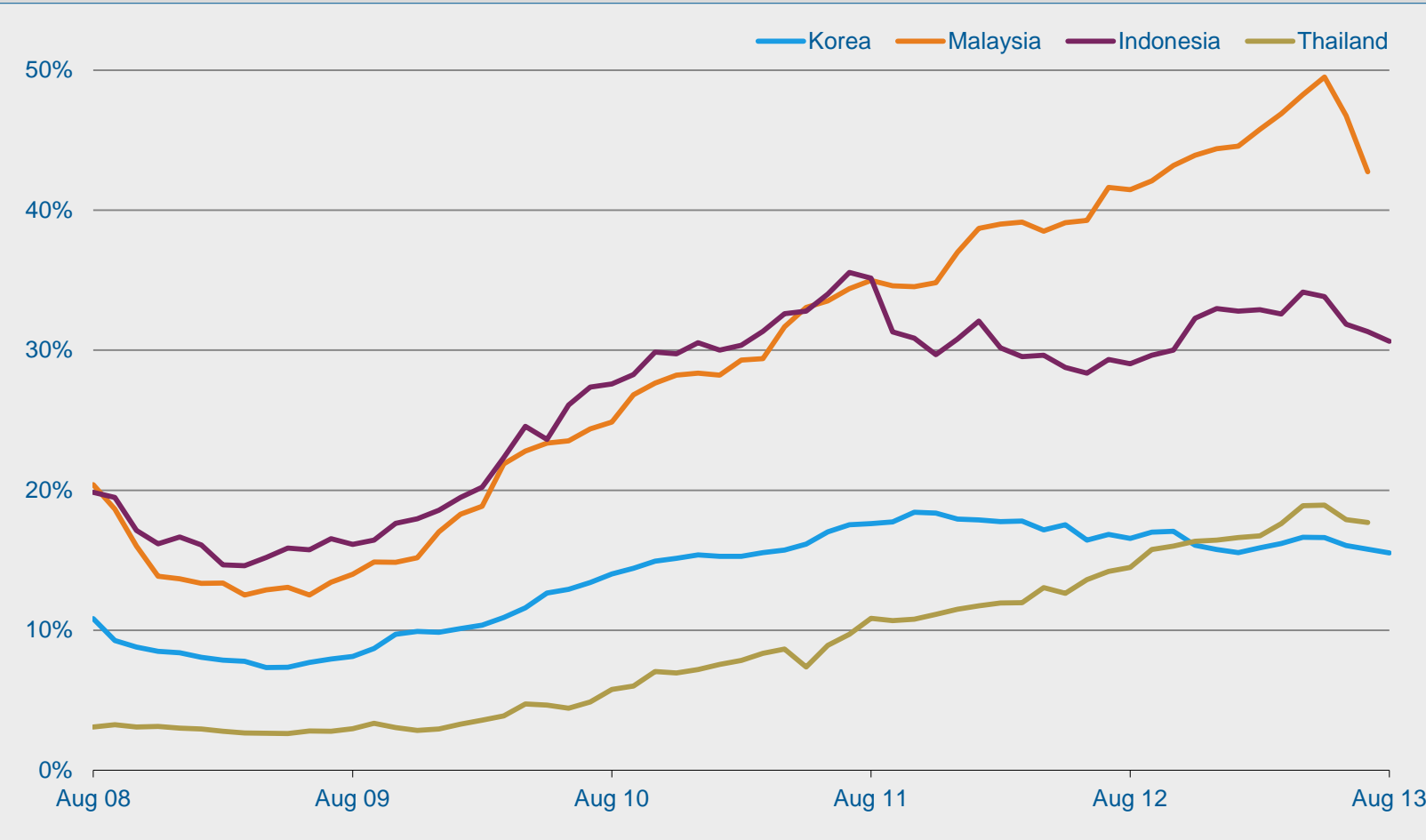




# This exodus is replicated in other Asian markets

## Foreign ownership of listed equities & sovereign bonds in Indonesia, Malaysia, S Korea and Thailand

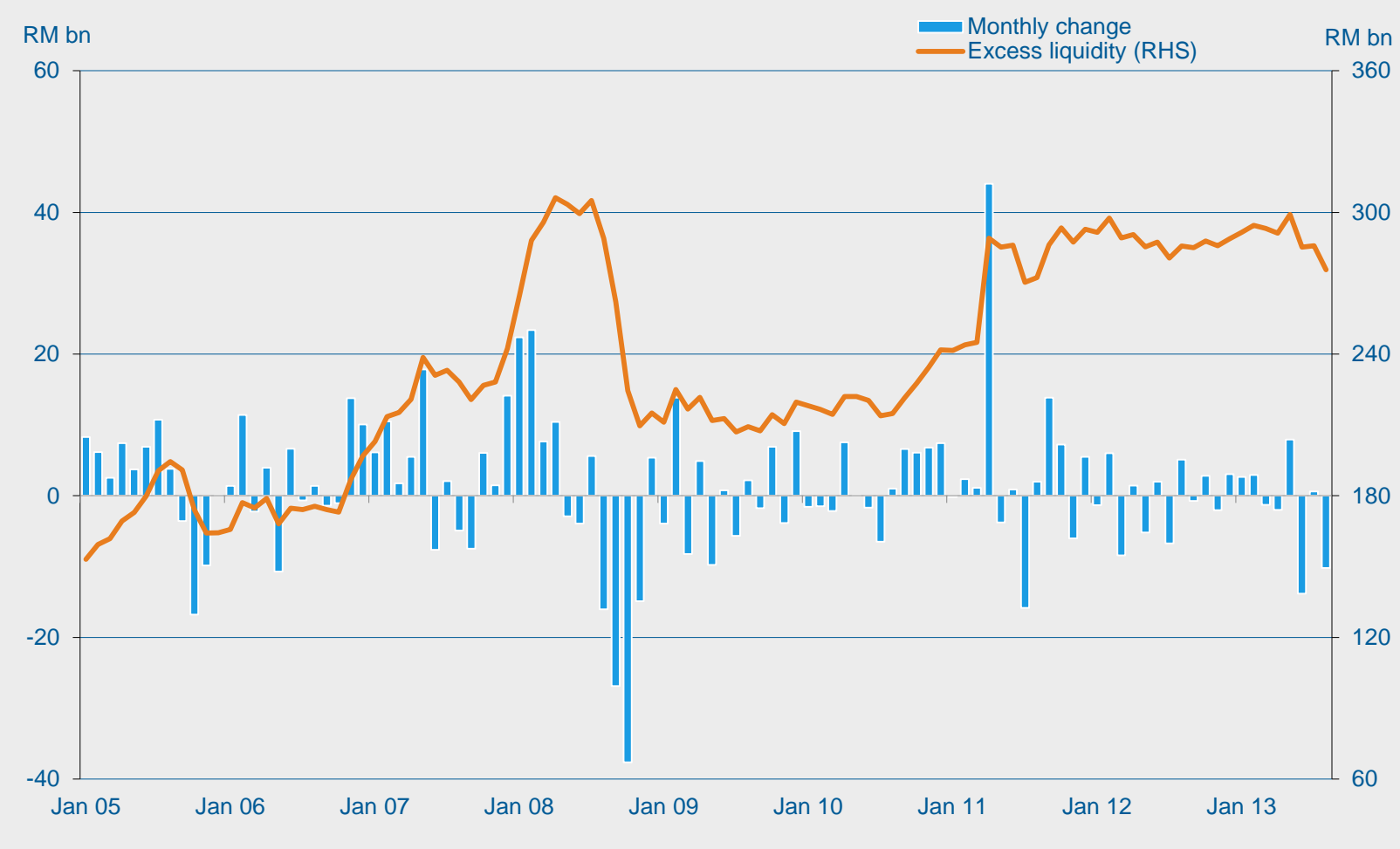
Source: Credit Suisse,  
30 Aug 13



# We still have some ammunition – in fact BNM is still having to mop up excess liquidity

## BNM soaked up RM275.7bn excess liquidity

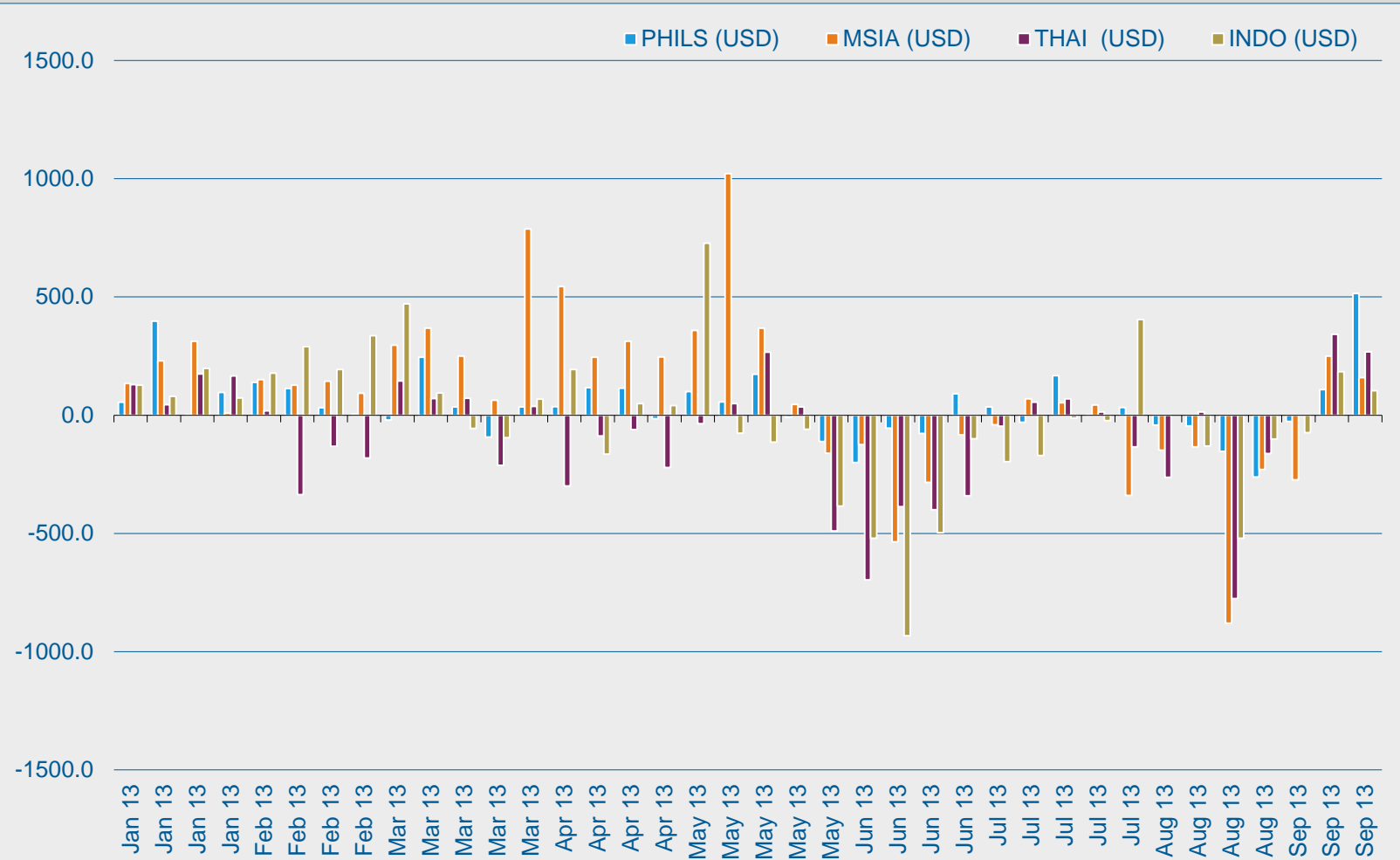
Source: BNM, CIMB Research, 30 Aug 13



# Panic over?

Weekly net foreign fund flows into ASEAN equities 4 Jan to 20 Sep 13

Source: CLSA, 20 Sep 13



# Disclaimer

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