



MONTHLY MORNING MEETING APRIL 2009. PRESENTED BY iFAST FINANCIAL INDIA PVT LTD ©

## MALAYSIA (3.5 STARS – ATTRACTIVE)

- 1) We are maintaining our 3.5 stars rating on Malaysian market. Its estimated PE for 2009 and 2010 stood at 11.2X and 11.1X respectively as at 31 Mar 2009.
- 2) Inflation eased to 3.7% y-o-y in January 09, prompting central bank to cut its benchmark rate aggressively to 2% by end of February.
- 3) Major economic data have been posting double-digit negative growth rates since December 2008.
- 4) 4Q 08 GDP growth dropped significantly from 5.7% in 3Q to 0.1% on drastic fell in exports and commodity prices.
- 5) Hence, we expect the market to experience negative earnings growth rate of 2.4% in 2009 before recover in 2010 with an estimated growth rate of 1.0%.
- 6) The government announced its second stimulus packages worth RM60 billion in March 2009. Although the government is showing its eagerness in battling the slowdown, we believe the country will not be able to escape from experiencing technical recession.
- 7) The central bank also announced its official forecast for 2009. The estimated GDP growth ranged between -1% to 1% on weak export growth and private investment growth (Both are expected to drop by 25% and 18% respectively)
- 8) From the central bank's official figures, we think that the government's forecast is rather optimistic.
- 9) The stimulus package will push the country's budget deficit higher from -4.8% to -7.6% of GDP. However, from the central bank's official forecast show that the expected government revenue is at RM161 billion, almost same as the revenue collected in 2008 of RM160 billion. We think that the government is rather optimistic as the tax revenue should be lower on lower commodity prices and the government implemented higher tax incentives under the second stimulus package.
- 10) Going forward, we believe that the worst economy data will be actualised in the first half of 2009. Any recovery is expected to emerge in the second half of 2009.