

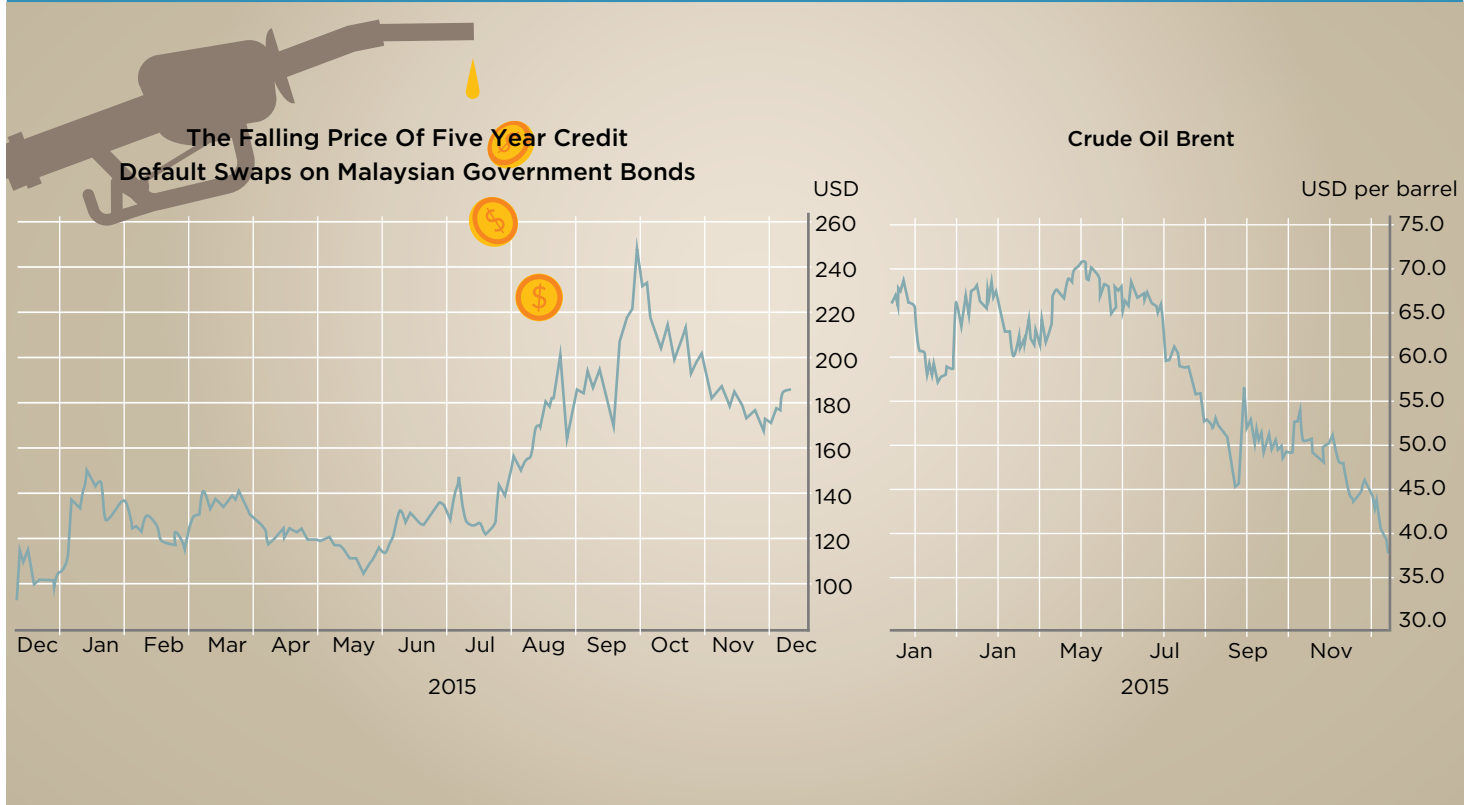
CARI CAPTURES



01 UNCERTAIN TIMES FOR THE MALAYSIAN MARKET



Malaysia's Mixed Market Outlook



[Bloomberg](#)

Despite the sale of 1MDB assets, which lessened sovereign debt, the continuing slide of commodity prices and speculation surrounding the US Federal Reserve's (Fed) interest rates has muddied Malaysia's economic outlook.

- ▶ The sale of US\$2.3 billion in 1MDB energy assets to China General Nuclear Power Corp resulted in 42 basis point drop in five year credit default swaps on Malaysian government bonds over the course of two months, signalling the biggest quarterly drop in default risk for Malaysia in four years
- ▶ However, whilst the sale of 1MDB's assets continues to chip away at an estimated US\$11 billion worth of debt in the state investment arm, falling commodity prices have hampered the nation's growth; in

particular, oil revenues which make up 22% of the the government's budget continue to decline as evidenced by the 31% slide in Brent crude prices over the course of 2015

- ▶ With the Organisation of the Petroleum Exporting Countries (OPEC) continuing to maintain its policy of not limiting output, the expected performance of oil revenues will continue to remain bleak; China's slowing economy has also exacerbated sliding commodity prices, further darkening the outlook for Malaysia's economy
- ▶ Rumours that the US Fed will increase interest rates, coupled with Malaysia's poor performing currency and tough economic outlook have sparked fears that capital outflows from the nation may occur and further damage Malaysia's growth

[Bloomberg \(12 December 2015\)](#)

02 SINGAPORE'S BOOMING M&A MARKET

SINGAPORE

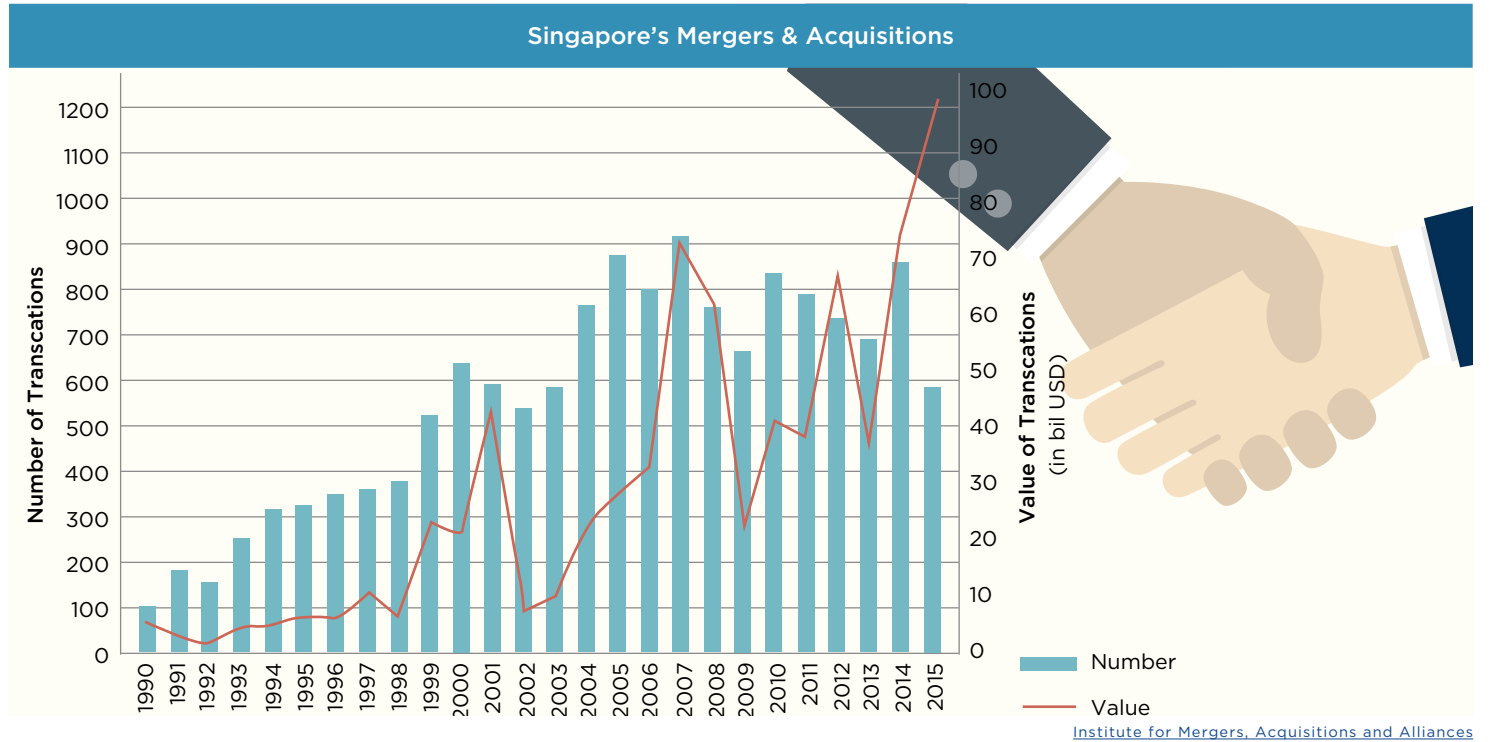
The value of mergers and acquisitions (M&A) in Singapore almost doubled, jumping from US\$50.7 billion in 2014 to US\$101.2 billion in 2015 according to corporate finance advisor Duff & Phelps.

- ▶ Expansionary agendas set by Singaporean firms in a bid to boost their regional presence can be said to be driving growth in the nation's M&A Market; in fact, 85% of M&A deals in 2015 come from outbound acquisitions by Singaporean firms
- ▶ There were 13 transactions valued at more than US\$1 billion, compared

with eight of such deals last year. Among the largest deals is the US\$37 billion acquisition of US semiconductor maker Broadcom by Singapore and US-based Avago Technologies

- ▶ Currently, 50 deals worth approximately US\$9.1 billion are currently in the pipeline for completion, this includes the proposed buyout of Biosensors International by CITIC Private Equity, the proposed cash acquisition of Neptune Orient Lines by CMA CGM, as well as the potential sale of Asia Square Tower 1 by BlackRock to Norway's sovereign fund

[Channel News Asia \(10 December 2015\)](#)



03 RISKS AND REWARDS SURROUNDING INDONESIA'S ECONOMY

INDONESIA

Despite broad based risks and the nation's recent economic slowdown, the prospects posed by a young population and the growing technological prowess of the nation continues to create optimism in the nation.

- ▶ According to a recent BCG report which surveyed 3000 consumers across 19 locations and differing socioeconomic groups, the untapped potential of young professionals and modern housewives are likely to drive growth in the nation if correctly capitalised upon; by 2030, 65% of the estimated 300 million individuals in Indonesia will be of working age, creating a labour base unmatched in the ASEAN region
- ▶ In the report, BCG noted that Indonesian consumers increasingly see durable goods, such as cars, motorcycles, electronic devices and household appliances, as their top priority, especially first-time buyers like young professionals who've just entered the work force
- ▶ Meanwhile, a survey by Moody's indicates that short term growth in the economy will remain lackluster due to broad based risks; the survey concluded that China's continued economic slowdown, alongside shifting US Federal Reserve monetary policy, and sliding commodity prices pose the greatest challenges to Indonesia in 2016

[Jakarta Globe \(10 December 2015\)](#)

04 THE TPP'S IMPACT ON VIETNAM

VIETNAM

With a record US\$14 billion in Foreign Direct Investment (FDI), the yet to be implemented but ratified TPP has already netted Vietnam gains in foreign interest in its soon to be liberalised market.

- ▶ The TPP is slated to lift output by 8% and double exports over the course of the next two decades as preferential trading policies help Vietnam gain an edge over China; furthermore, a report by HSBC bank predicted that Vietnamese sales would see a tenfold increase by 2050, totalling US\$1.5 trillion
- ▶ Whilst the US State Department emphasises that the TPP will help to facilitate reforms in the areas of state ownership, labour, environmental, and internet laws in Vietnam, it should be noted that human rights groups continue to criticise the dual nature of development; whilst economic development continues to thrive, reforms in the areas of human rights for exploited labour continue to see a lack of action
- ▶ Currently, Fitch has maintained its ratings of the Vietnamese economy, warning of public debt and internal structural weaknesses; furthermore, the 15% annual growth in private debt in Vietnam despite steep interest rates has been cited as worrying to some

[AT \(10 December 2015\)](#)

05 THAILAND FALLS OUT OF AUTO TOP 10



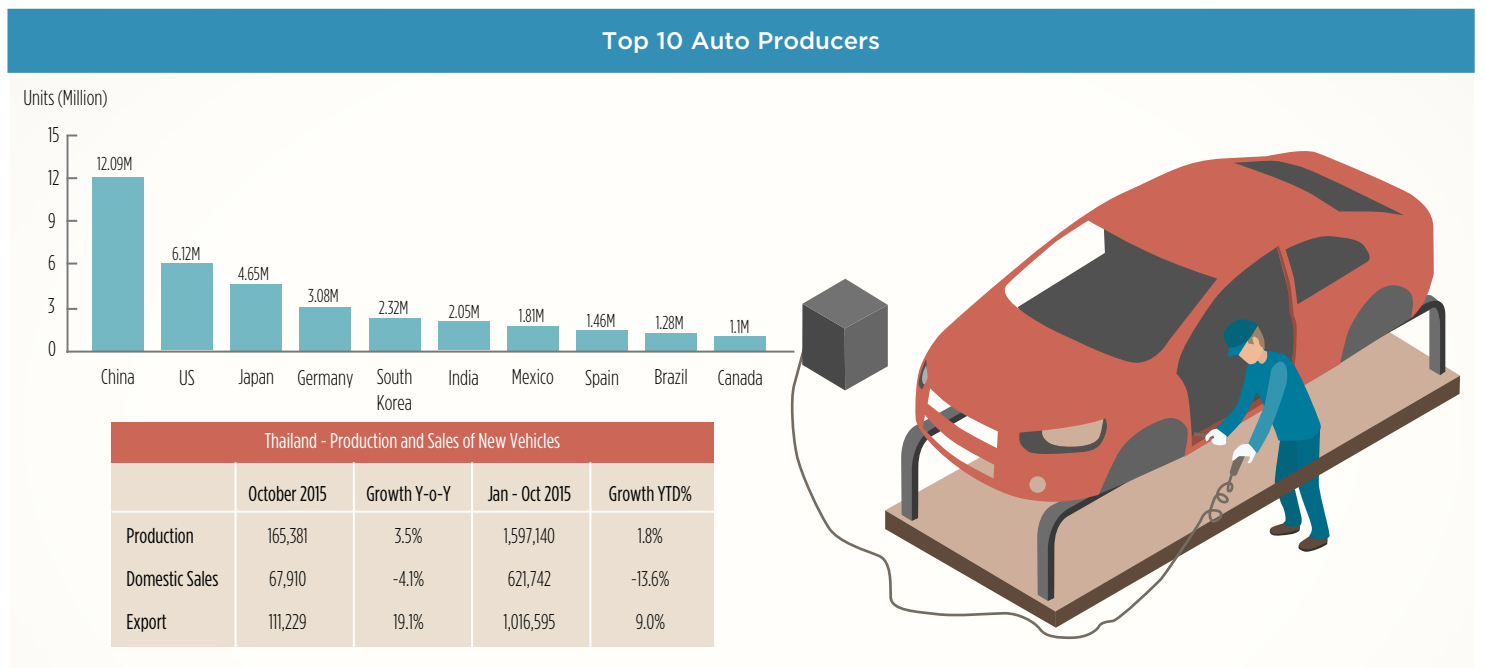
Thailand's automobile manufacturers see declining production numbers as European production recovers, ultimately causing Thailand to slide out of the world's list of top 10 car manufacturers in terms of volume.

▶ Thailand dropped from ninth to 12th place in the world ranking of automobile manufacturers in 2015 despite strong export figures; currently, Thailand has produced 935,251 units, down 1.81% year on year during the fourth quarter of 2015, against a projected 2 million units in total for 2015

▶ An excise tax on carbon emissions rather than engine size to be introduced in 2016 is expected to slow sales in the first quarter of 2016; long term prospects remain optimistic however, with a projected 800,000 units to be sold locally in 2016

▶ Meanwhile, vehicle sales at the 32nd Thailand International Motor Expo stood at 31,105 units as of Friday, helping to increase 2015 figures; the top five brands were Toyota at 4,138 units, Isuzu with 3,501 units, Honda with 3,434 units, Mazda with 3,003 units and Nissan with 2,368 units

[Bangkok Post \(12 December 2015\)](#)



[Federation of Thai Industries](#)

06 CHINA'S CROSS-BORDER RAILROAD SYSTEM



Whilst China has promoted a cross-border railroad system to link its southwest provinces to Southeast Asia, progress has been halting due to the ongoing threat of political risks in the region.

▶ The US\$6 billion venture, which was slated to start in 2010, has been mired with delays due to a lack of agreed funding and allocated development responsibilities; currently, China is still waiting on commitments that each country involved in the cross-border railroad system will complete their portion of the track

▶ Both Thailand and Laos have failed to agree to Beijing's proposed interest rate for loans financing the venture, whilst Myanmar's groundswell of protests against the Beijing backed railway line have all hampered the development of the railway

▶ According to Tomoo Kikuchi, an infrastructure expert and senior research fellow at the National University of Singapore, projects such as these are often initiated by Southeast Asian leaders in order to purchase political goodwill, regardless of the actual completion or viability of such projects

[Yahoo News \(8 December 2015\)](#)

07 AQUINO PUSHES MUSLIM AUTONOMY MEASURES



Philippine President Benigno Aquino recently urged Congress to pass a bill giving greater autonomy to a Muslim minority in the country's south, ending a 45-year conflict that has killed more than 120,000 people and displaced 2 million.

▶ The Mindanao region houses the Moro Islamic Liberation Front (MILF), a large Muslim rebel group, agreed to a ceasefire in March 2014 after Aquino's government signed a deal to expand an existing Muslim Autonomous region in exchange for their demilitarisation

▶ The which President Aquino seeks to pass will provide vast political and economic powers to the Muslims in the region with hopes to end the cycle of violence

▶ With elections starting in 2016, Aquino's fading political significance will pose a challenge to the outgoing president in the passage of this bill

[Channel News Asia \(8 December 2015\)](#)



08 MYANMAR MONITOR



POLITICS

► For the first time since Myanmar's independence, the country will see its military government hand over its responsibilities to a civilian government. To ensure a smooth transfer of power, members of the outgoing military government and the National League for Democracy (NLD) have formed a joint eight-member transition committee, that will scrutinise all official documents and spending, starting from the President and Vice-Presidents' offices.

[Channel News Asia \(14 December 2015\)](#)

► Opium production in Myanmar has stabilized for a third year but remains a daunting challenge for the untested government that takes power in February, the United Nations said on 15 December. Myanmar produced an estimated 647 tons of opium in 2015, second only to Afghanistan, the United Nations Office on Drugs and Crime (UNODC) said in a new report. That figure was steady from the previous year, as was the total area under opium poppy cultivation, which stood at 55,500 hectares.

[Reuters \(15 December 2015\)](#)

ECONOMY

► Myanmar will open a second round of foreign bank licensing early next year, according to the central bank. Banks from countries that have already been granted licenses- Australia, Japan, Malaysia, China, Singapore, and Thailand -will not be eligible for the new licenses. Nine licenses were successfully granted last year, although restrictions remain on what services foreign banks can offer to the nation.

[Yahoo Finance \(15 December 2015\)](#)

► The official participation of Japan in a special economic zone in southeastern Myanmar initiated by Myanmar and Thailand will bring confidence and attract investors to the project, Thai Transport Minister Arkom Termpittayapaisith told media after a trilateral meeting in Bangkok on 14 December. Following Japan's decision earlier this year to participate in project, Tokyo has been revising the master plan and a study on infrastructure development. Thailand, Myanmar and Japan agreed to each contribute US\$166,000, and to share equal seats in a special-purpose vehicle that Myanmar and Thailand created to manage the project.

[The Japan Times \(15 December 2015\)](#)

FOREIGN AFFAIRS

► Opinion: With Aung San Suu Kyi and the NLD's reign in Myanmar, there are two possibilities regarding relations with ASEAN. First, the new government could pursue the Thein Sein government's ongoing policy, which has already integrated Myanmar into the overall scheme of integration with ASEAN. The second alternative is to focus on domestic priorities. Under the current circumstances, ASEAN needs Suu Kyi more than she needs ASEAN to promote the grouping's democratic and human-rights profile.

[The Nation \(14 December 2015\)](#)

09 INSIGHT INTO INDONESIA'S WEALTH INEQUALITY



INDONESIA

A recent report by the World Bank found that 10% of Indonesians own approximately 77% of the nation's wealth, with a growing level of income inequality, which will worsen in time.

- The richest 1% in Indonesia own half of all the country's wealth, which is the second-highest level of wealth inequality after Russia from a set of 38 countries; it should also be noted that Thailand shares a similar level of inequality
- The share of wealth owned by the richest 10% in Indonesia increased by 7 percentage points between 2007 and 2014, and will only continue to worsen as financial and physical assets generating income have a snowball effect
- The situation has been further exacerbated by weak monitoring and compliance on personal income taxes, which when coupled with already low withholding tax and dividend tax rates translates to increased inequality

[The Malaysian Insider \(12 December 2015\)](#)

10 MALAYSIA ACCEPTS FIRST OF 3,000 SYRIAN MIGRANTS



MALAYSIA

Malaysia has received the first batch of Syrian migrants out of a total of 3,000 it plans to allow into the country.

- In a bid to lessen the load on Europe, Prime Minister Najib Razak recently pledged that Malaysia would accept 3,000 Syrian refugees over the course of 3 years; whilst not a signatory of the UN convention of refugees, the UN's refugee agency has been working closely with the Malaysian government to secure a place for future migrants
- Initially, the refugees will be provided with temporary visiting passes with more permanent measures to be applied at a later date; a task force had been set up to handle the identification and screening process for Syrian migrants, consisting of various entities including the Home Ministry, the Immigration Department and the Prime Minister's Department
- Around four million Syrian refugees have fled into neighboring countries since the start of a civil war there in 2011, prompting both Malaysia and the Philippines to step up and offer sanctuary to fleeing refugees

[The Diplomat \(12 December 2015\)](#)

ASEAN's Response to Refugees

