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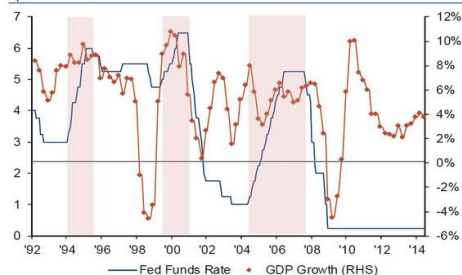
The key investment themes in 2017 revolve around President Donald Trump's policies. Nevertheless, current expectations of the impact of Trump's policies on Asia may be overly bearish.

- 1) Strong growth in major economies has historically benefitted export-dependent nations such as Malaysia. More so when the US is the world's largest importer of goods and services.
- 2) The US Federal Reserve is embarking on its hiking cycle, signalling a potential of 3 hikes this year. Markets hate uncertainty. Compared to the previous cycles however, this current rate hike cycle is handled differently. The constant communication and gradual pace of interest rate hike will give businesses, markets and policy-makers ample time to respond.
- 3) Historical analysis showed that Fed hiking cycles may not necessarily translate to negative equities performance in Asia. In fact, it is quite the opposite.

MSCI Asia ex Japan Equities and Federal Reserve Tightening Cycles



GDP growth in Korea, Malaysia, Singapore and Taiwan is typically strong when the US Fed Funds rate increases (shaded areas)



The "Asian economies" include Korea, Taiwan, Malaysia and Singapore.  
Source: BNP Paribas Global Research estimates

We maintain our view that Malaysia could be poised for a rebound this year.

Our lists of catalysts for the Equity market and Ringgit remain unchanged, as discussed in our previous Equity Insights. Political noises are beginning to subside, commodity prices are rebounding and we are seeing signs of corporate earnings and sentiment having bottomed out. The local market has finished another year in the red, marking the 3<sup>rd</sup> consecutive year of negative returns.

The recovery in global growth, potential GE 14 and a more exciting IPO scene could have a positive impact on Malaysian equities. However, we think that volatility will be here to stay. Potential risks to watch out for include US trade protectionism, Eurozone politics and any sustained weakness in the Ringgit.

We are advocating a cautiously optimistic stance in our investment strategy. We will focus on stock selection to achieve outperformance, preferring larger cap and high dividend yielders.