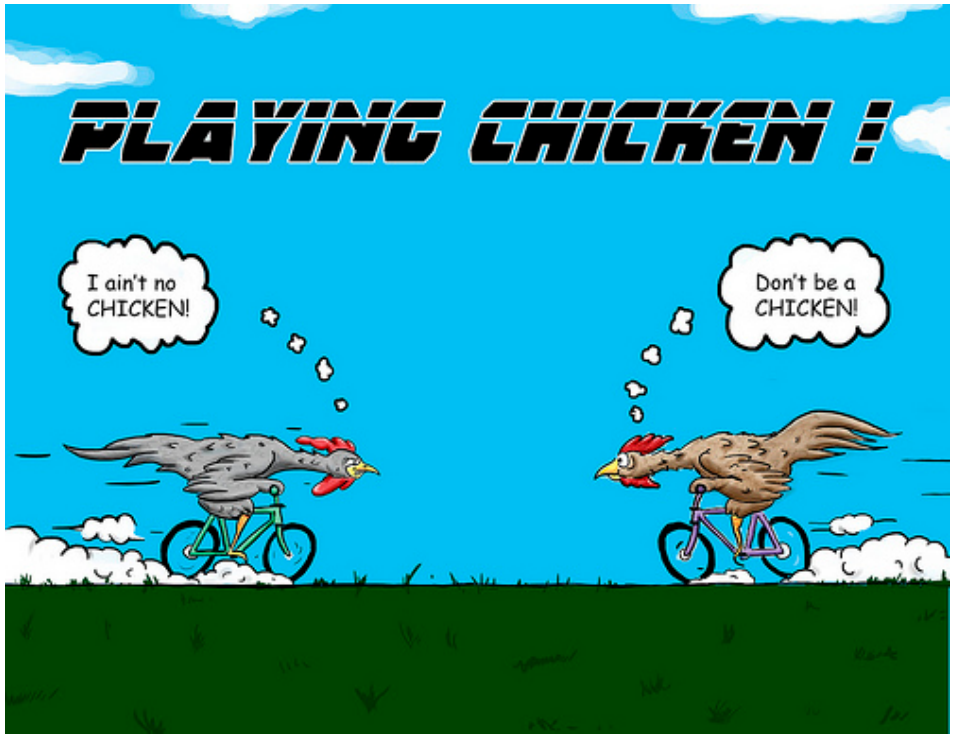
2015 Outlook



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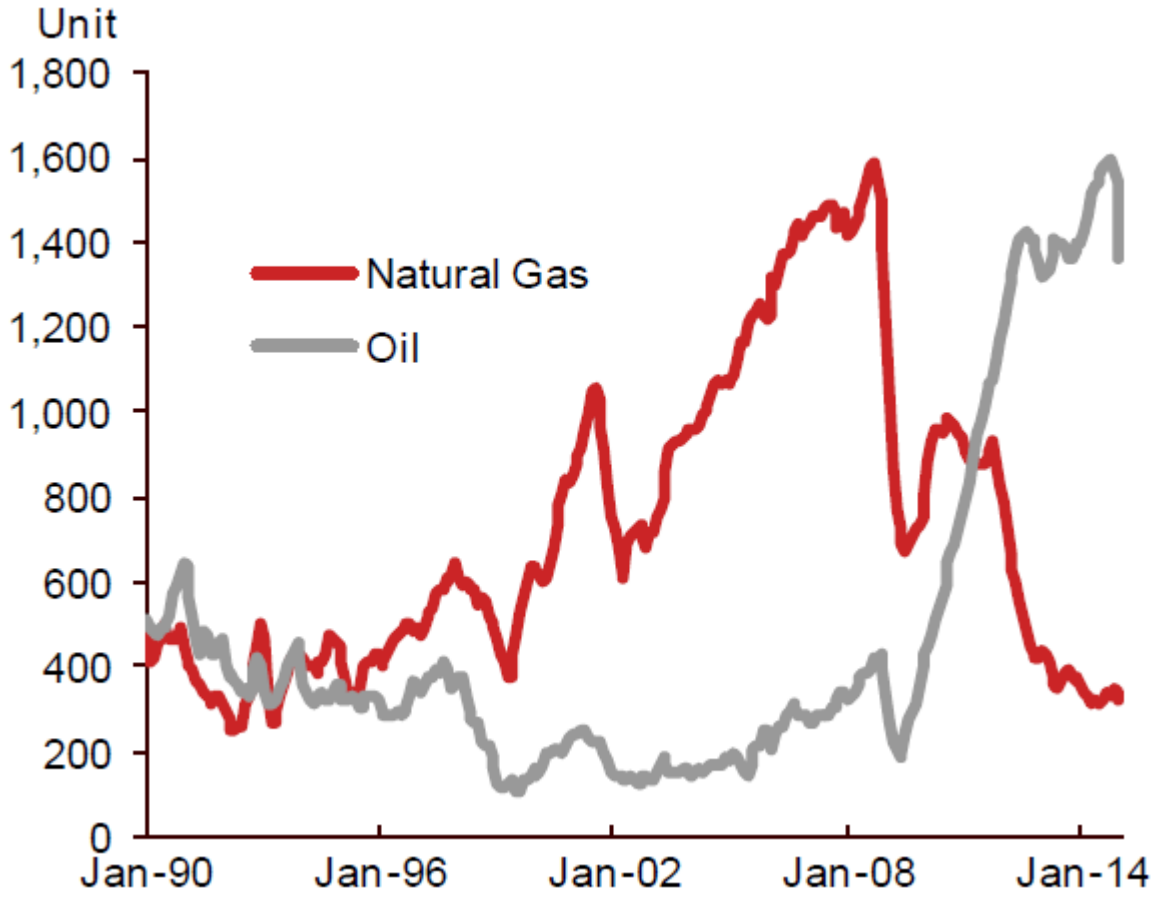
Chicken Game 1

US Oil and Gas Rig Counts



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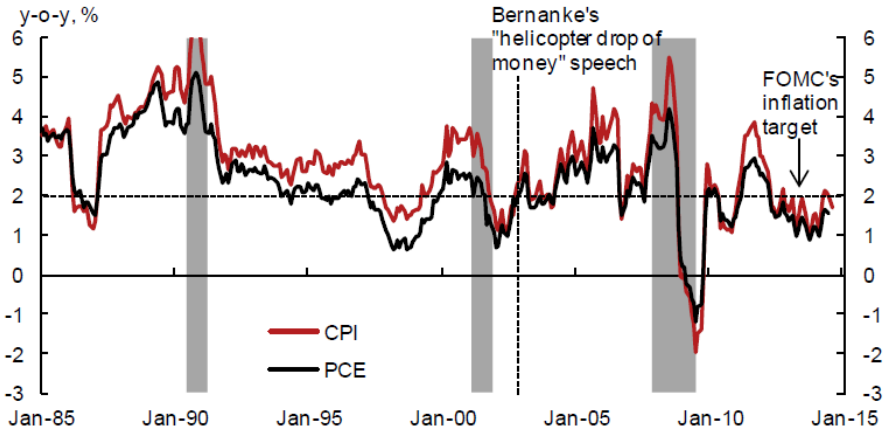
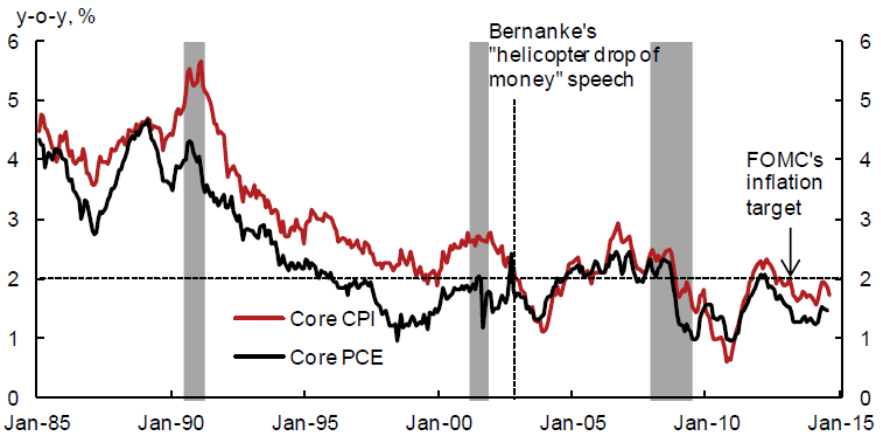
The Shooting Range?





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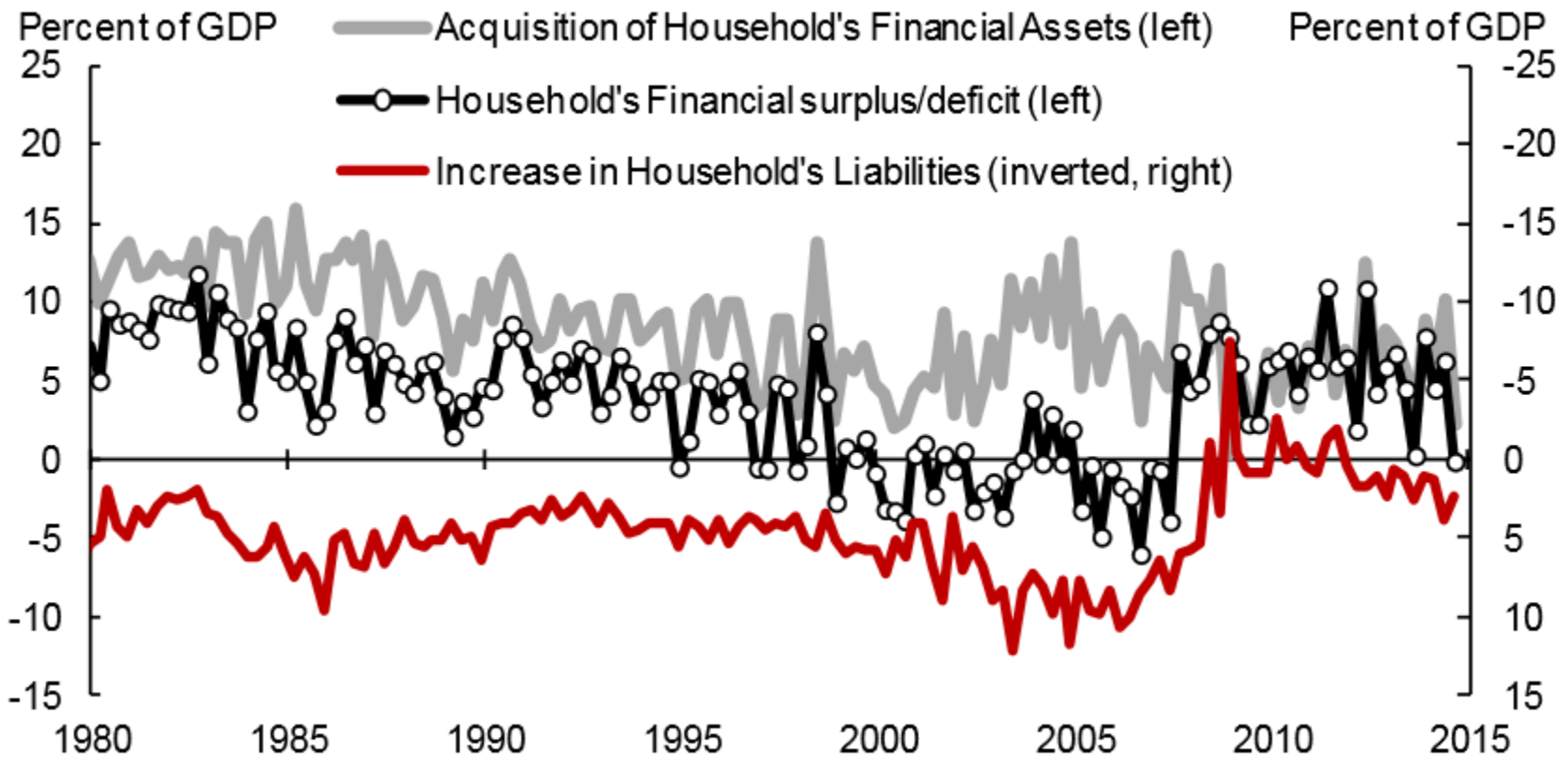
Back to Normal



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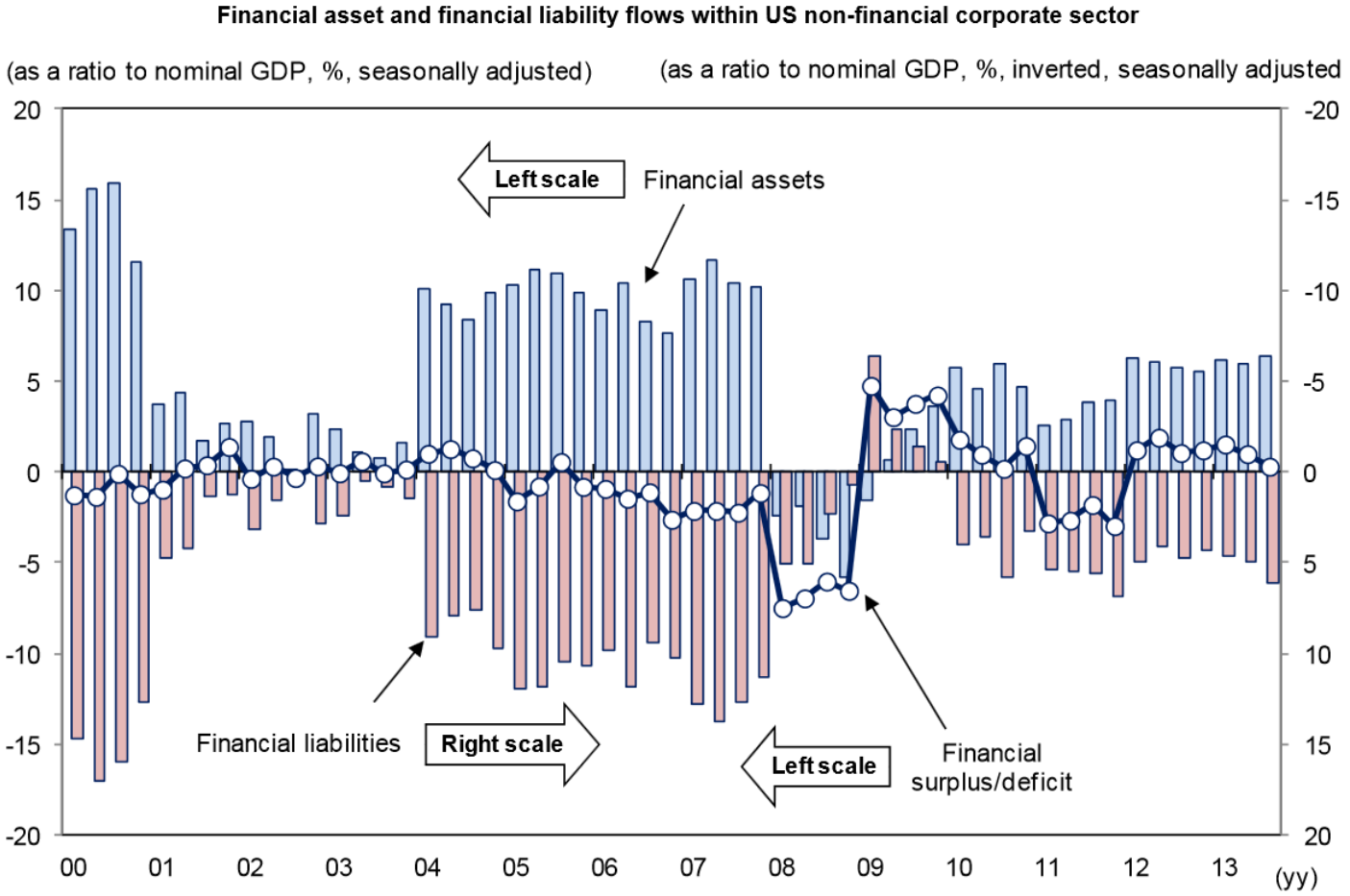
Business As Usual



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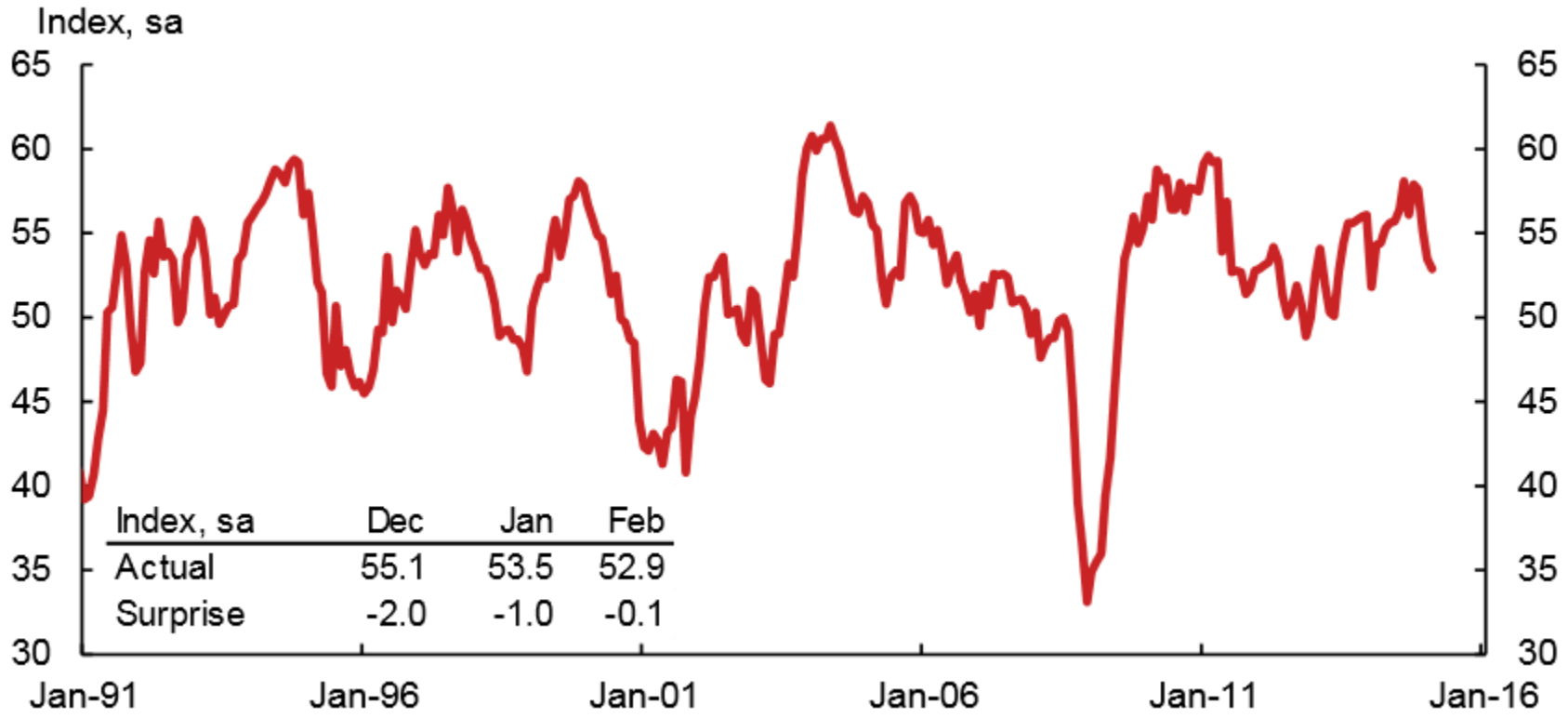
ISM Manufacturing



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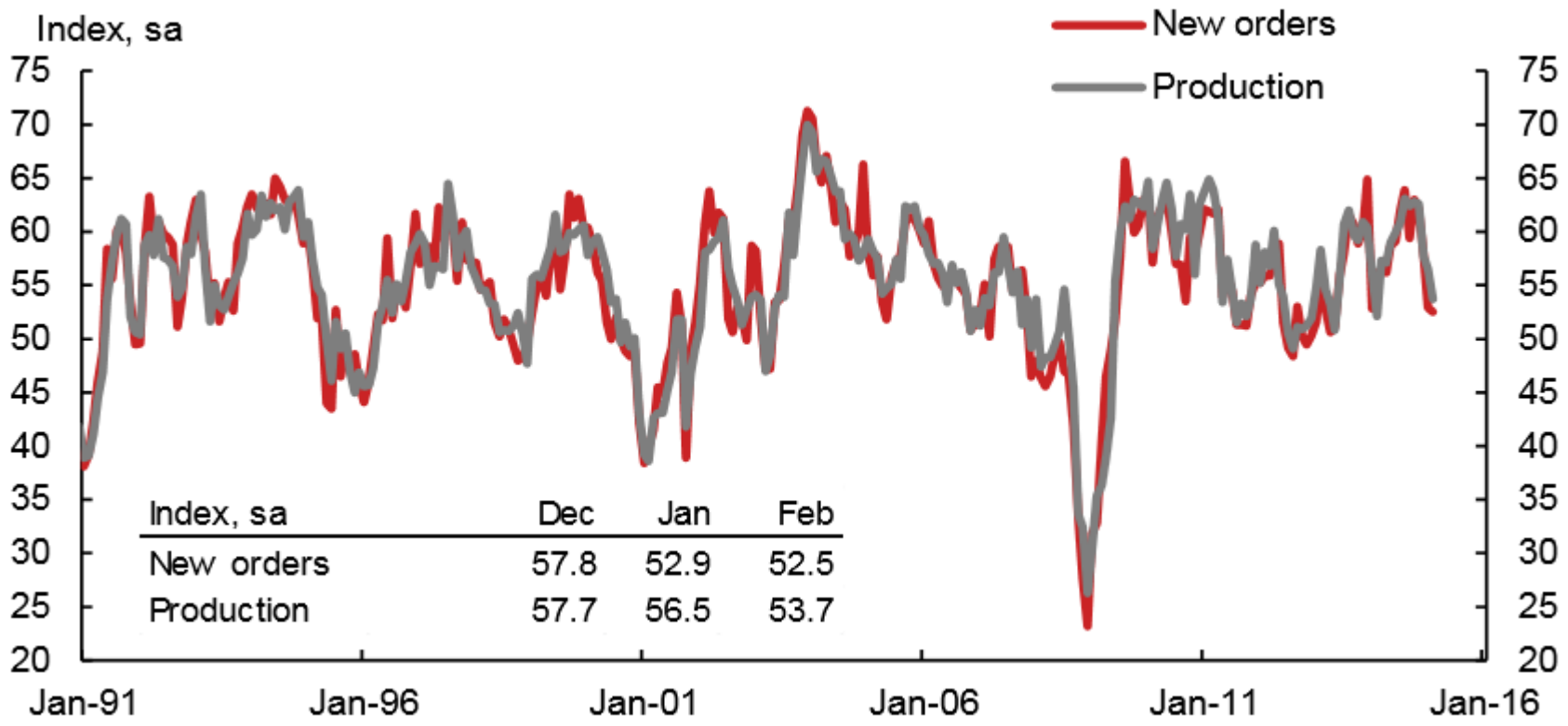
ISM New orders and production



Index, sa	Dec	Jan	Feb
New orders	57.8	52.9	52.5
Production	57.7	56.5	53.7

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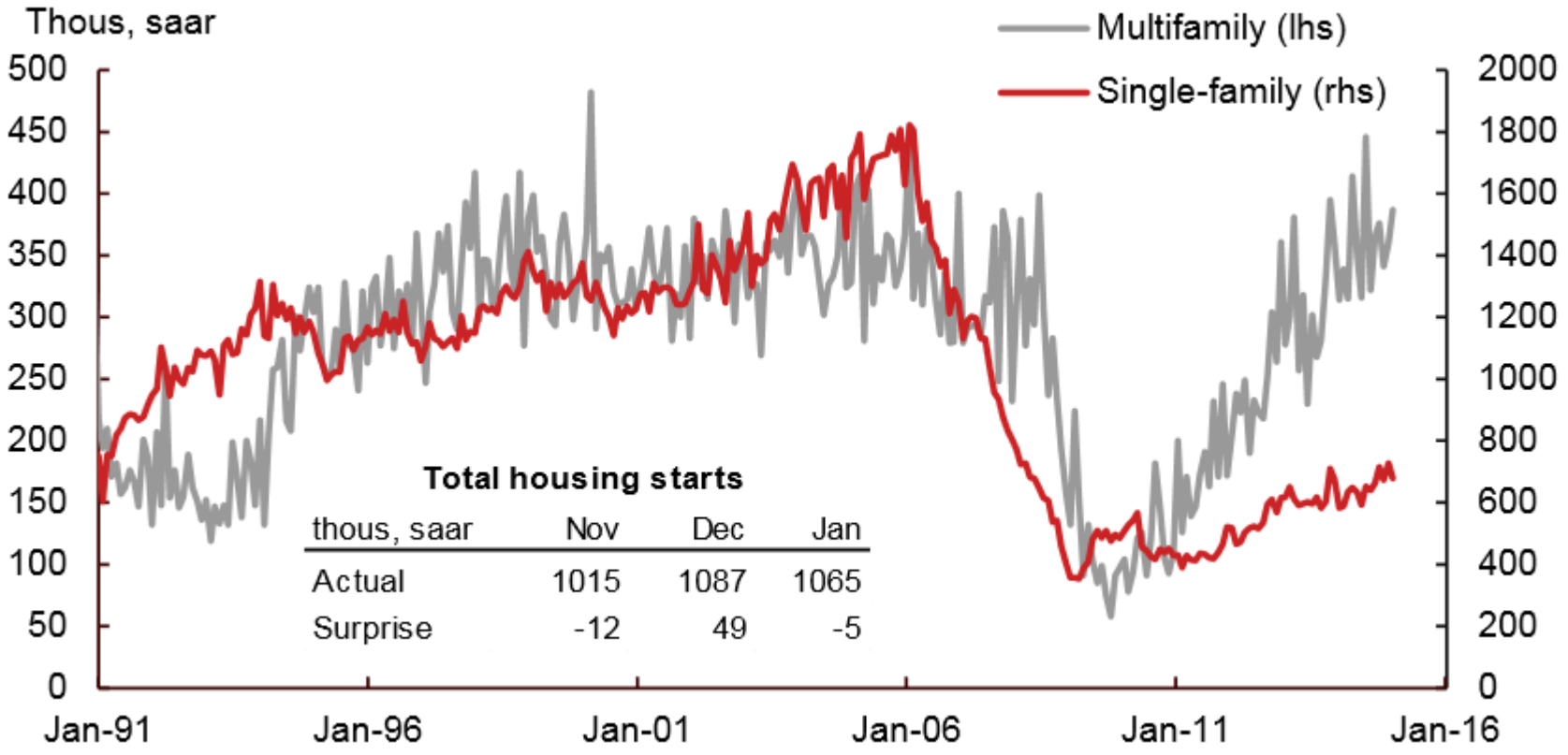
I come, I see, I shall return



Total housing starts

thous, saar	Nov	Dec	Jan
Actual	1015	1087	1065
Surprise	-12	49	-5

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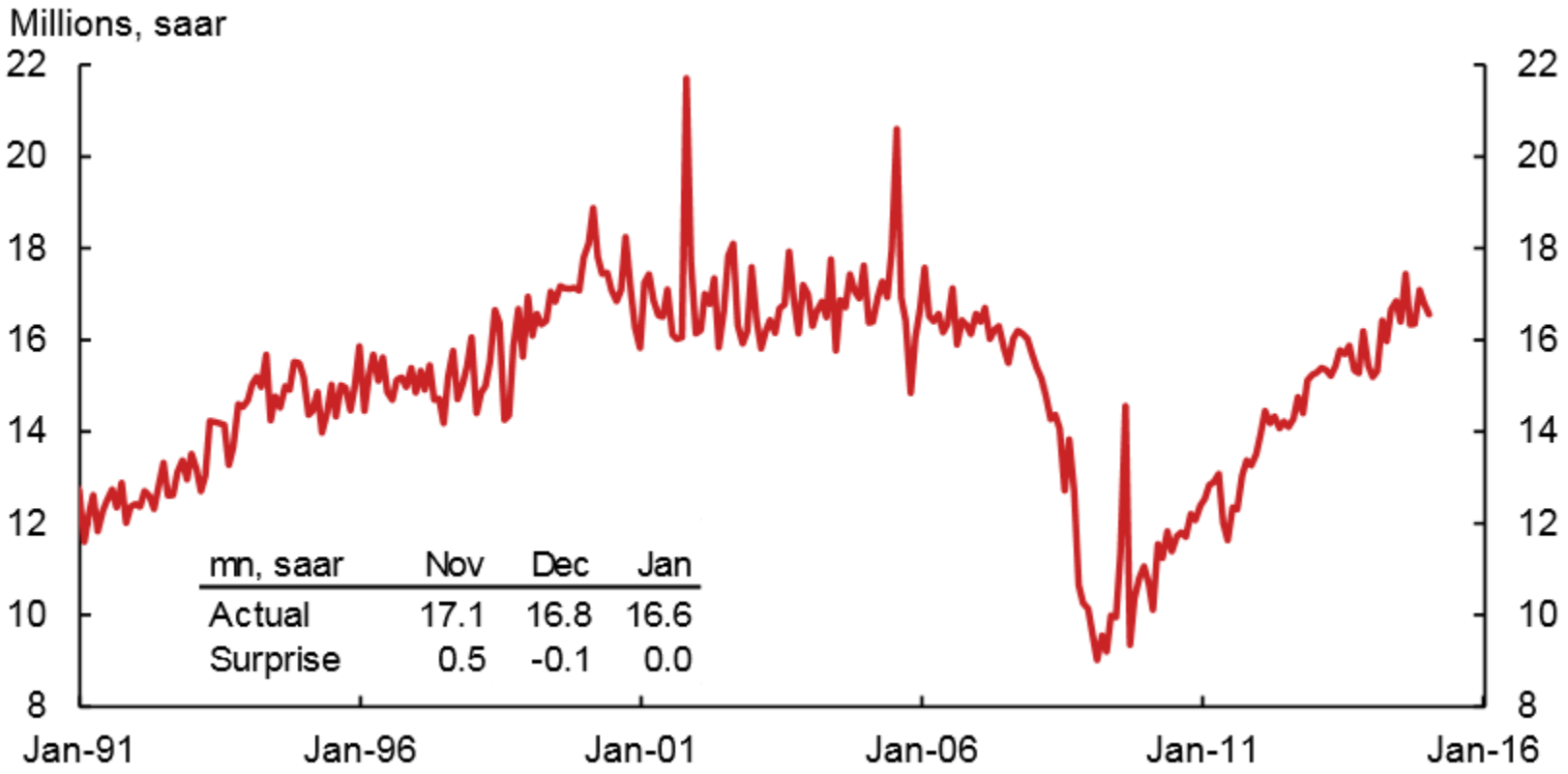
Vehicle Sales



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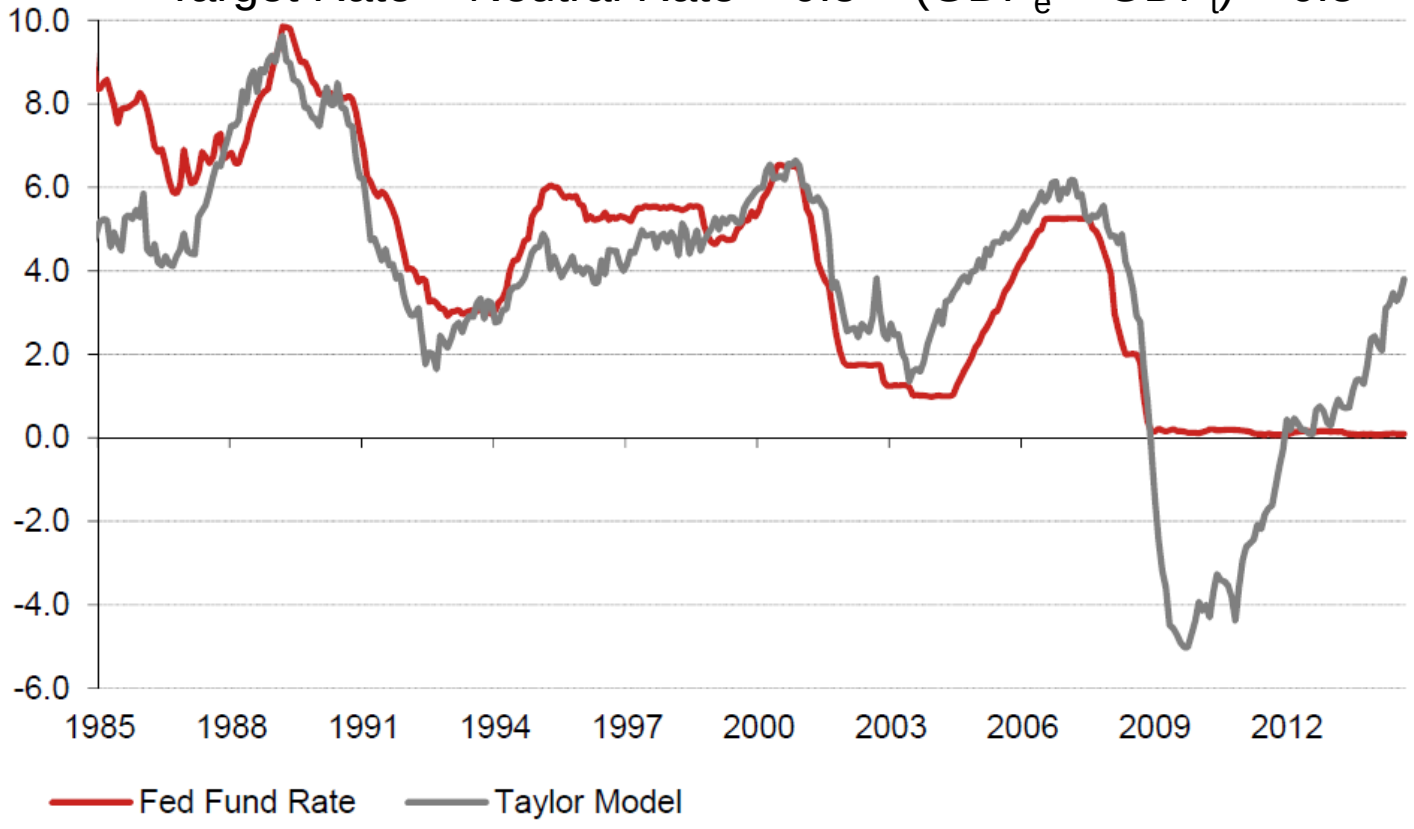
Taylor-made!

Target Rate = Neutral Rate + 0.5 × (GDP_e − GDP_t) + 0.5 × (I_e − I_t)



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I’m Back

Percent

		2014	2015	2016	2017	Longer-run
Change in real GDP	***Sep 2014***	***2.0 to 2.2***	***2.6 to 3.0***	***2.6 to 2.9***	***2.3 to 2.5***	***2.0 to 2.3***
	June 2014	2.1 to 2.3	3.0 to 3.2	2.5 to 3.0		2.1 to 2.3
Unemployment rate	***Sep 2014***	***5.9 to 6.0***	***5.4 to 5.6***	***5.1 to 5.4***	***4.9 to 5.3***	***5.2 to 5.5***
	June 2014	6.0 to 6.1	5.4 to 5.7	5.1 to 5.5		5.2 to 5.5
PCE inflation	***Sep 2014***	***1.5 to 1.7***	***1.6 to 1.9***	***1.7 to 2.0***	***1.9 to 2.0***	***2.0***
	June 2014	1.5 to 1.7	1.5 to 2.0	1.6 to 2.0		2.0
Core PCE inflation	***Sep 2014***	***1.5 to 1.6***	***1.6 to 1.9***	***1.8 to 2.0***	***1.9 to 2.0***	
	June 2014	1.5 to 1.6	1.6 to 2.0	1.7 to 2.0		

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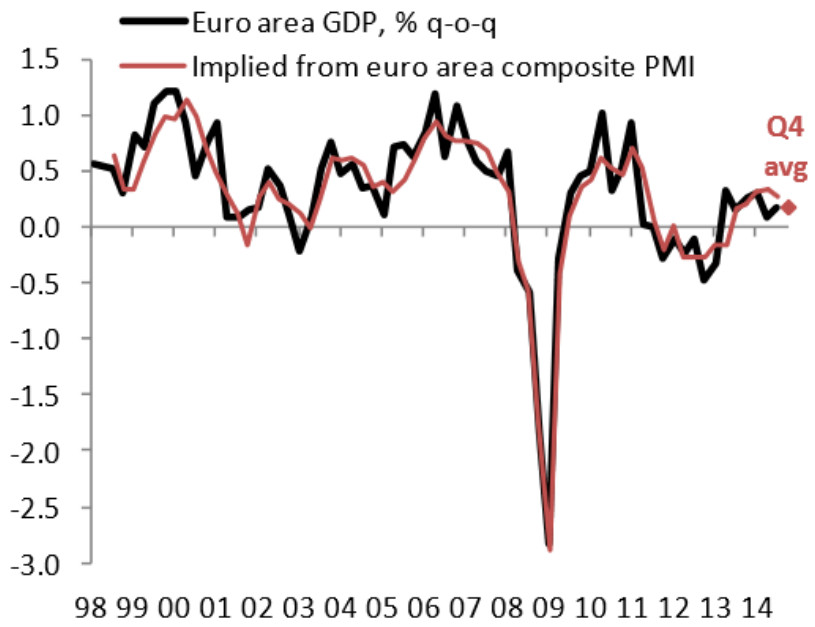
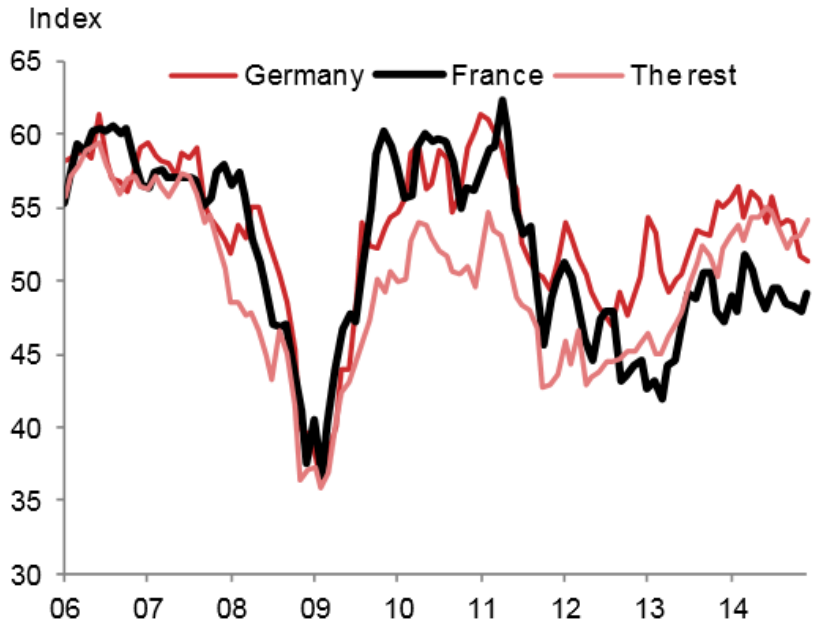
Chicken Games 2, 3

Out of the Woods?





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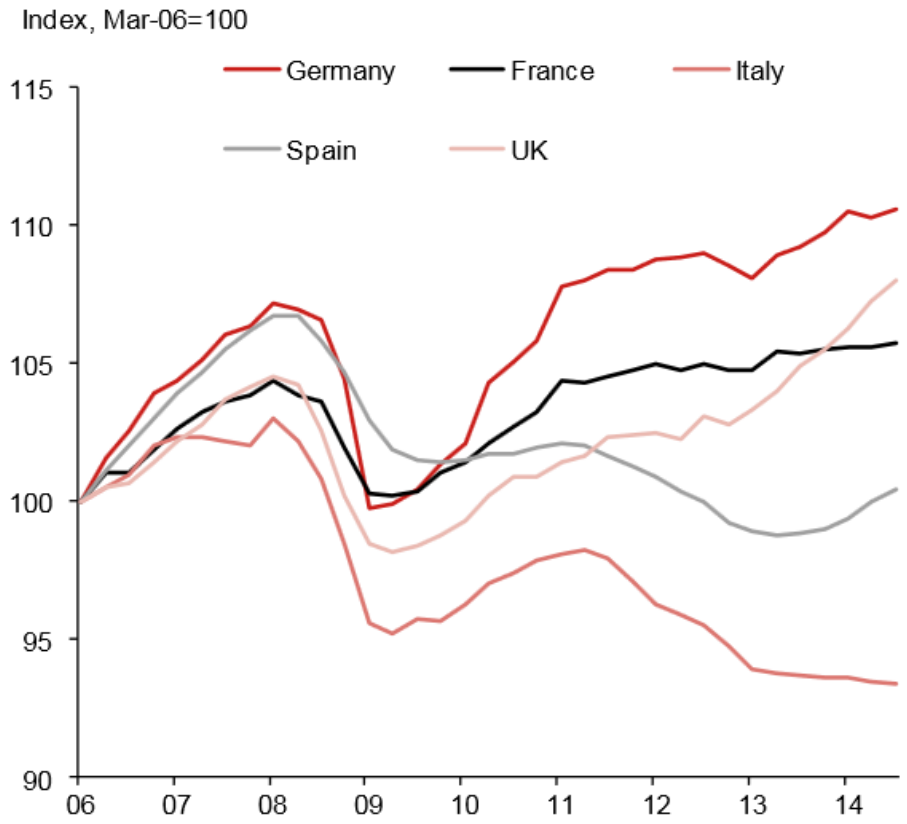
Wait A Minute Mr Darghi!



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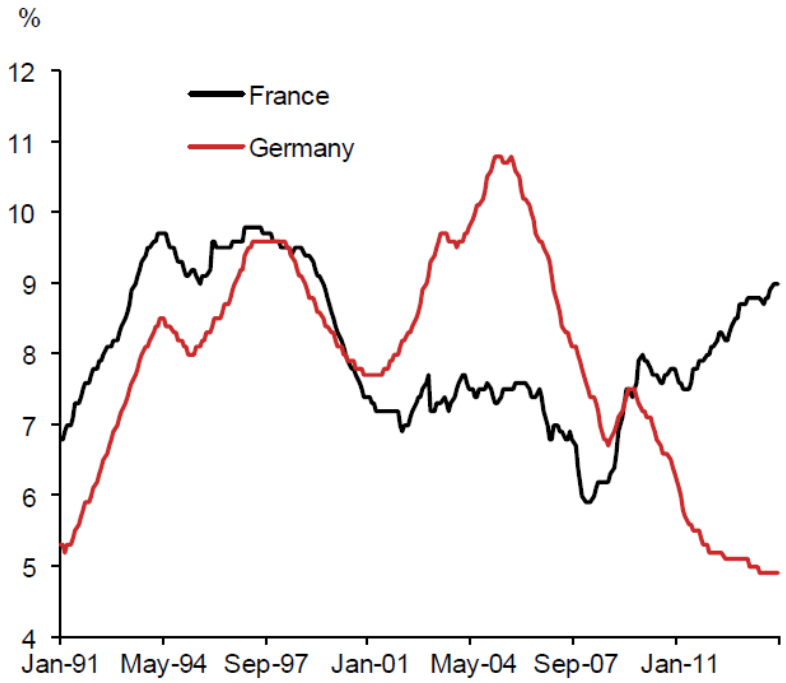
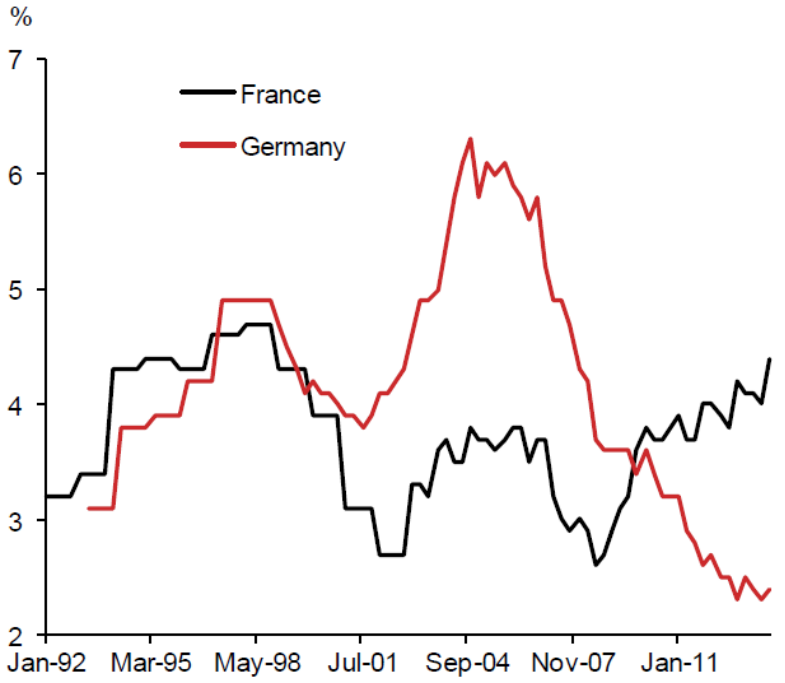
A Tale of Two Cities

Unemployment rate (25 to 74 years)



Long-term unemployment (more than 12 months)



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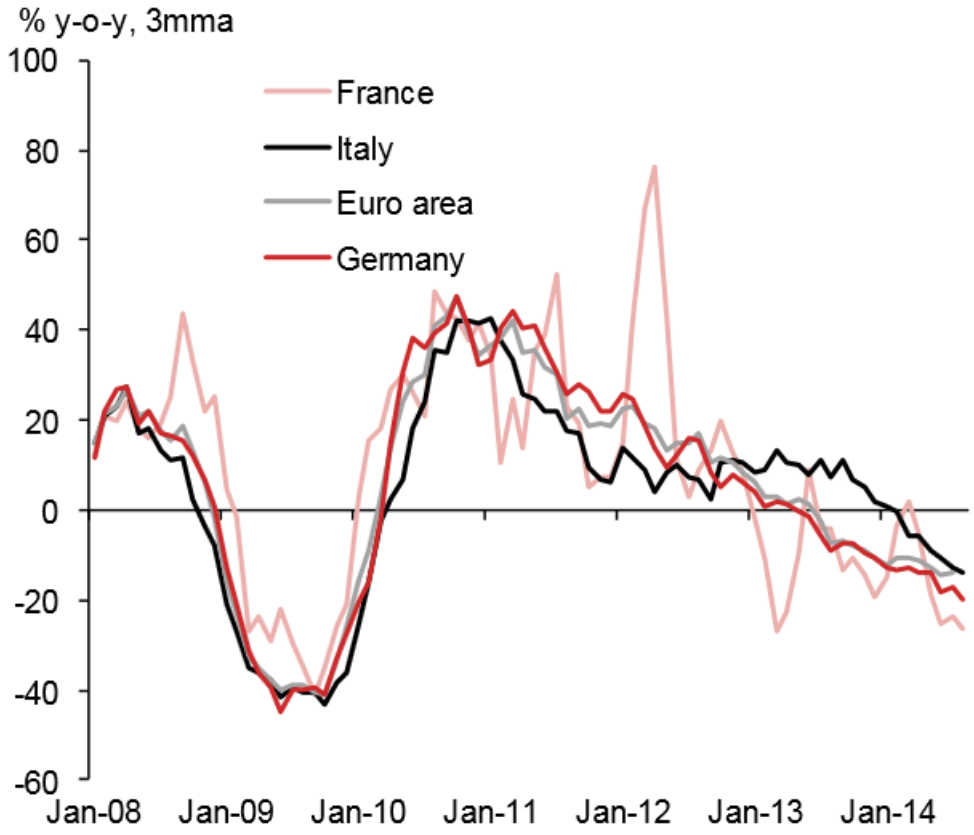
From Russia with Love???



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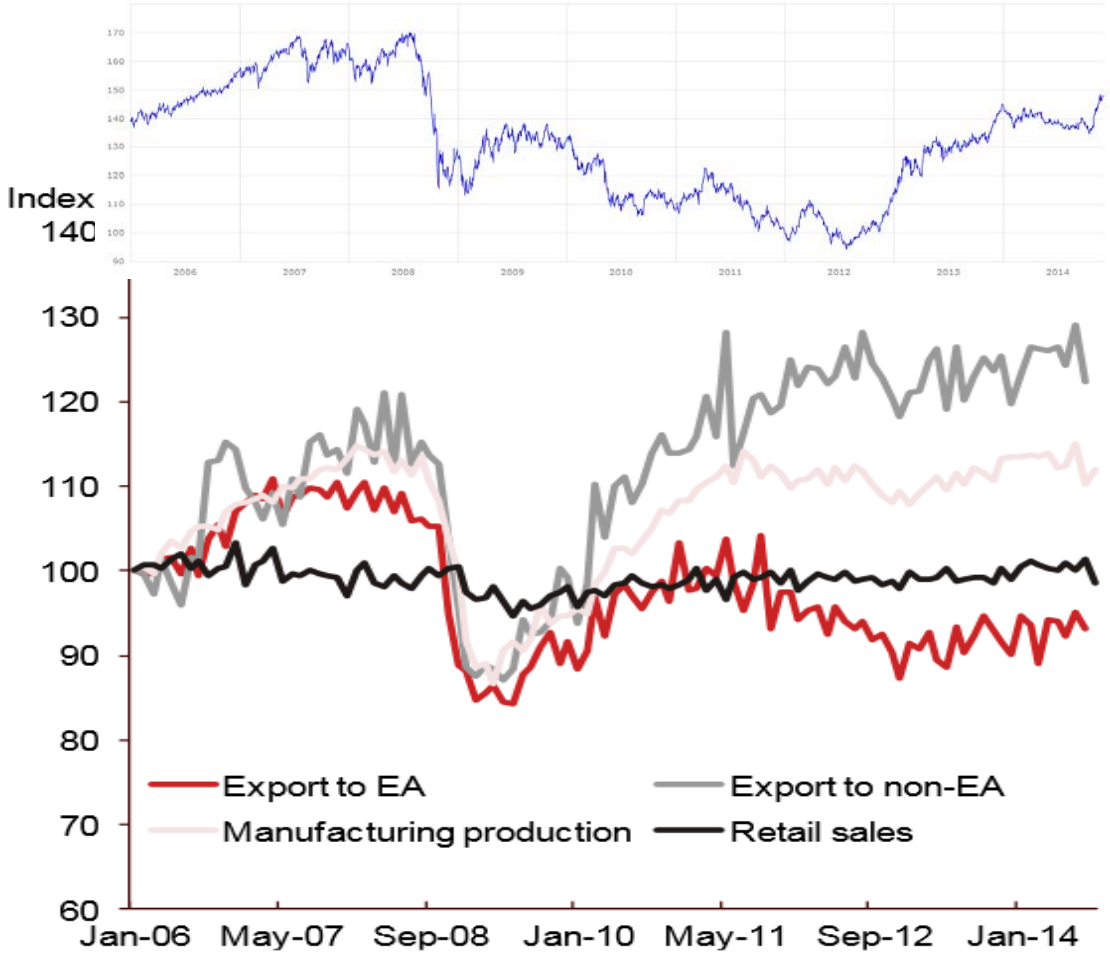
How Can I Last A Day without Yen



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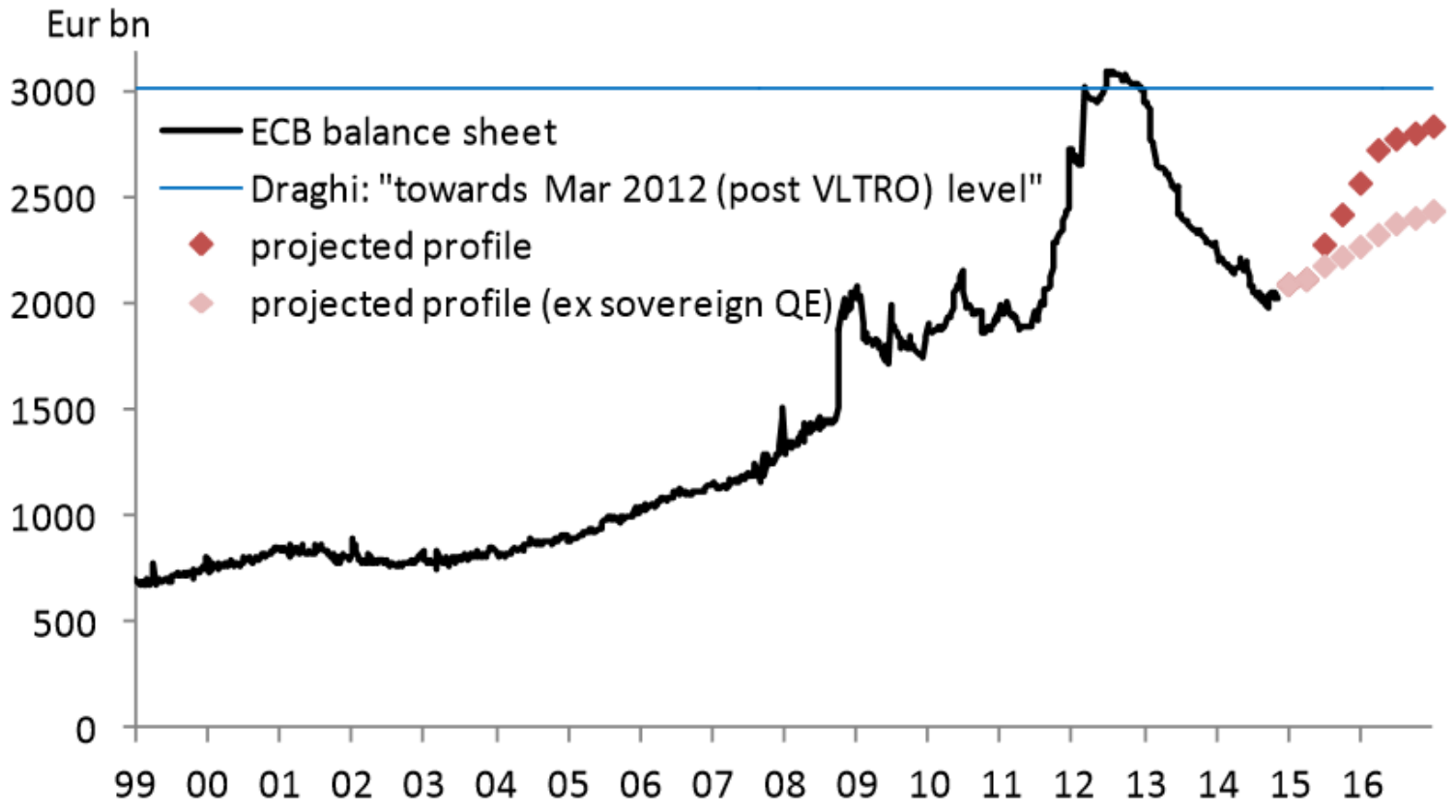
EUR and Economy and a Bear Named Russia

	10% EUR Depreciation on inflation	10% decline in exports to Russia on real GDP	10% EUR Depreciation on real GDP	Net Real GDP Impact
Germany	0.45	(0.07)	0.43	0.36
France	0.36	(0.03)	0.22	0.19
Italy	0.31	(0.06)	0.40	0.34
Spain	0.63	(0.03)	0.05	0.02
Netherlands	0.37	(0.06)	0.59	0.53
Euro Area	NM	(0.03)	0.33	0.03

Money, money, money



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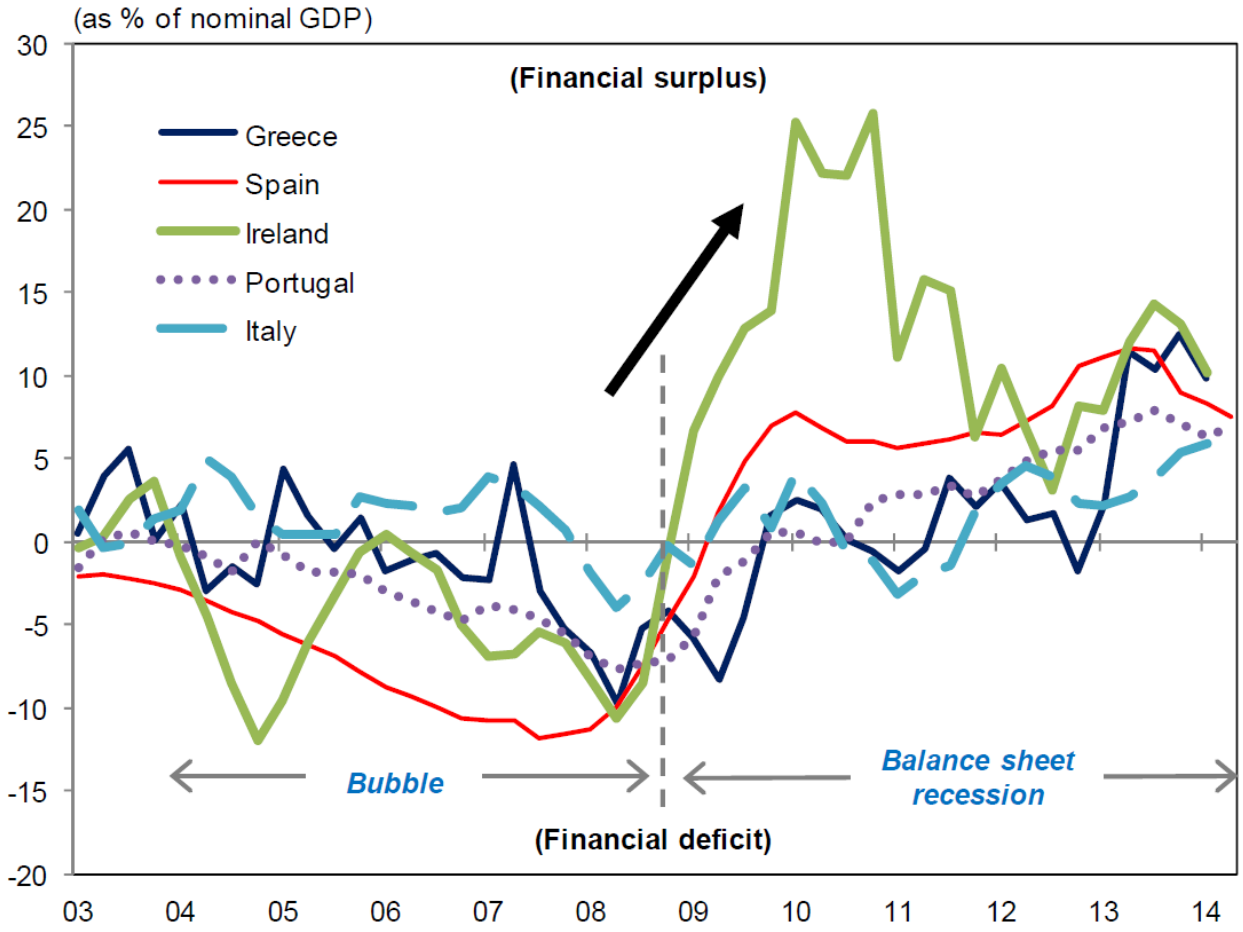
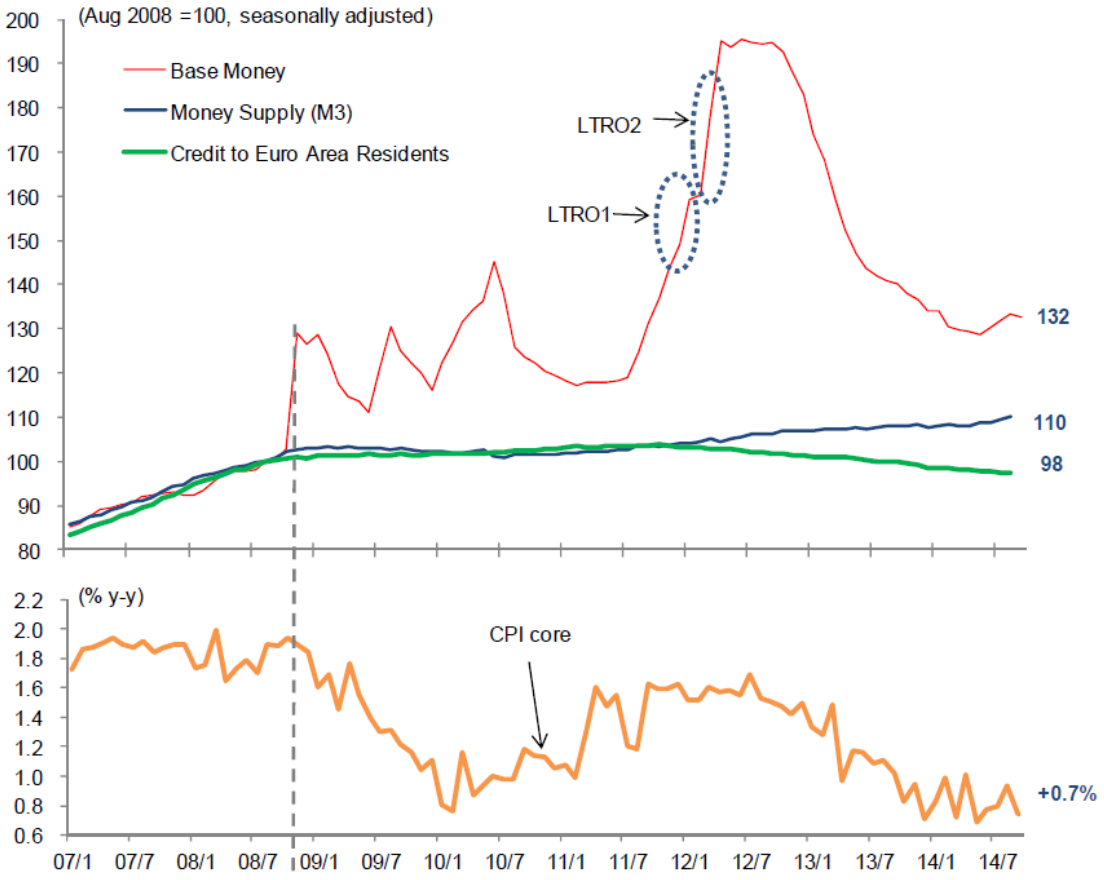
Stethoscope Malfunctions



	Nobody is paying attention: 1 — 2014 Q1 Private sector savings		Everybody is paying attention: 2 — 2013 Budget deficits
Ireland:	10.20%	>	5.7%
Greece:	9.90%	<	12.2%
Spain:	7.48%	>	6.8%
Portugal:	7.01%	>	4.9%
Italy:	5.97%	>	2.8%

Wrong Prescription



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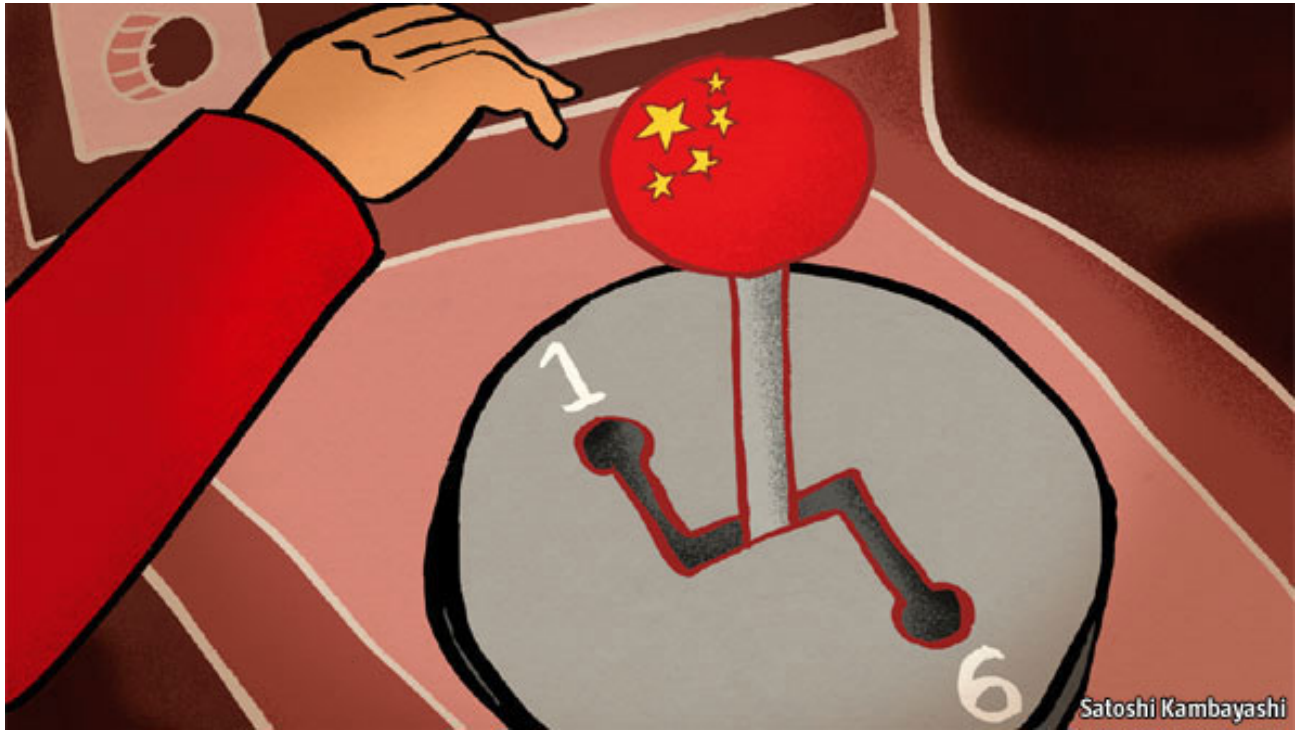
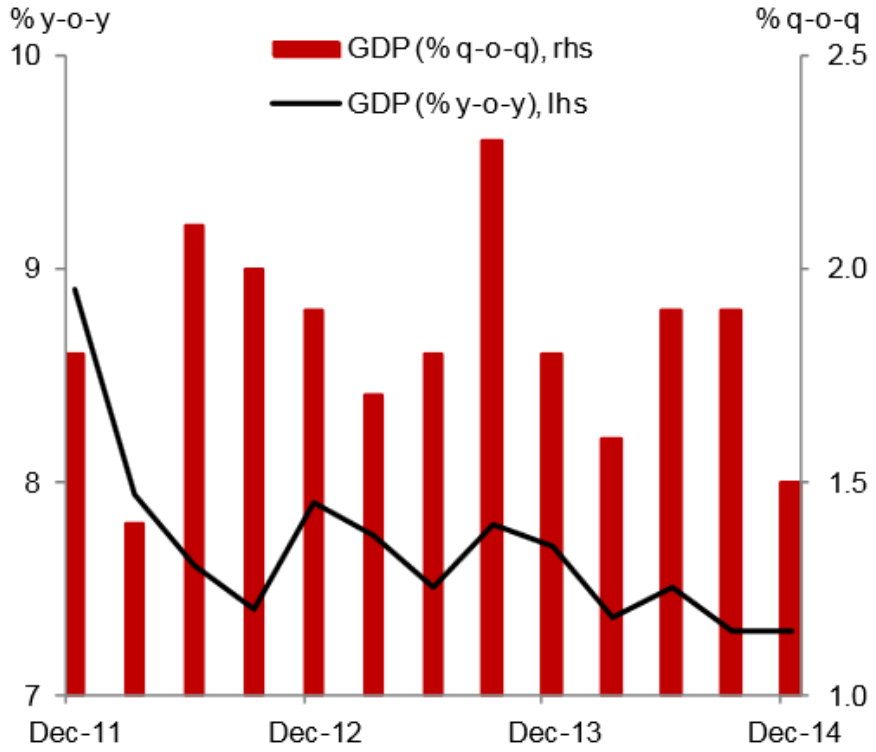
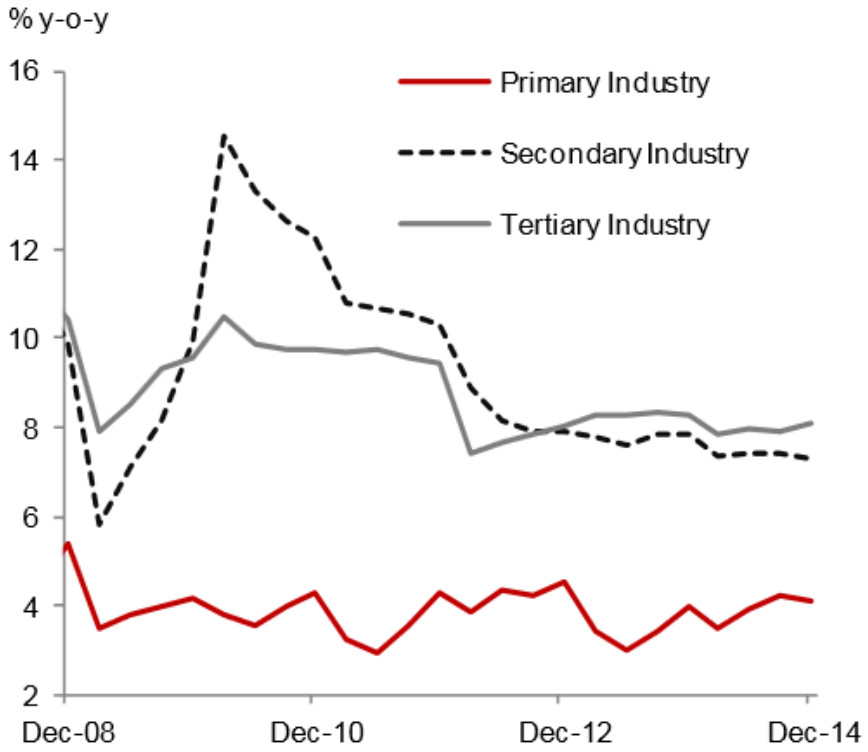
Chicken Game 4



Light at the End of the Tunnel?





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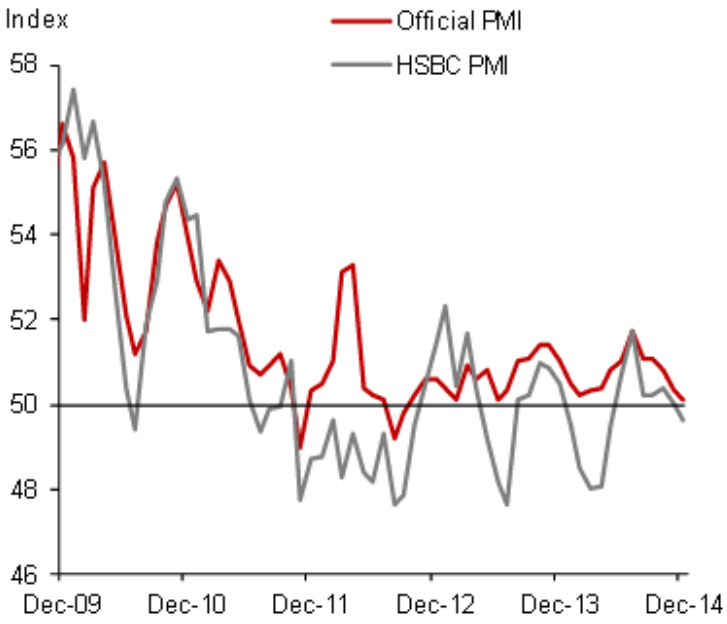
Bumpy!



	Sep-14	Oct-14	Nov-14	Dec-14
PMI	51.1	50.8	50.3	50.1
Output	53.6	53.1	52.5	52.2
New orders	52.2	51.6	50.9	50.4
New export orders	50.2	49.9	48.4	49.1
Input price	47.4	45.1	44.7	43.2
Raw material inventory	48.8	48.4	47.7	47.5
Finished goods inventory	47.2	47.9	47.2	47.8
Purchase	51.2	50.7	50.5	50.1
Employment	48.2	48.4	48.2	48.1
Supplier delivery time	50.1	50.1	50.3	49.9
Imports	48.0	47.9	47.3	47.8
Overstock orders	45.6	44.7	43.9	43.8
Business expectation	56.0	54.1	50.2	48.7

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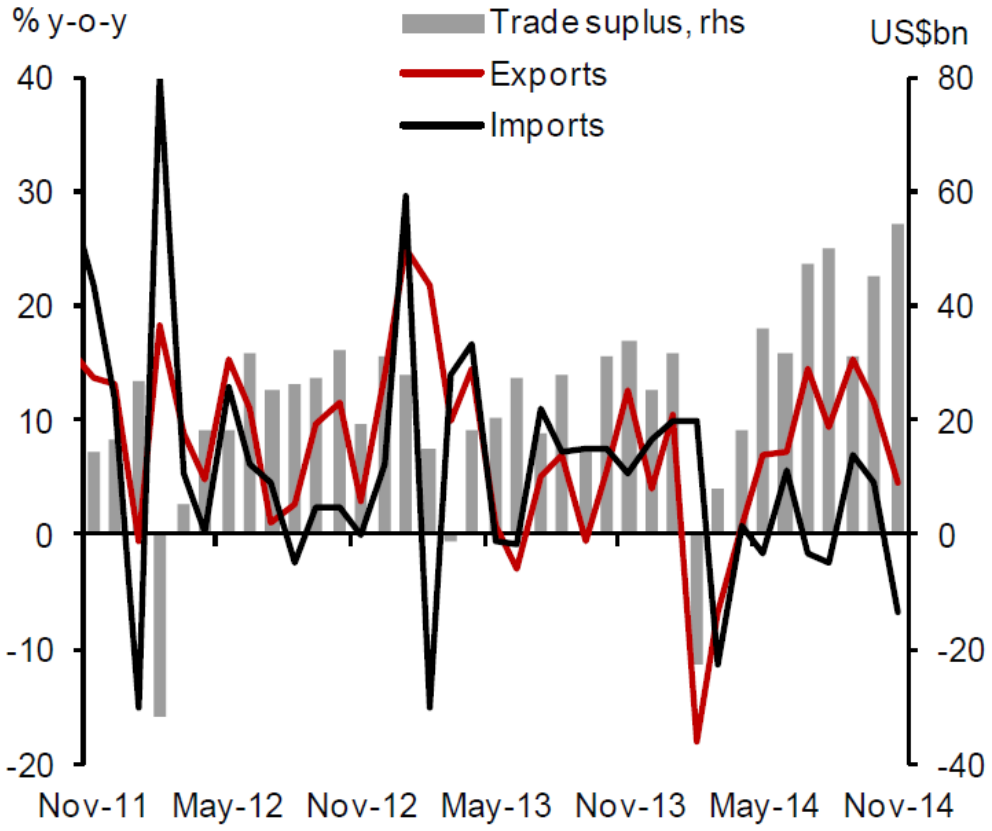
I am Sailing



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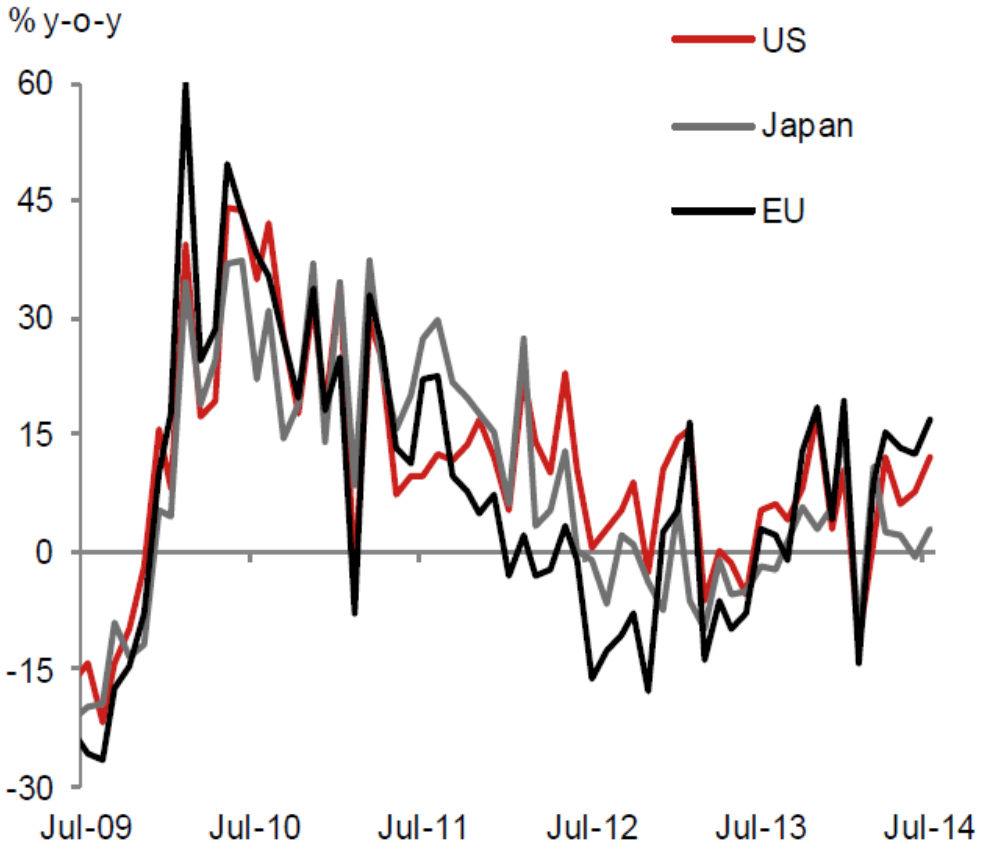
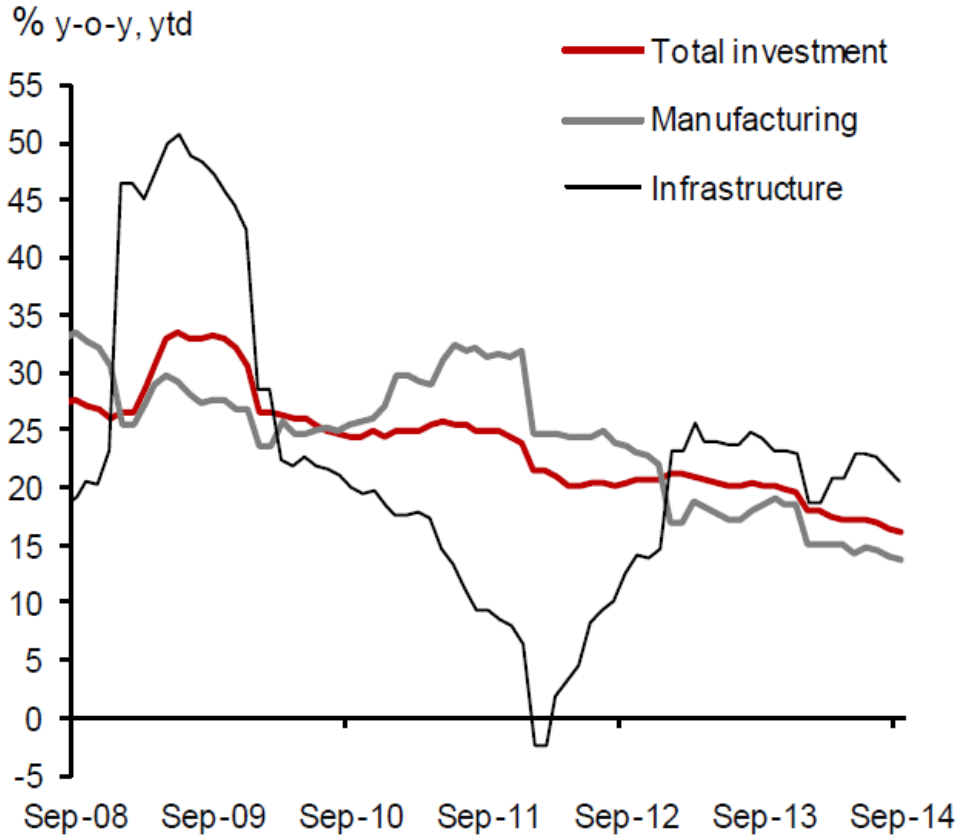
Cross the Sea



Healthier Fixed Asset Growth



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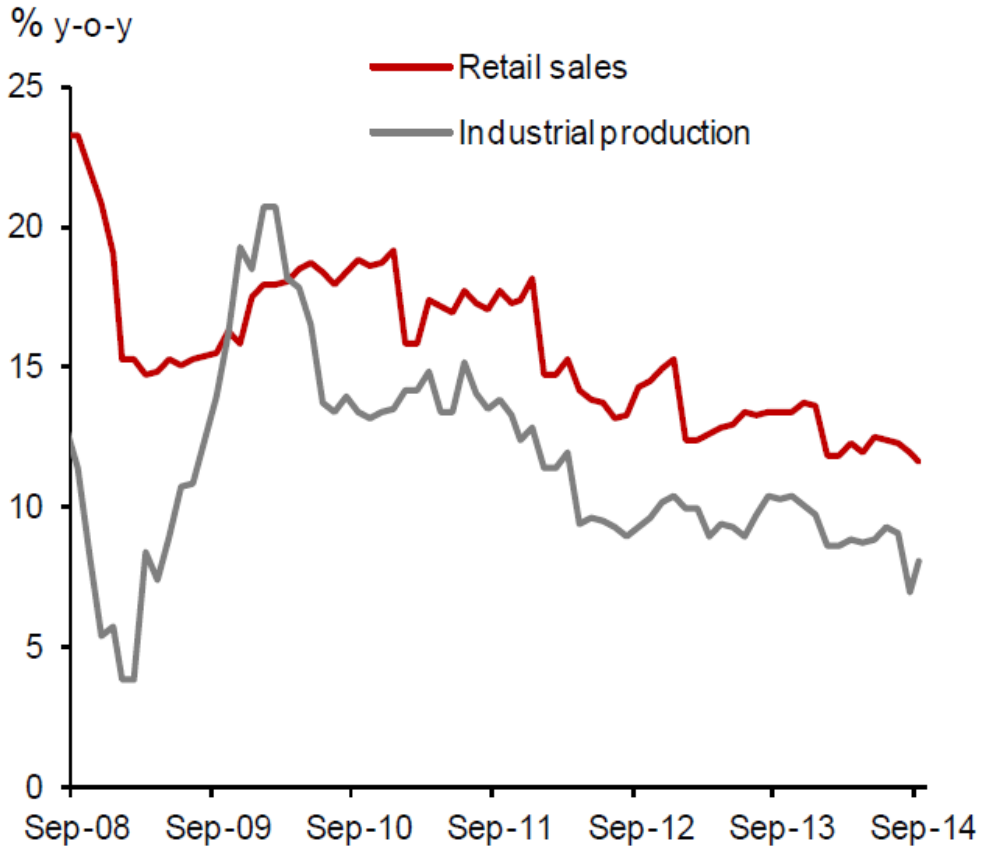
For the Spending



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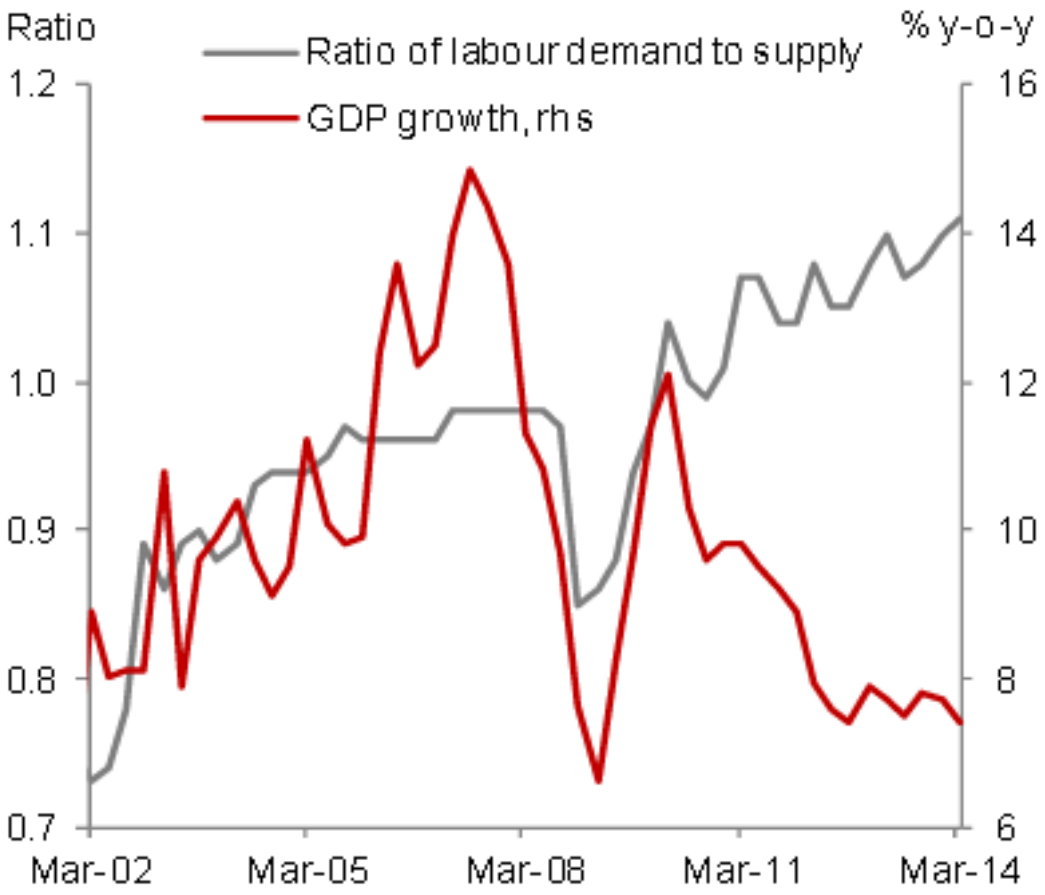
Labour Demand Remains Tight



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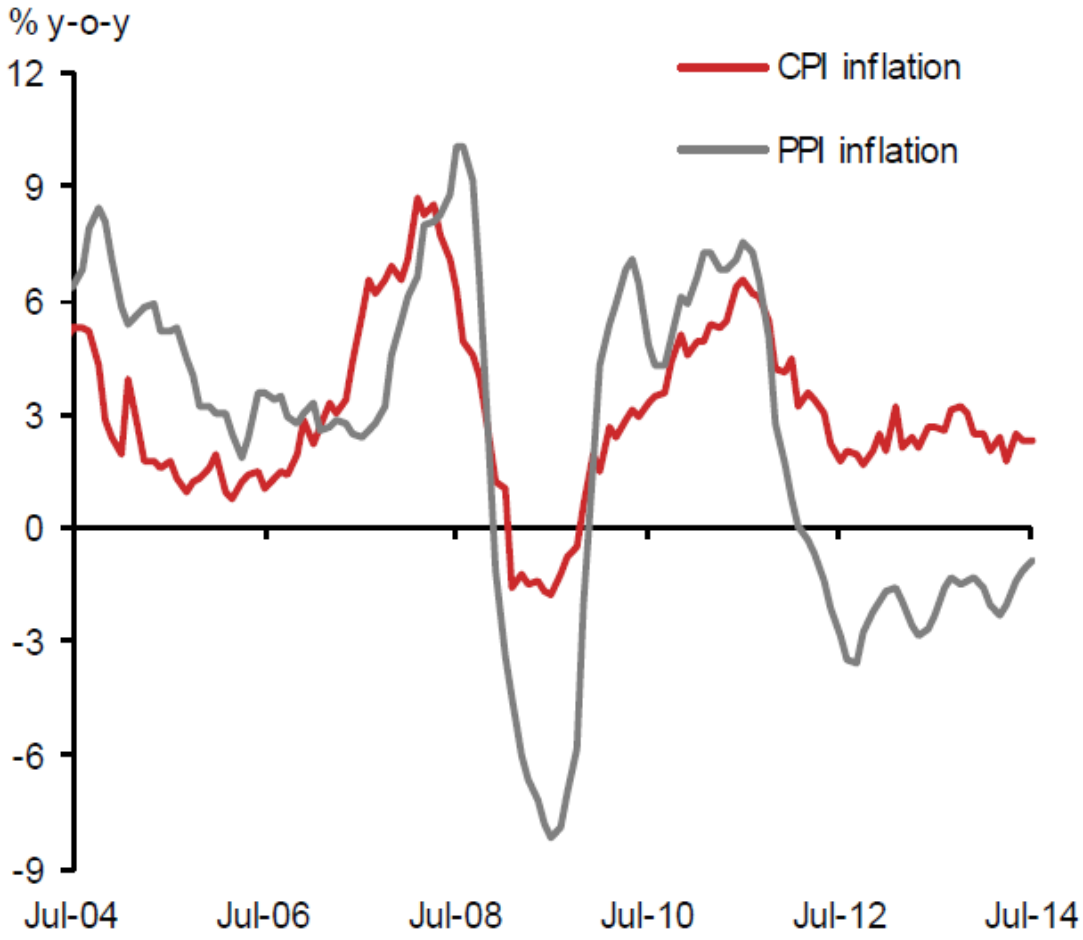
Inflation Under Control



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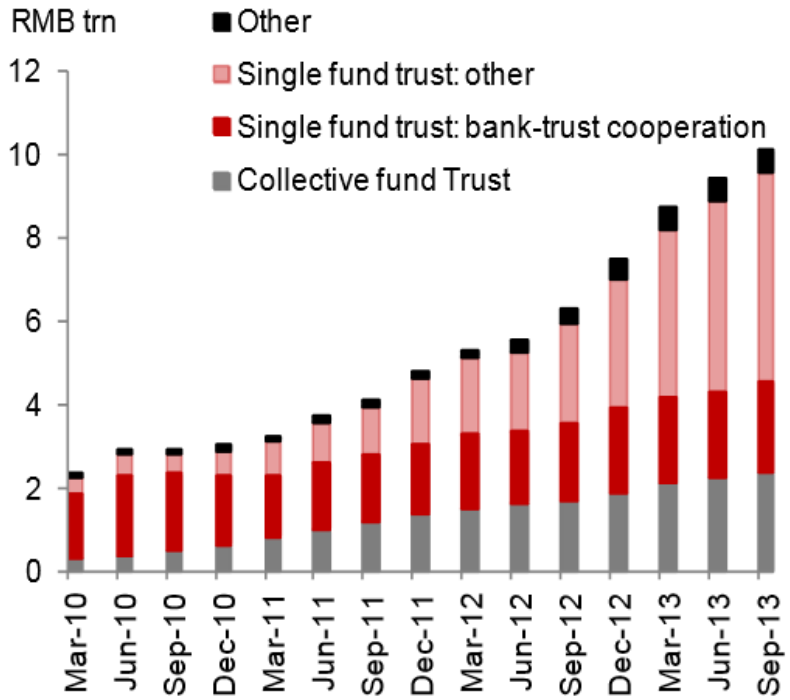
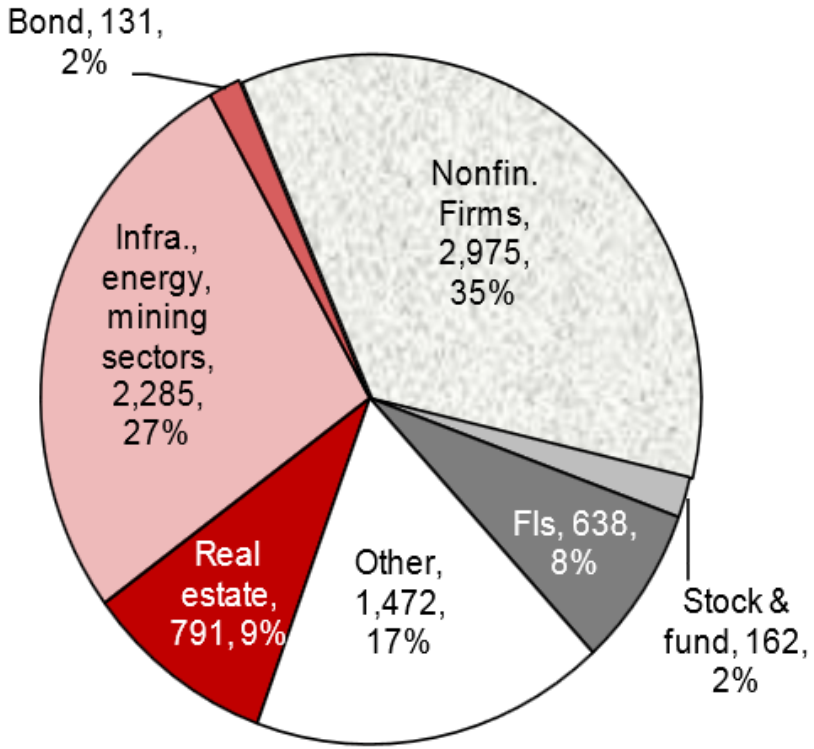
China Credit Trust, where's the credit and trust?





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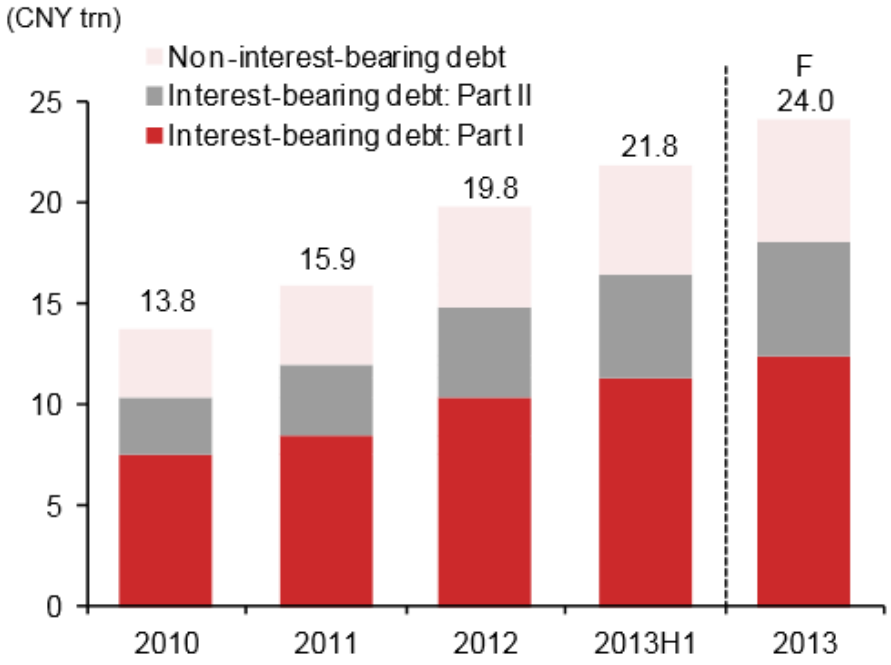
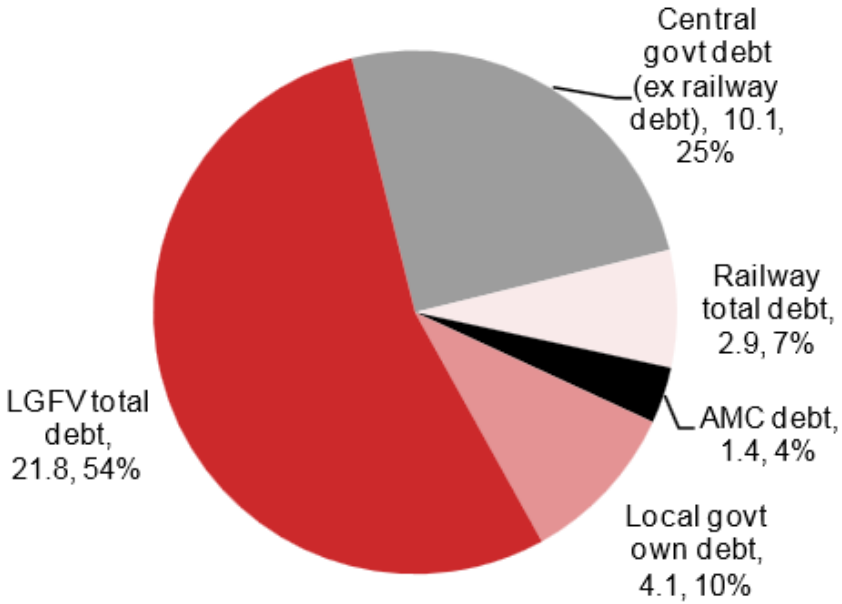
In the Shadow?





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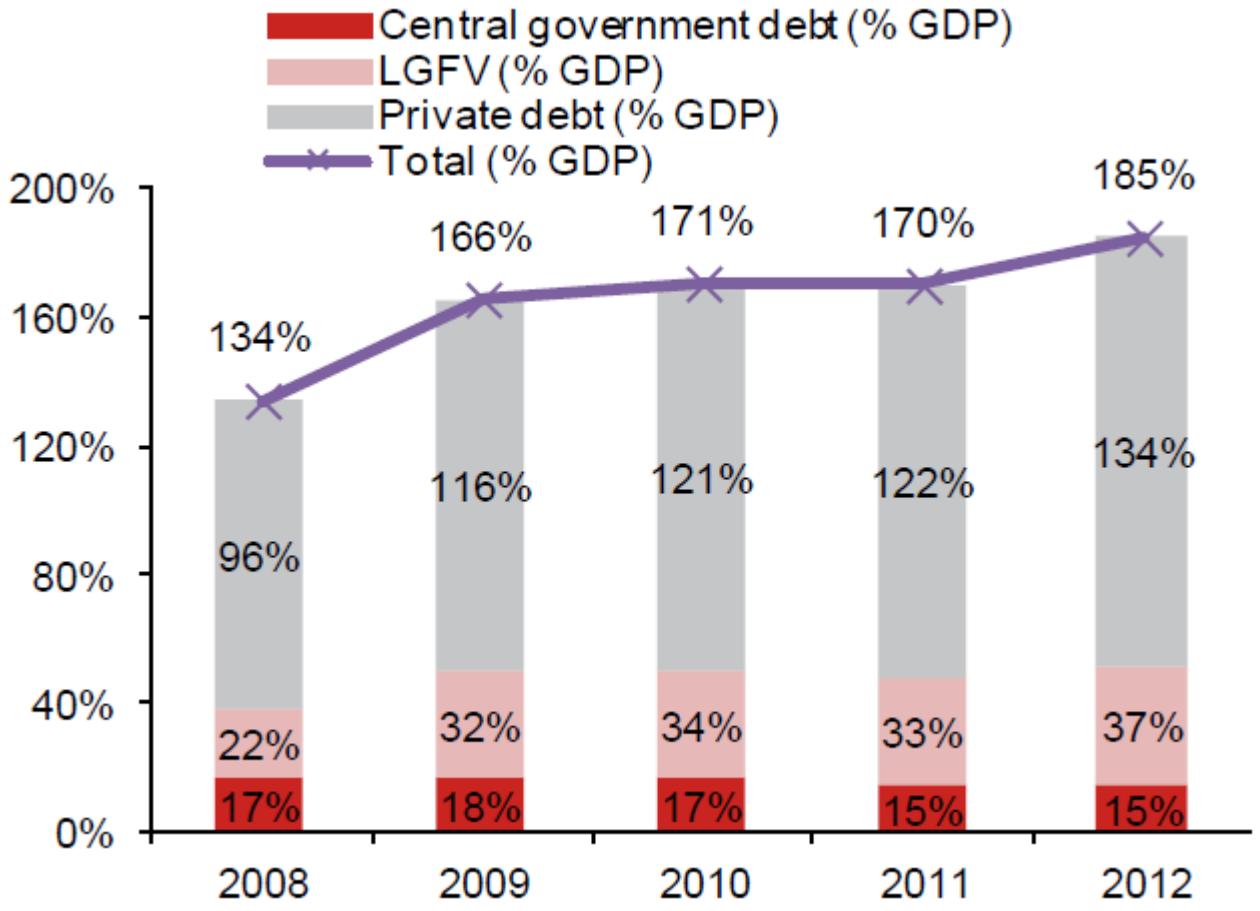
Debt is the Concern



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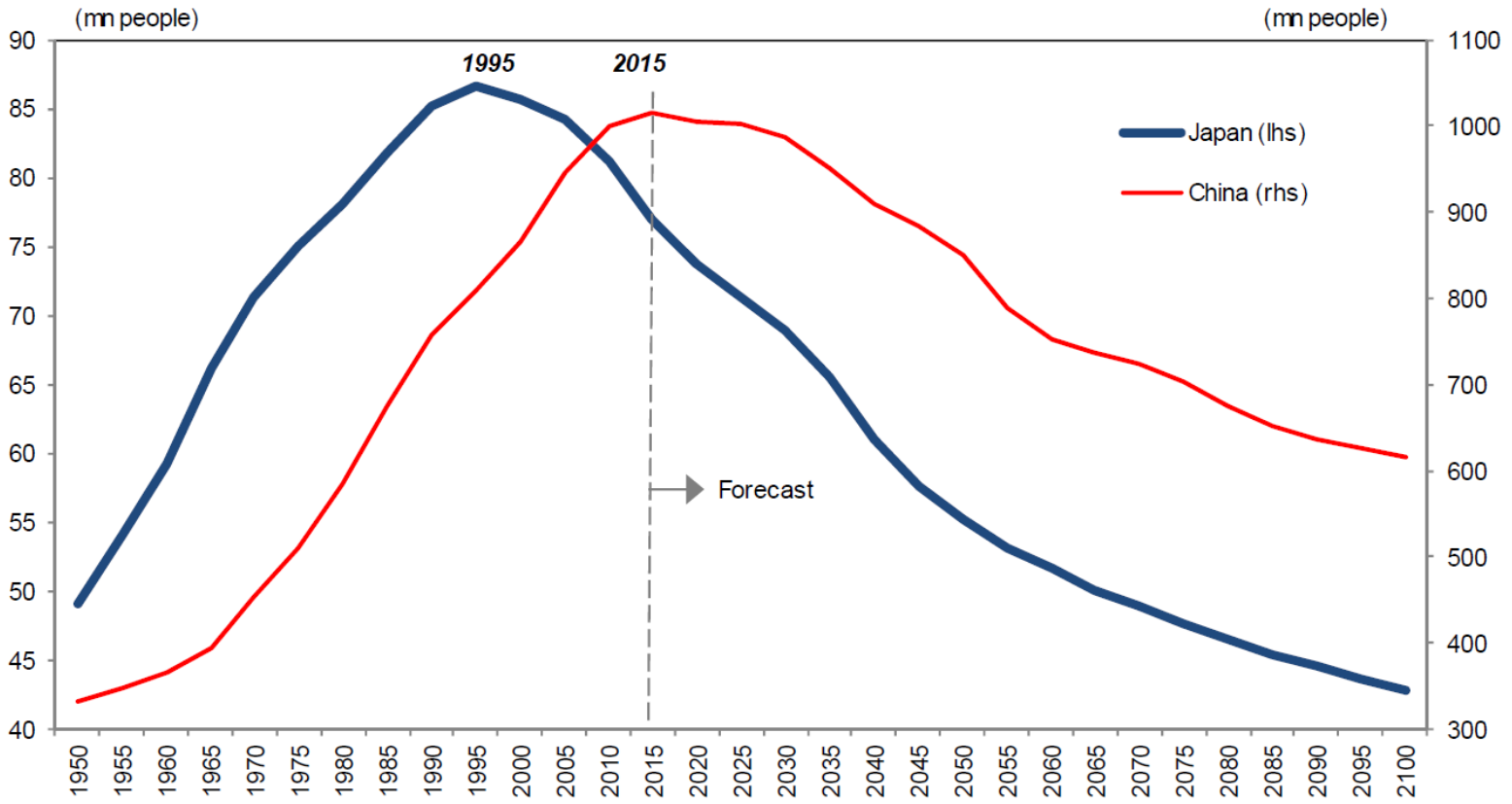
The Secular Issue



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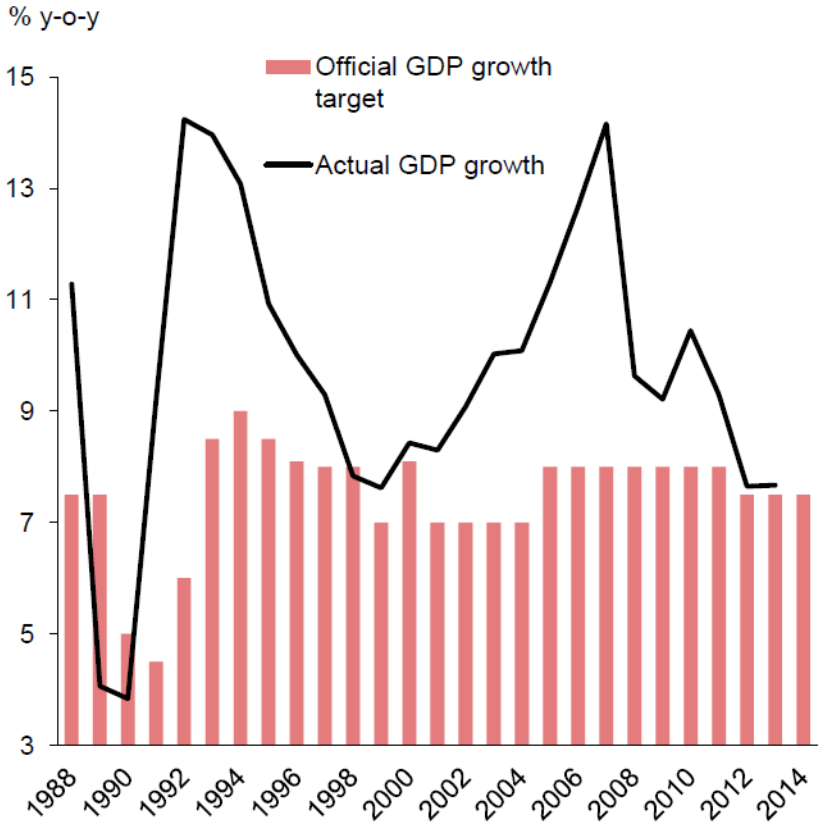
7 Reasons for 7%

1. 7.5% is a catalyst for over-easing
2. Accepting some short-term pain for long-term gain
3. Unemployment is not a problem
4. Recognise that potential growth is slowing
5. Lower the bar for rebalancing
6. Increase market credibility
7. Be consistent with longer-term goals



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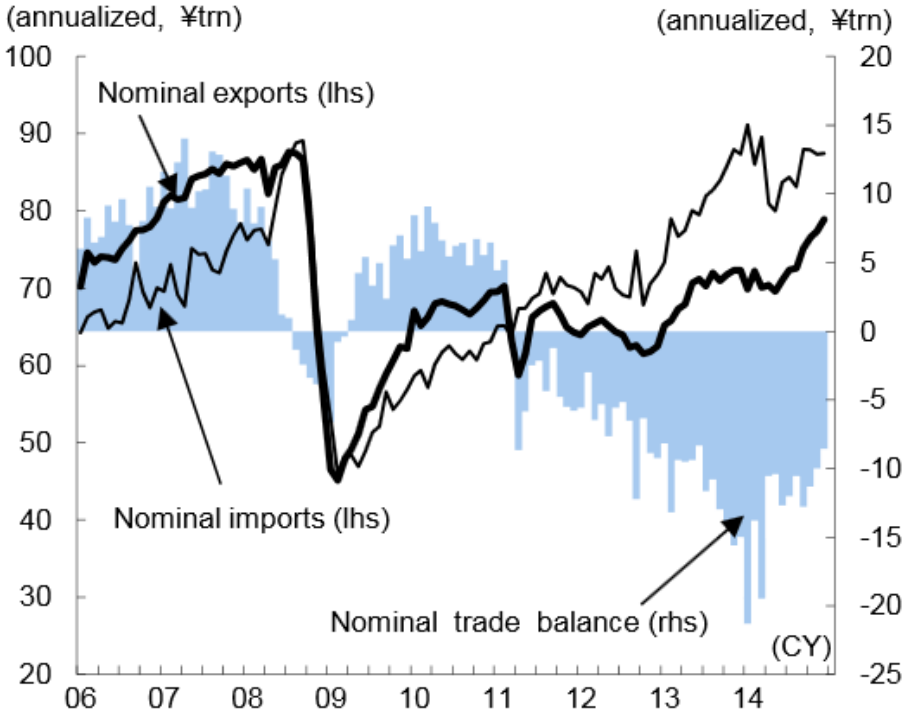
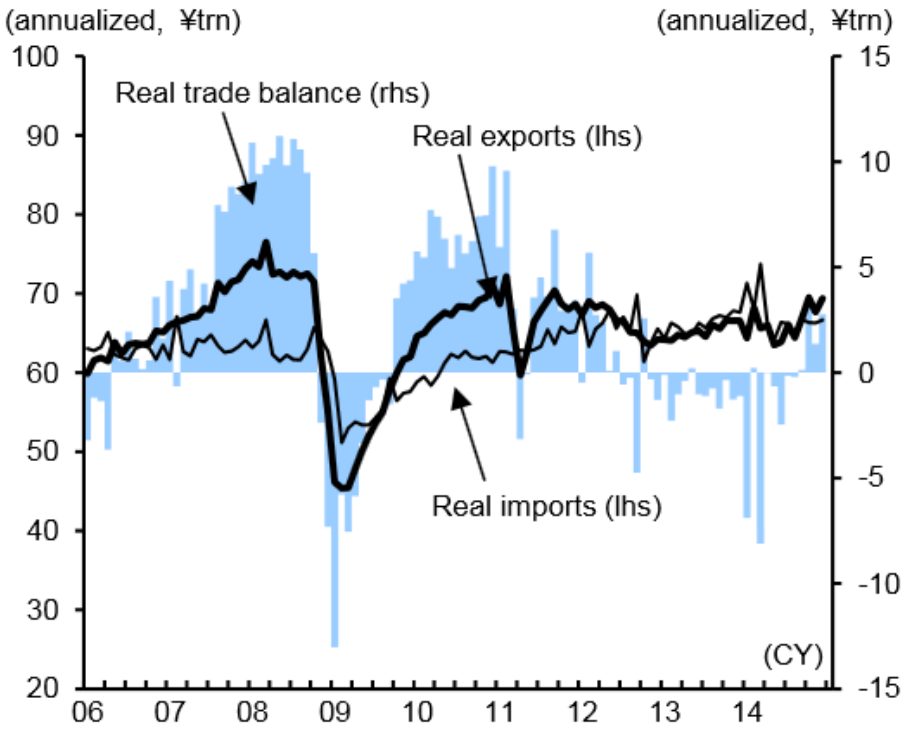
Chicken Game 5

Thanks to the Yen & Oil





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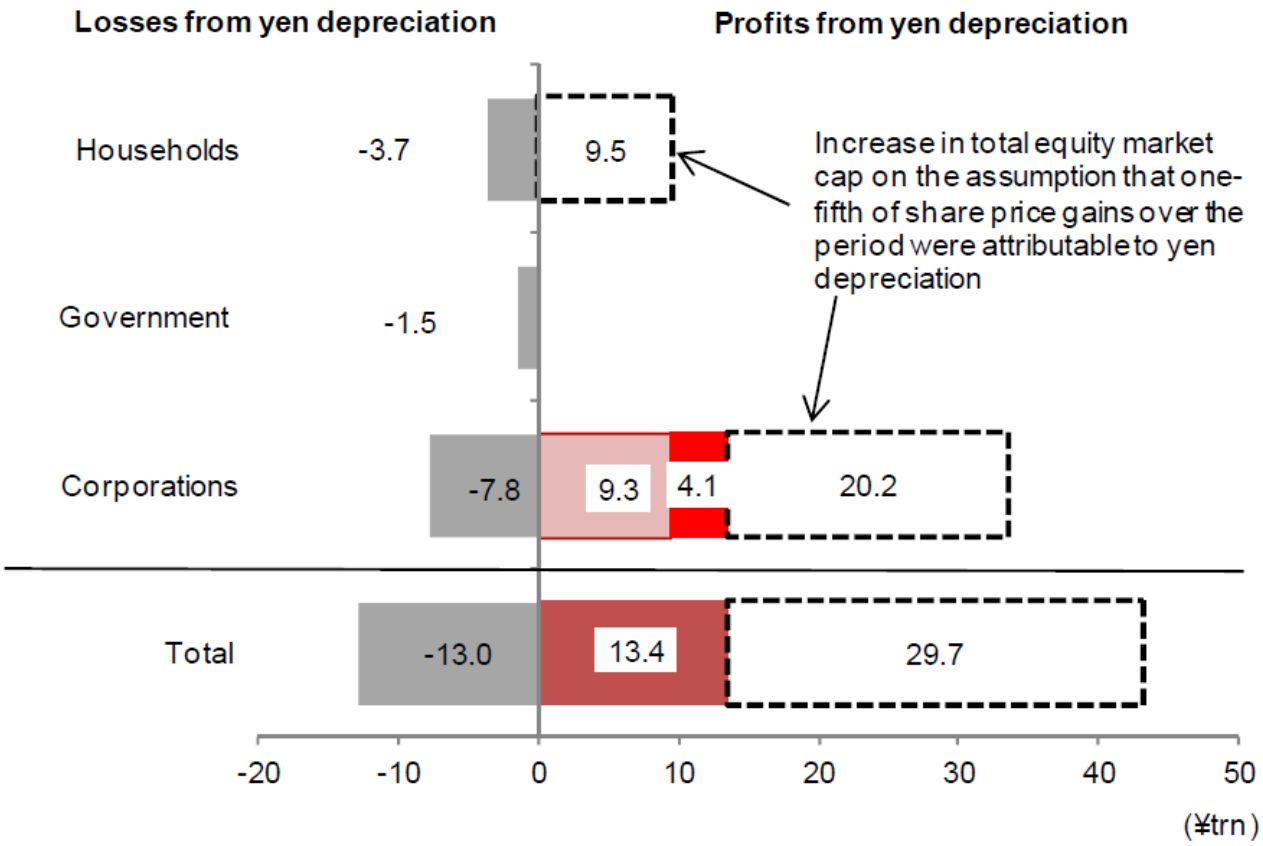
To Depreciate or Not Depreciate



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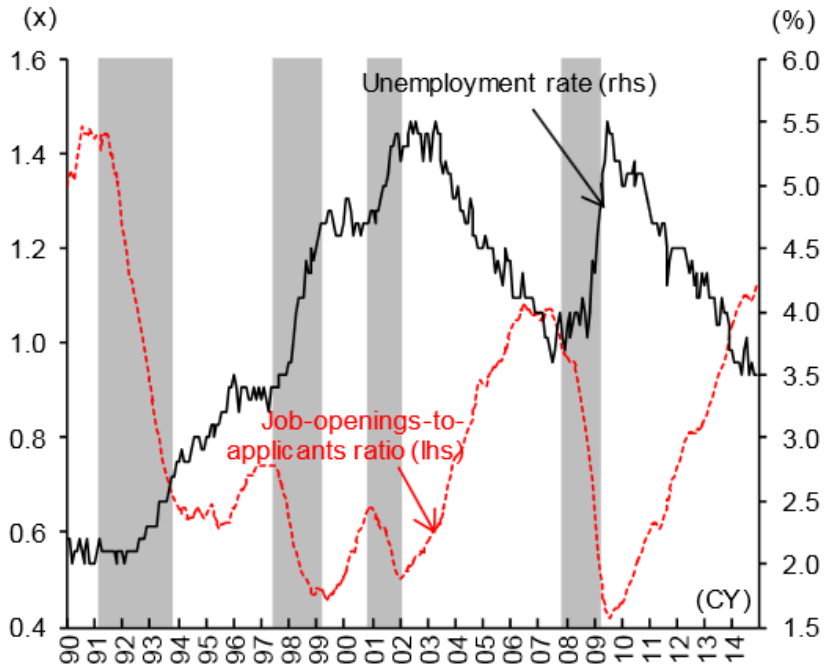
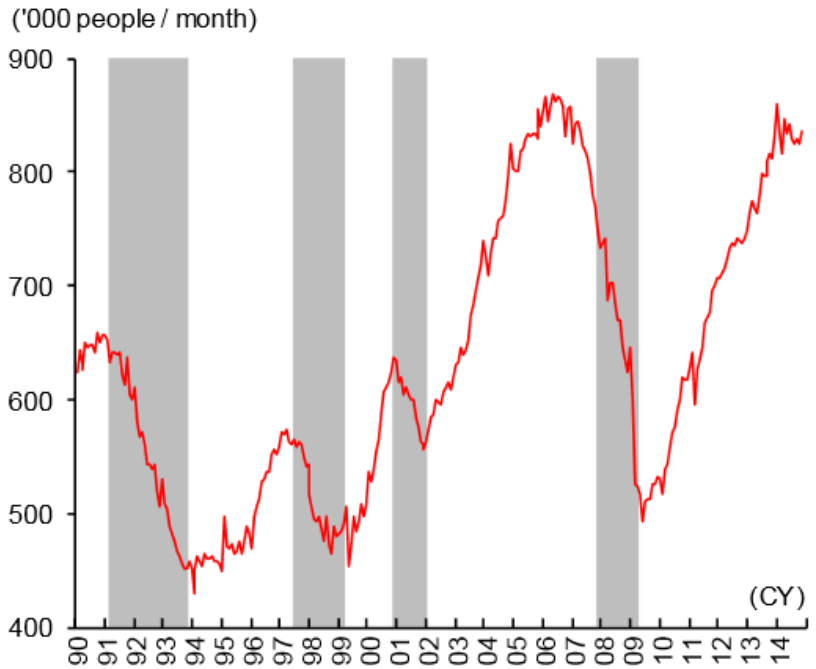
Employment Condition Improves





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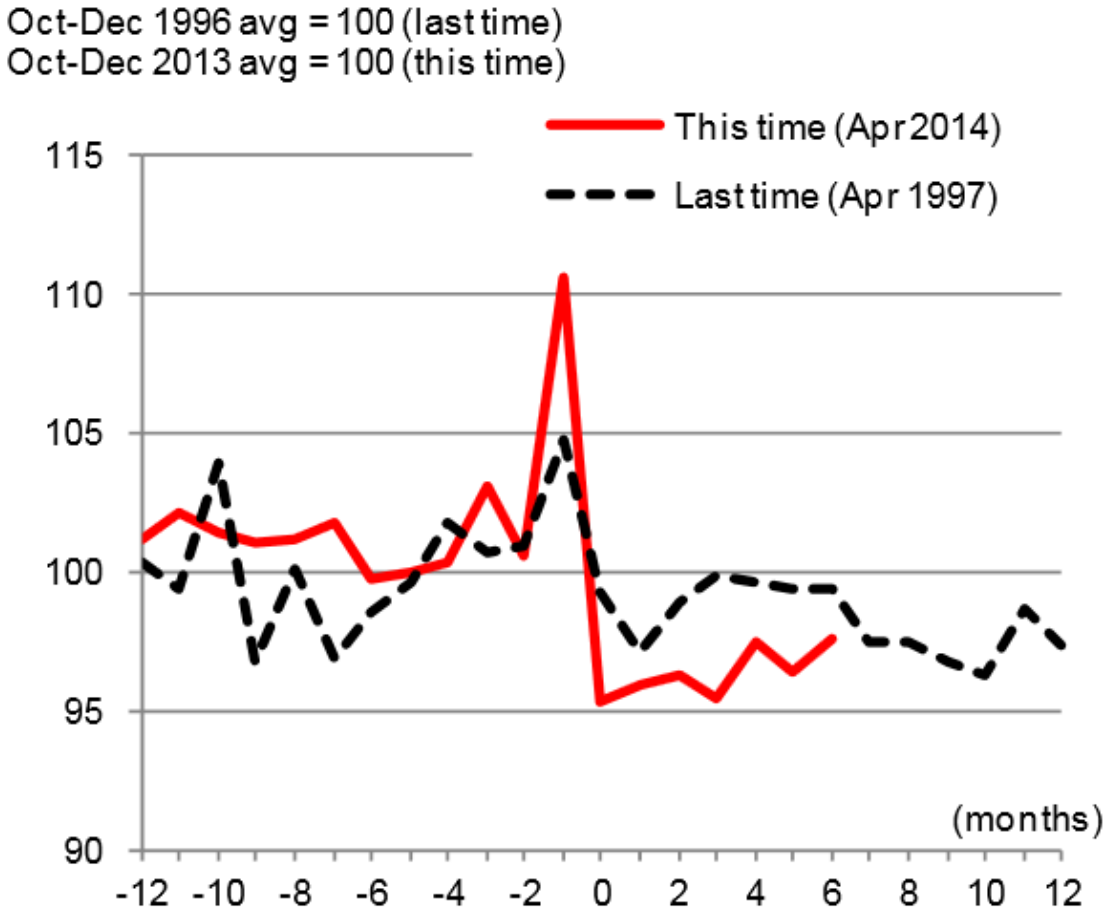
The Knee-Jerk of GST



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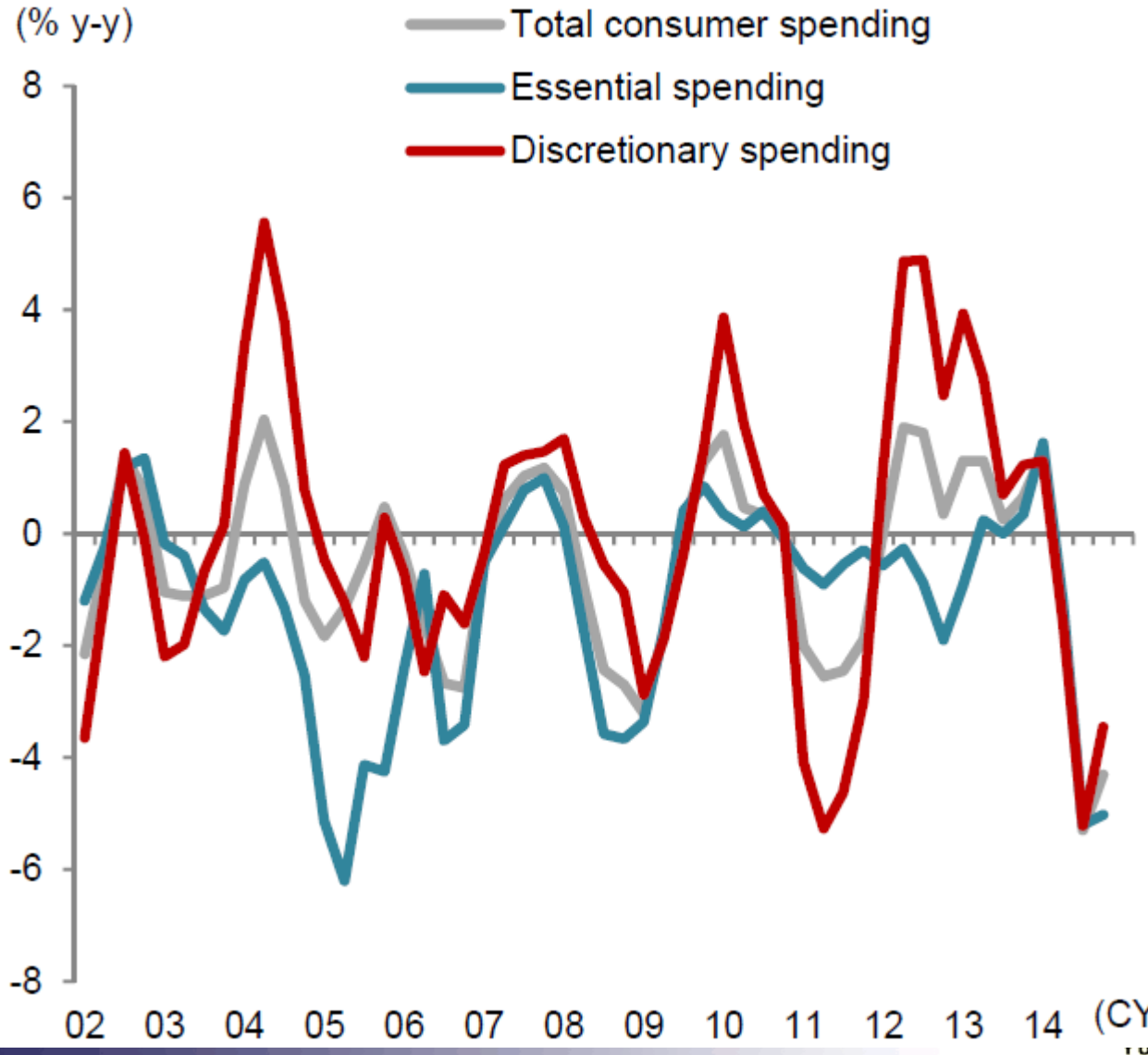
Japan Consumer Spending



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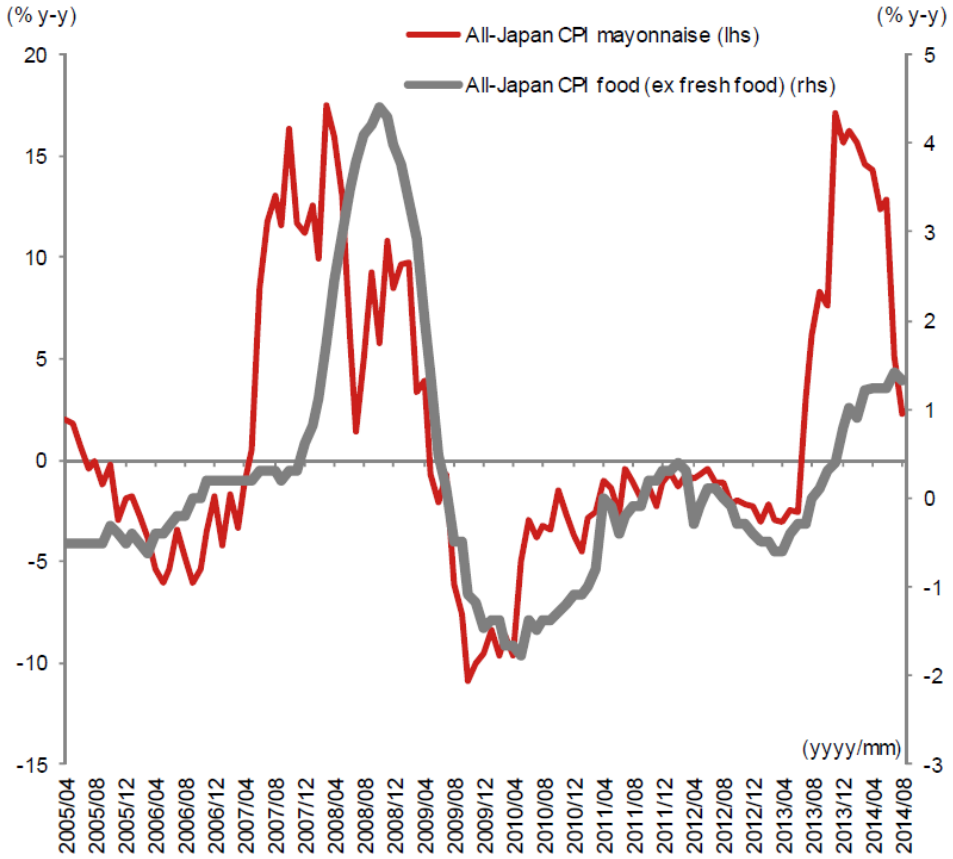
BOJ and Mayonnaise



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Mr. Superman?

Success			Failure		
Permanent end to deflation	Comprehensive and bold reforms	Public debt moving to sustainable path	Reforms fail to take off	Public debt on increasingly unsustainable path	JGB crisis brewing
Stable JGB market	Animal spirits rise	Controllable QQE by BOJ	Overburdened BOJ forced to monetise public debt	Collapse in confidence	Back to demand-driven deflation
Stronger Japanese domestic demand			Collapse in Japanese domestic demand		
Moderate JPY depreciation			Massive JPY devaluation		
Increase in Japanese capital outflows			Decrease in Japanese capital outflows		

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Chicken Game 6

Offsetting QE

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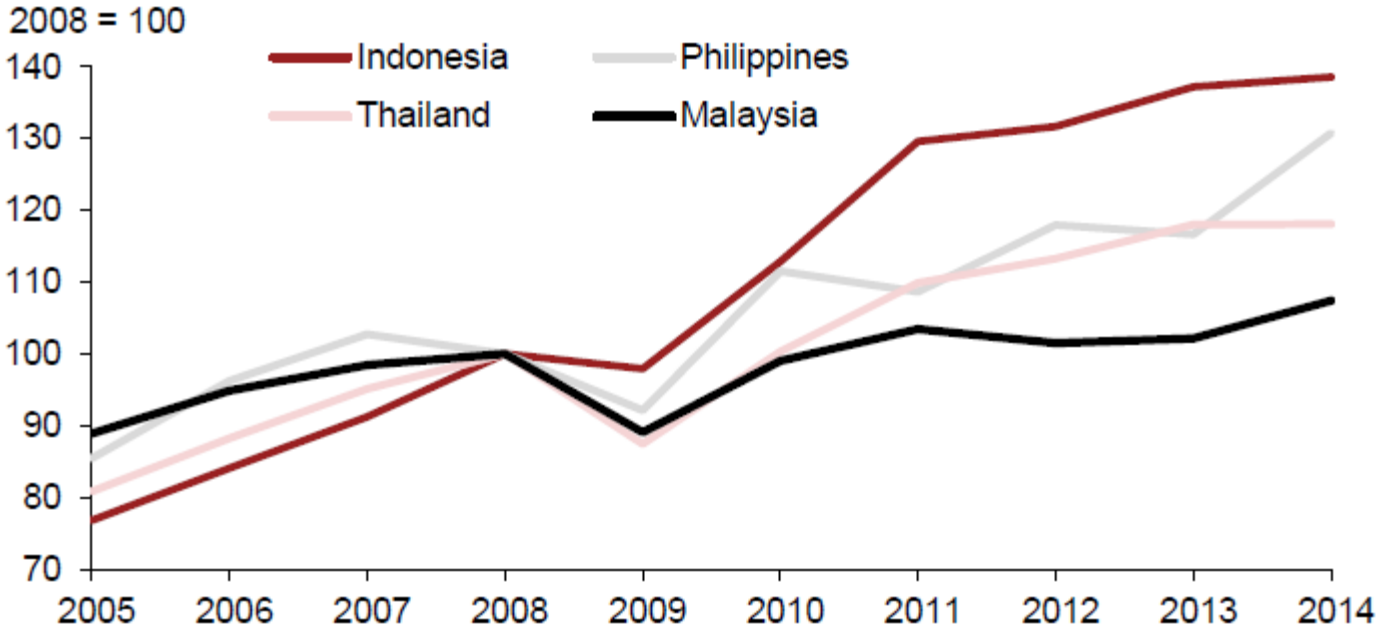
Real Exports



e(ɪ)dʒ of Crisis

	China	HK	India	Indo	Korea	Malaysia	Philippines	Singapore	Thailand	Australia	Canada	Germany	Japan	UK	USA	Brazil	Russia	S.Africa	Turkey
China	-	45.0%	35.3%	28.4%	44.3%	37.1%	32.4%	36.4%	41.5%	10.8%	25.2%	40.8%	39.0%	35.1%	43.2%	18.6%	11.9%	20.1%	38.6%
HK	45.0%	-	23.8%	18.4%	38.7%	41.3%	40.7%	46.0%	34.7%	15.0%	20.0%	26.8%	30.8%	28.5%	34.6%	11.7%	9.3%	23.1%	30.1%
India	35.3%	23.8%	-	24.9%	30.6%	22.4%	19.2%	27.7%	35.9%	18.1%	26.9%	35.8%	29.0%	37.4%	38.1%	29.7%	14.3%	25.8%	35.2%
Indo	28.4%	18.4%	24.9%	-	21.6%	46.2%	23.3%	19.7%	31.1%	36.0%	32.5%	26.1%	20.7%	30.0%	26.6%	25.9%	25.3%	25.9%	24.8%
Korea	44.3%	38.7%	30.6%	21.6%	-	36.7%	34.2%	43.0%	40.5%	11.4%	35.3%	48.7%	59.9%	40.5%	47.0%	21.5%	13.2%	24.7%	33.4%
Malaysia	37.1%	41.3%	22.4%	46.2%	36.7%	-	40.9%	46.9%	40.5%	21.4%	27.8%	31.8%	31.2%	33.4%	36.7%	21.4%	17.5%	17.1%	23.8%
Philippines	32.4%	40.7%	19.2%	23.3%	34.2%	40.9%	-	45.6%	33.9%	12.7%	20.1%	26.4%	30.6%	23.1%	31.4%	14.1%	10.3%	14.9%	21.4%
Singapore	36.4%	46.0%	27.7%	19.7%	43.0%	46.9%	45.6%	-	36.3%	13.4%	25.2%	39.4%	40.4%	38.2%	47.7%	17.7%	10.7%	18.4%	20.1%
Thailand	41.5%	34.7%	35.9%	31.1%	40.5%	40.5%	33.9%	36.3%	-	15.1%	32.4%	40.7%	40.0%	37.4%	48.0%	26.0%	12.5%	28.9%	39.6%
Australia	10.8%	15.0%	18.1%	36.0%	11.4%	21.4%	12.7%	13.4%	15.1%	-	30.6%	16.9%	12.4%	22.4%	23.6%	31.4%	21.6%	34.4%	18.6%
Canada	25.2%	20.0%	26.9%	32.5%	35.3%	27.8%	20.1%	25.2%	32.4%	30.6%	-	50.6%	38.6%	51.0%	48.7%	37.4%	43.0%	34.8%	34.1%
Germany	40.8%	26.8%	35.8%	26.1%	48.7%	31.8%	26.4%	39.4%	40.7%	16.9%	50.6%	-	60.9%	62.5%	65.7%	29.5%	16.6%	30.0%	40.8%
Japan	39.0%	30.8%	29.0%	20.7%	59.9%	31.2%	30.6%	40.4%	40.0%	12.4%	38.6%	60.9%	-	46.5%	53.0%	22.7%	13.9%	24.6%	31.9%
UK	35.1%	28.5%	37.4%	30.0%	40.5%	33.4%	23.1%	38.2%	37.4%	22.4%	51.0%	62.5%	46.5%	-	60.1%	31.8%	24.5%	31.8%	34.9%
USA	43.2%	34.6%	38.1%	26.6%	47.0%	36.7%	31.4%	47.7%	48.0%	23.6%	48.7%	65.7%	53.0%	60.1%	-	33.2%	19.5%	37.3%	40.1%
Brazil	18.6%	11.7%	29.7%	25.9%	21.5%	21.4%	14.1%	17.7%	26.0%	31.4%	37.4%	29.5%	22.7%	31.8%	33.2%	-	24.4%	30.2%	23.7%
Russia	11.9%	9.3%	14.3%	25.3%	13.2%	17.5%	10.3%	10.7%	12.5%	21.6%	43.0%	16.6%	13.9%	24.5%	19.5%	24.4%	-	21.1%	13.7%
S.Africa	20.1%	23.1%	25.8%	25.9%	24.7%	17.1%	14.9%	18.4%	28.9%	34.4%	34.8%	30.0%	24.6%	31.8%	37.3%	30.2%	21.1%	-	37.8%
Turkey	38.6%	30.1%	35.2%	24.8%	33.4%	23.8%	21.4%	20.1%	39.6%	18.6%	34.1%	40.8%	31.9%	34.9%	40.1%	23.7%	13.7%	37.8%	-

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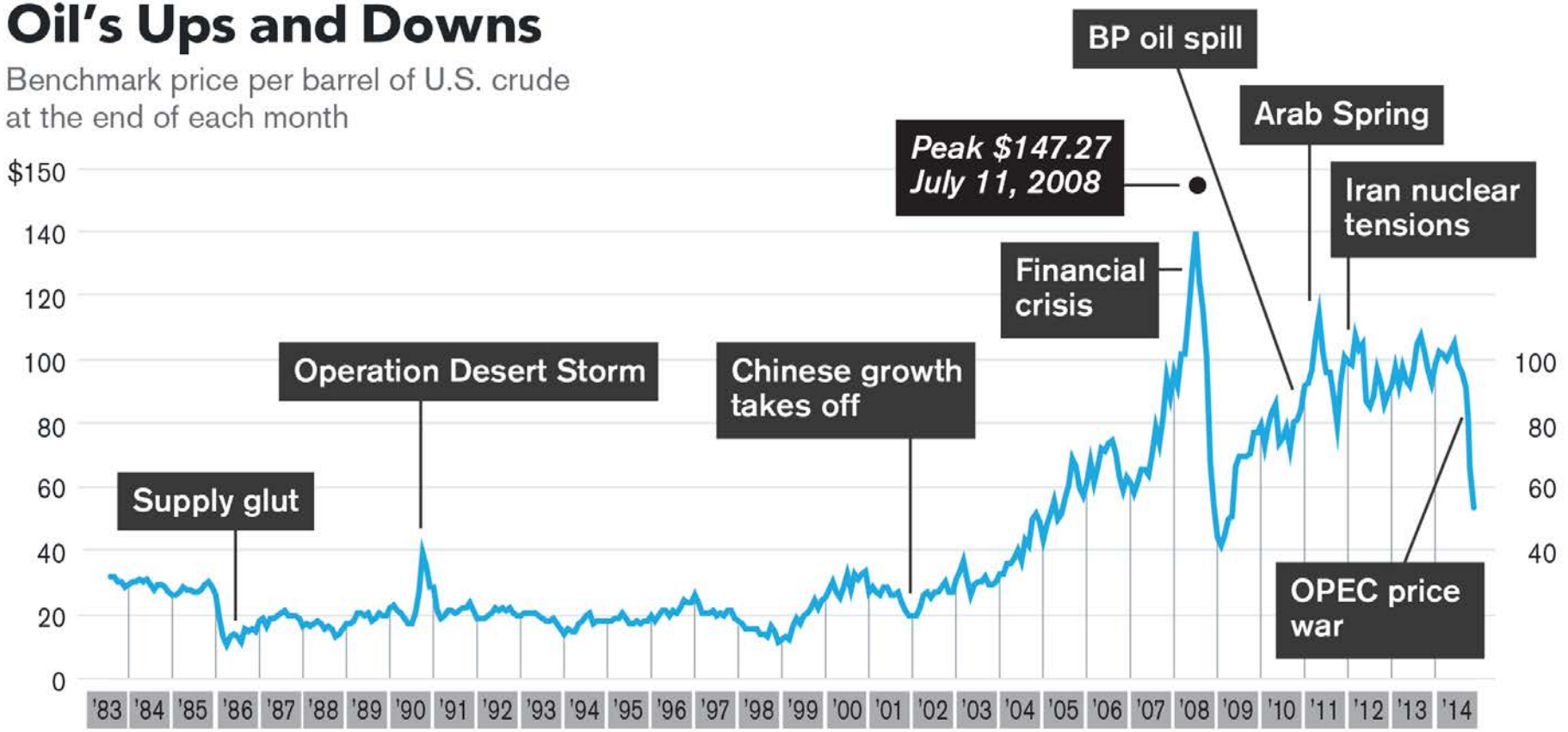
Chicken Game 7

For Good or For Bad?



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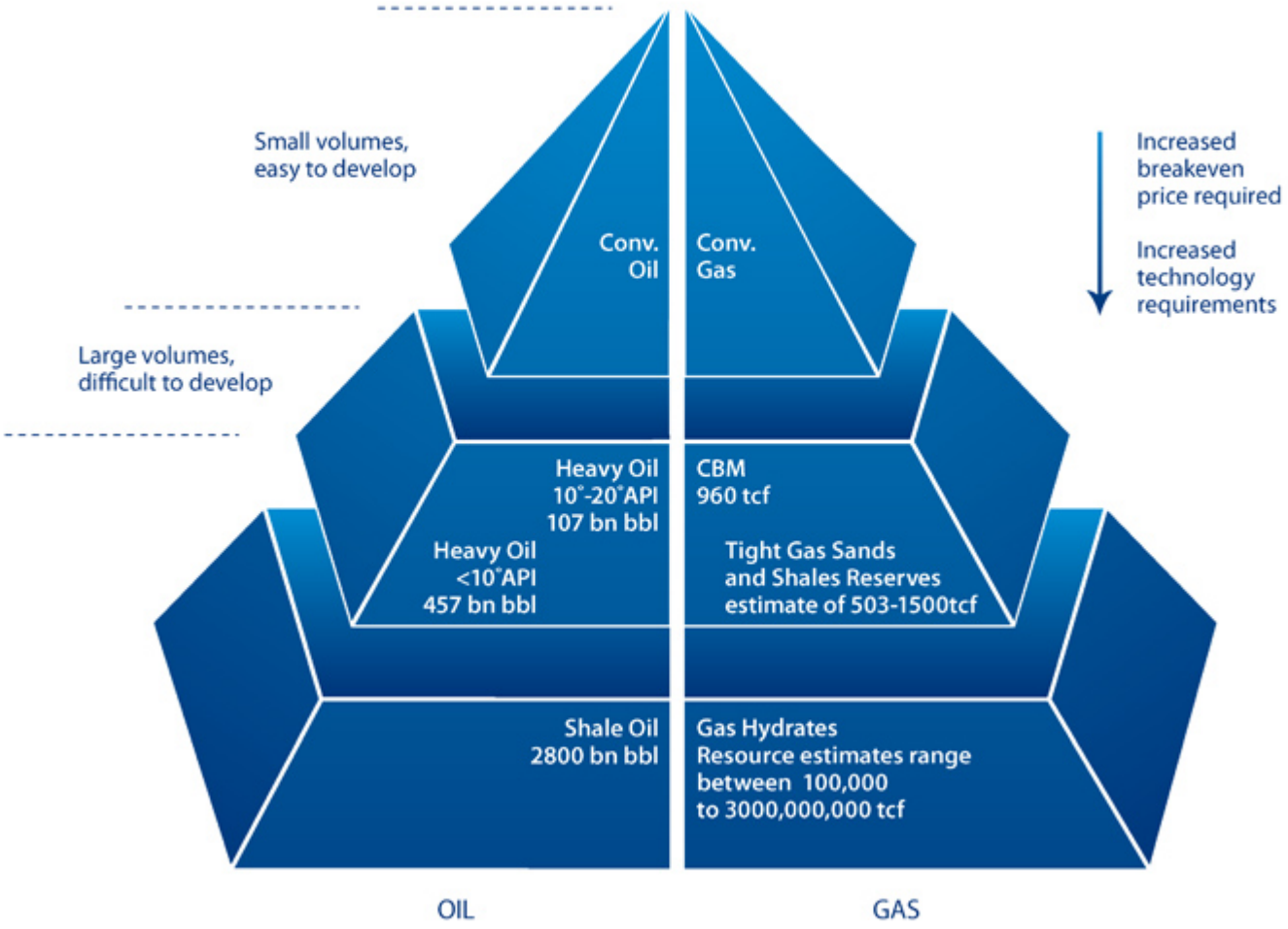
The Revolution



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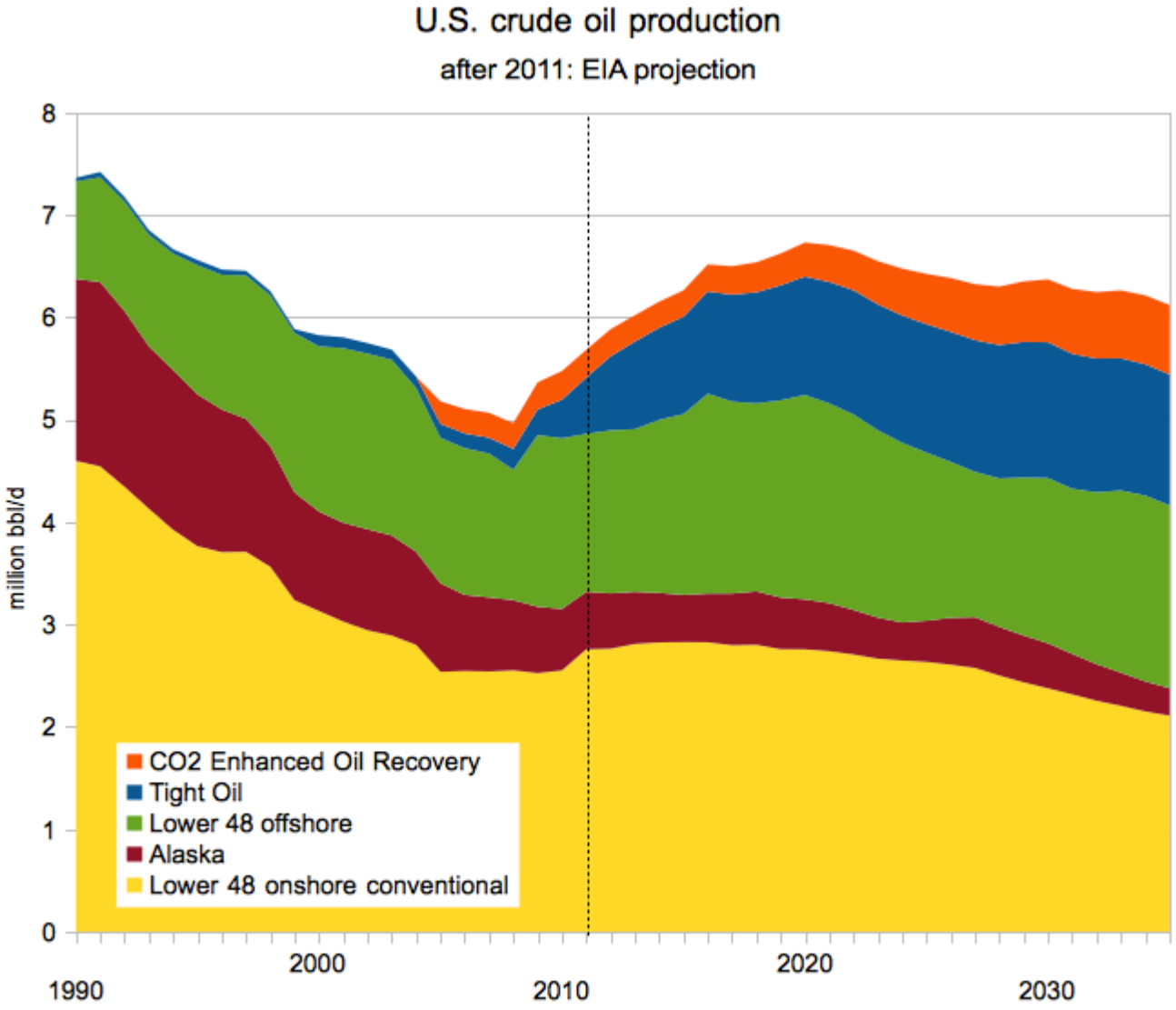

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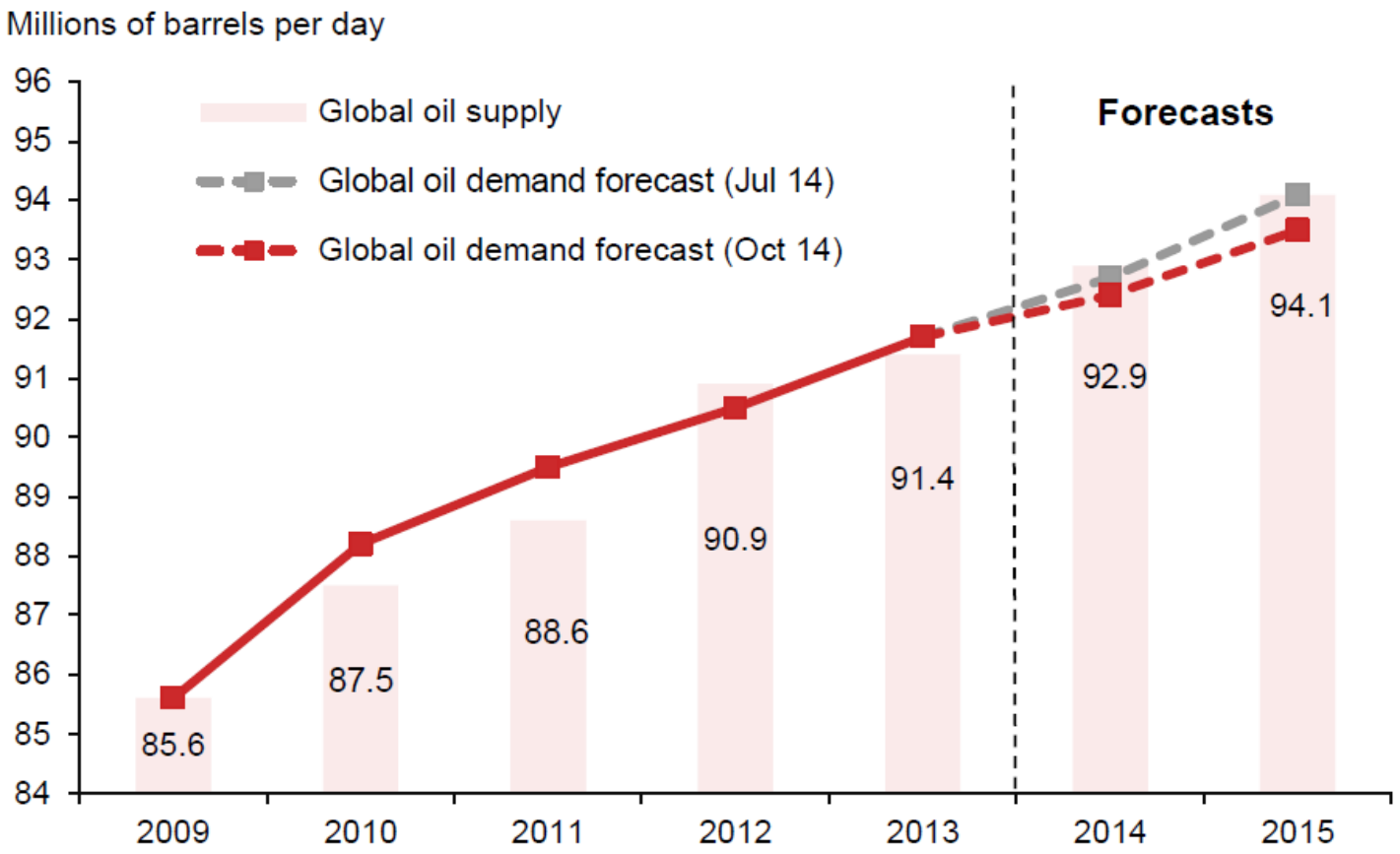

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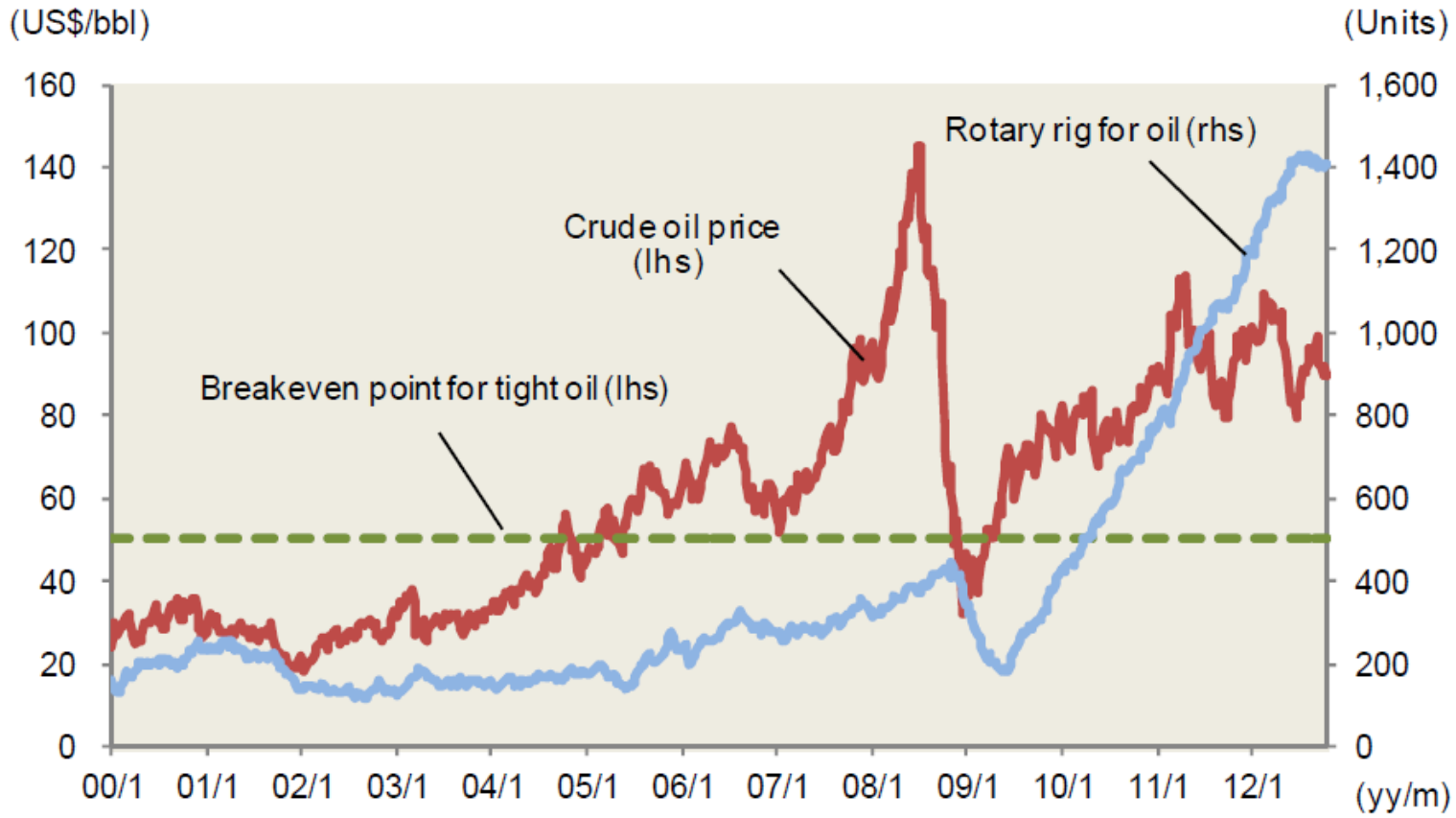
Time is ripe



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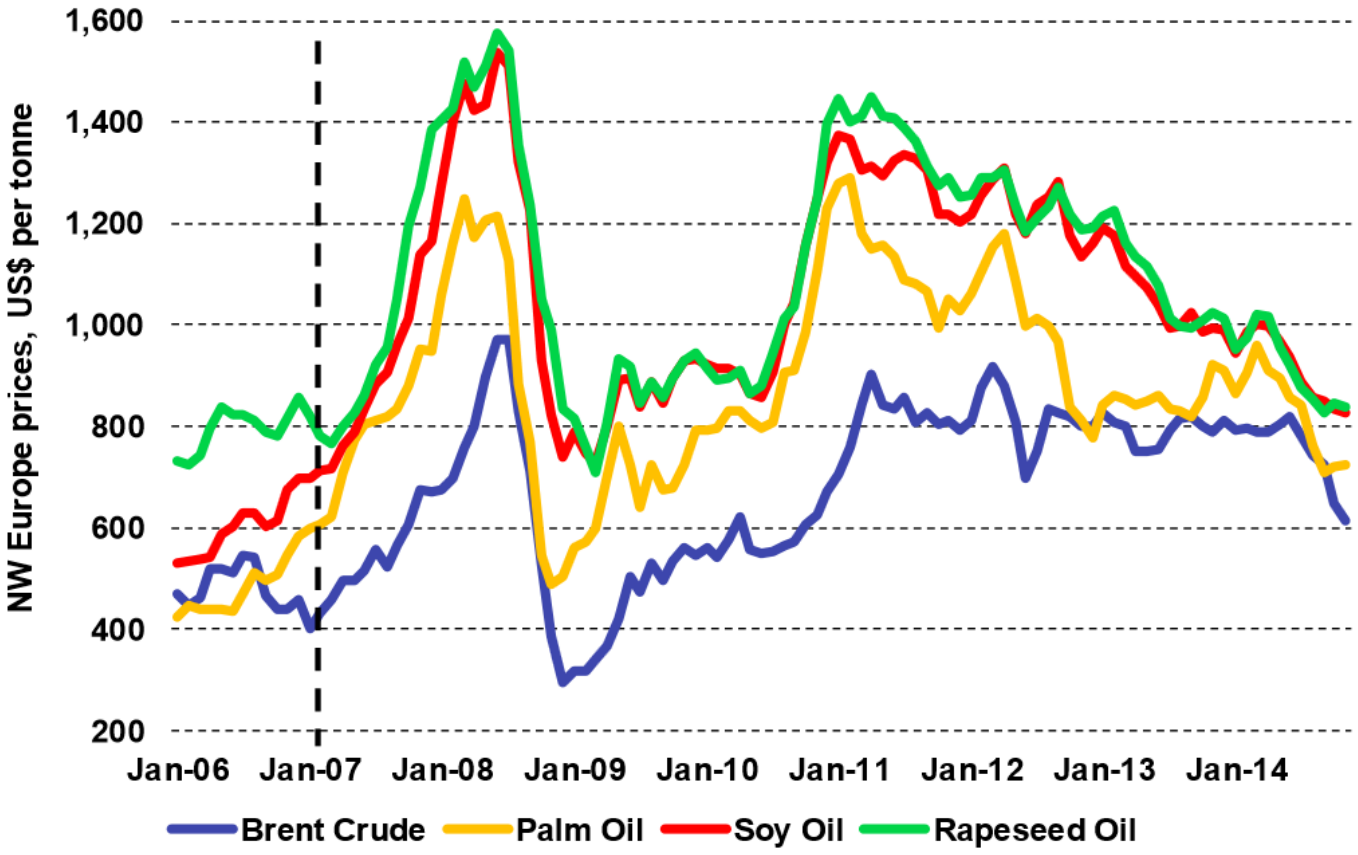
It’s really Oily



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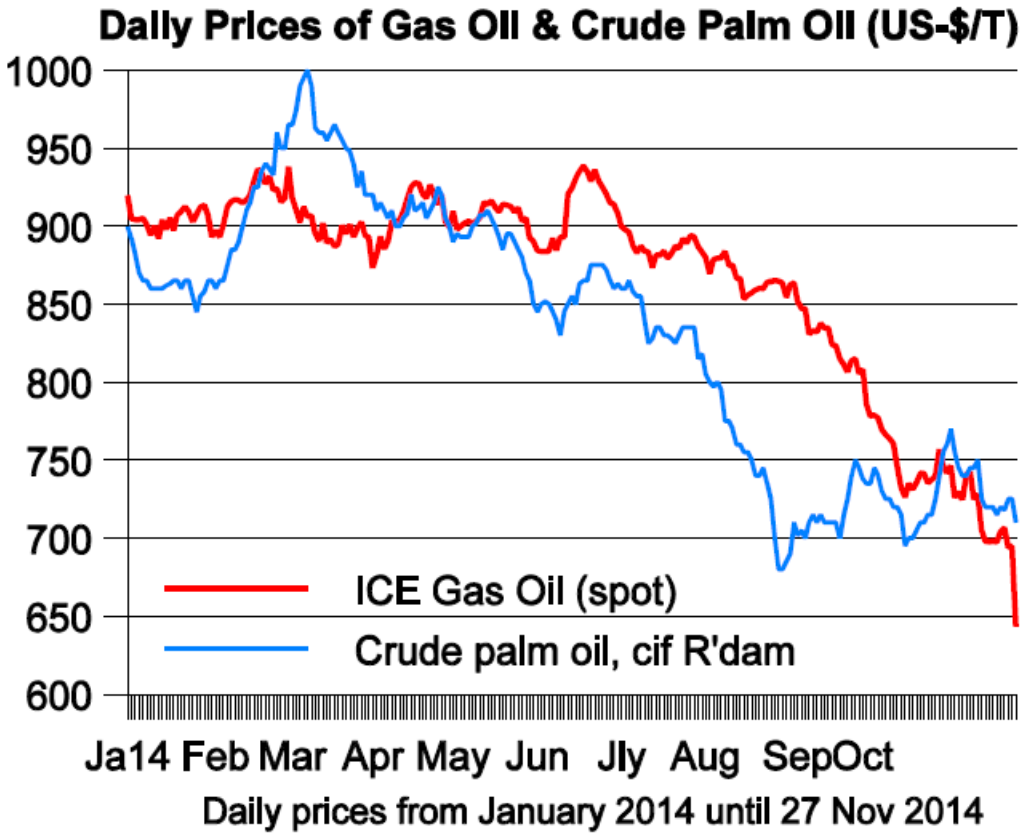
I Don’t Like to Sleep Alone



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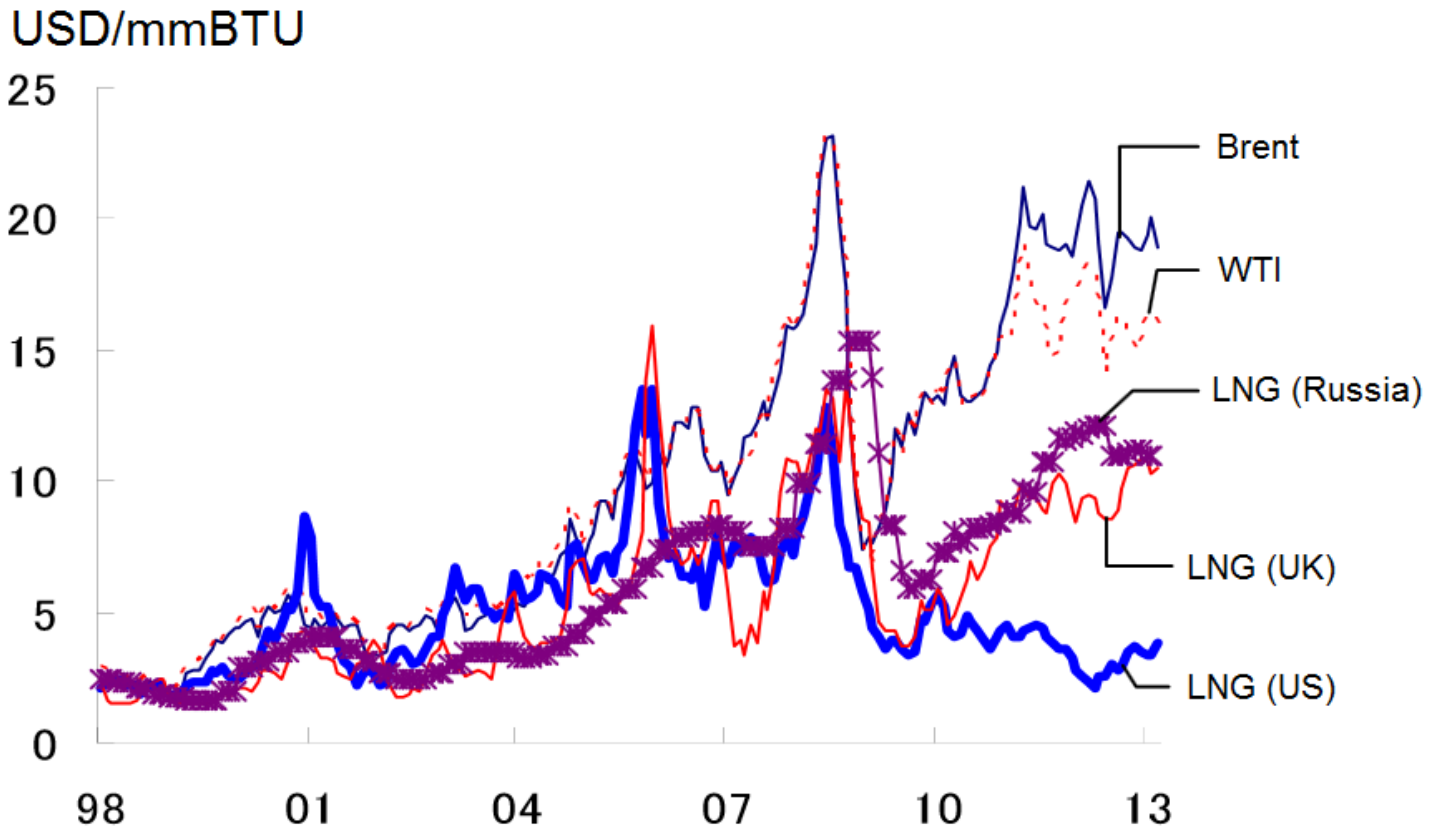
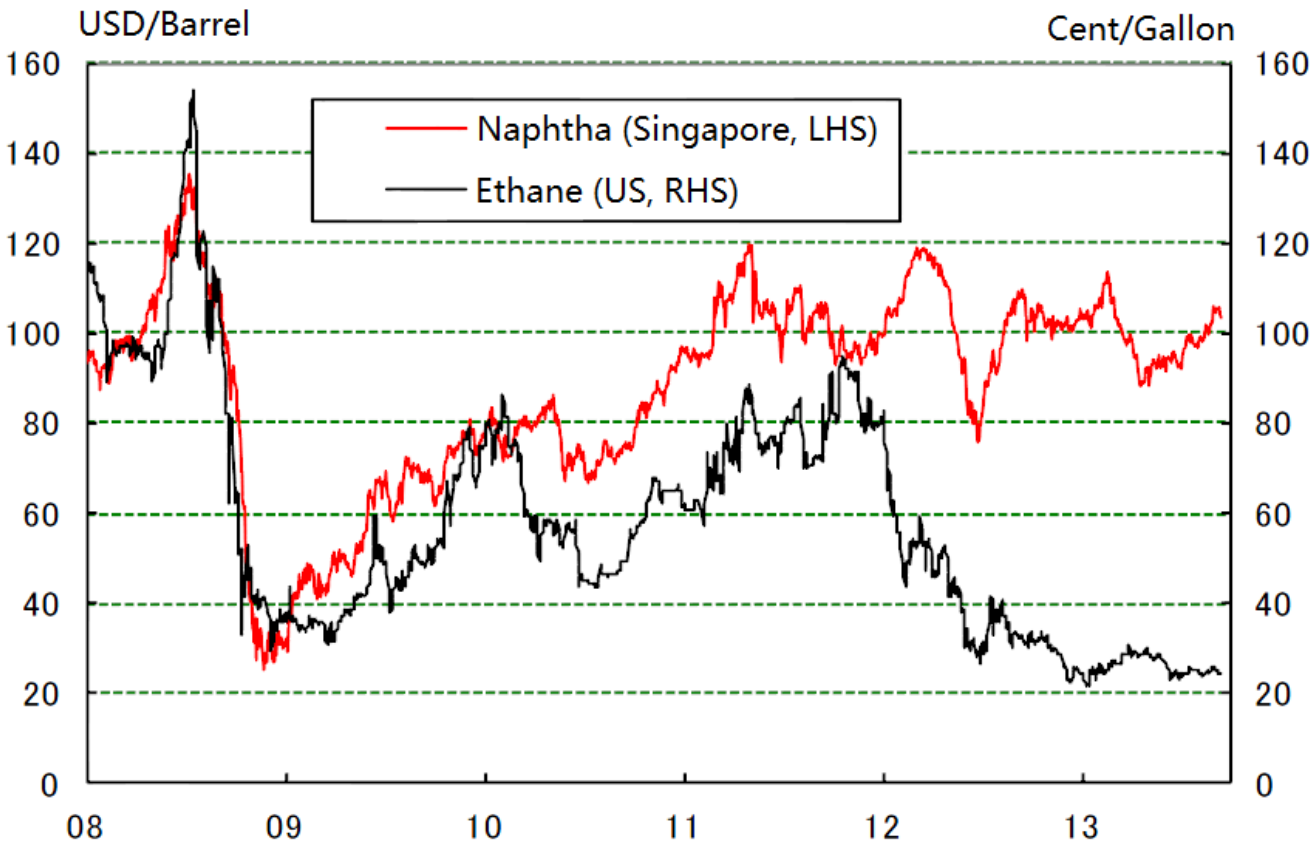
Energy Price Trends



Regaining Competitiveness



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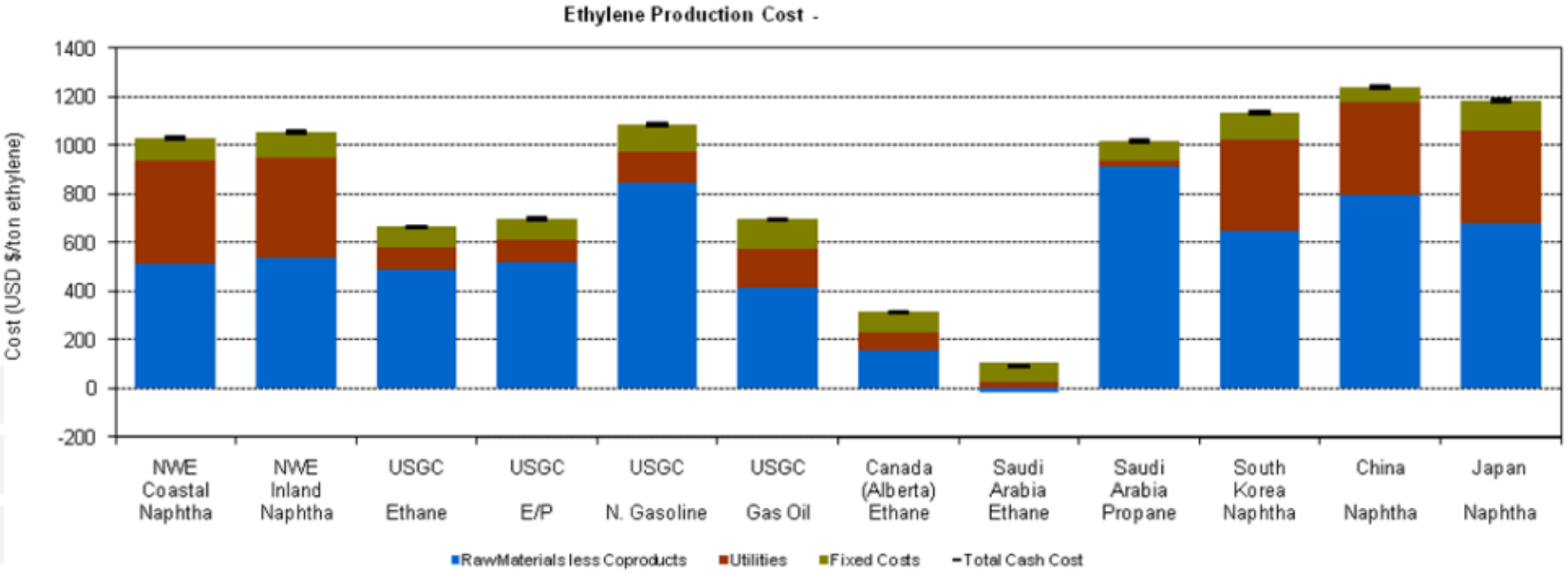
Made in USA Strikes Back



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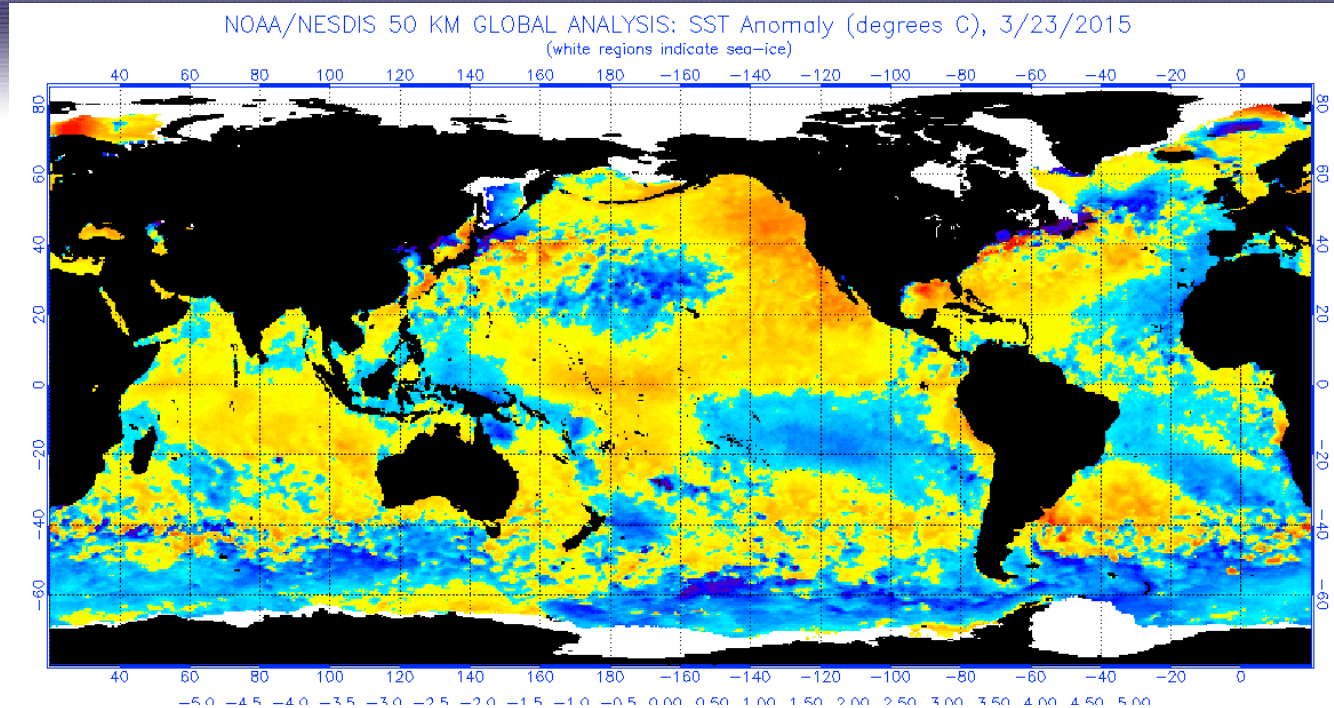

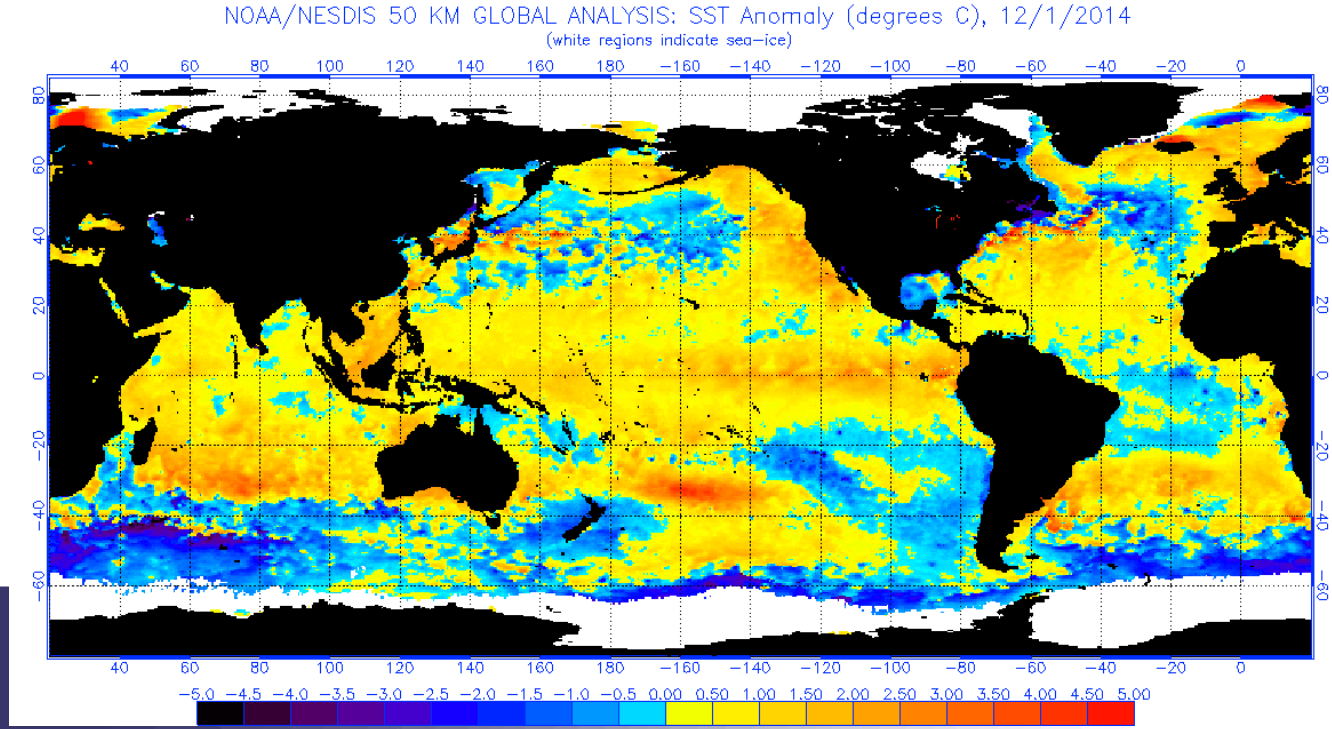

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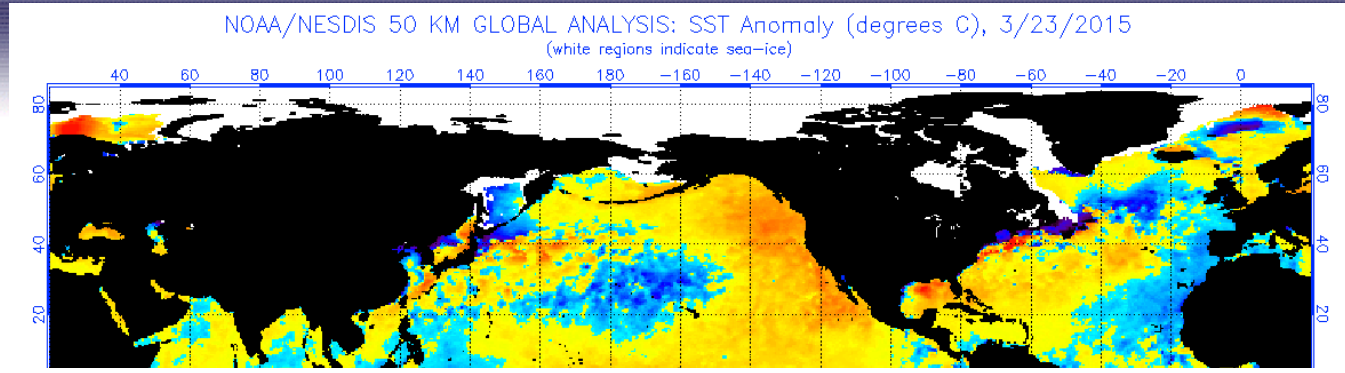

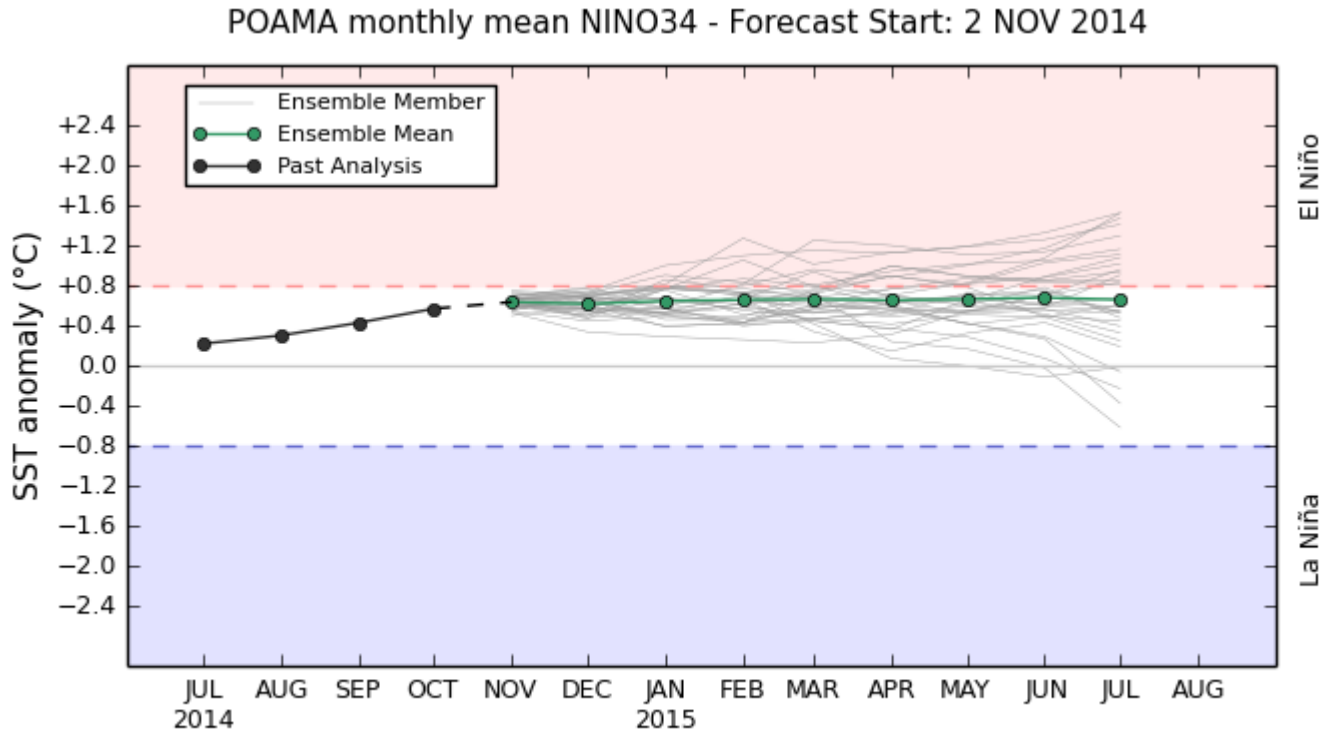

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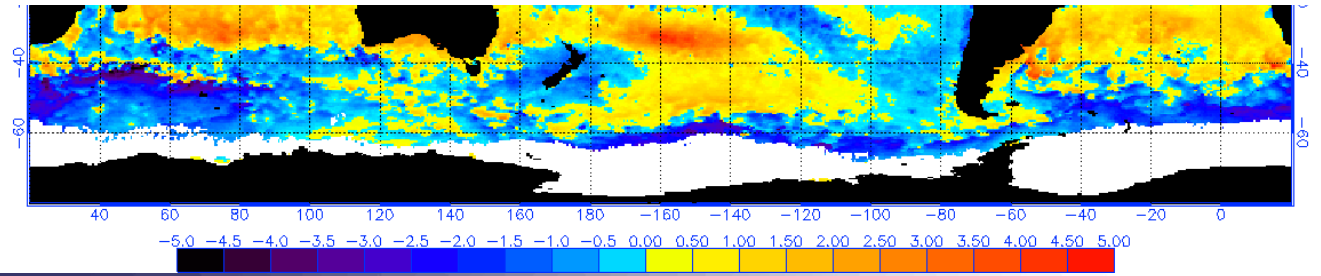
Base period 1981-2010



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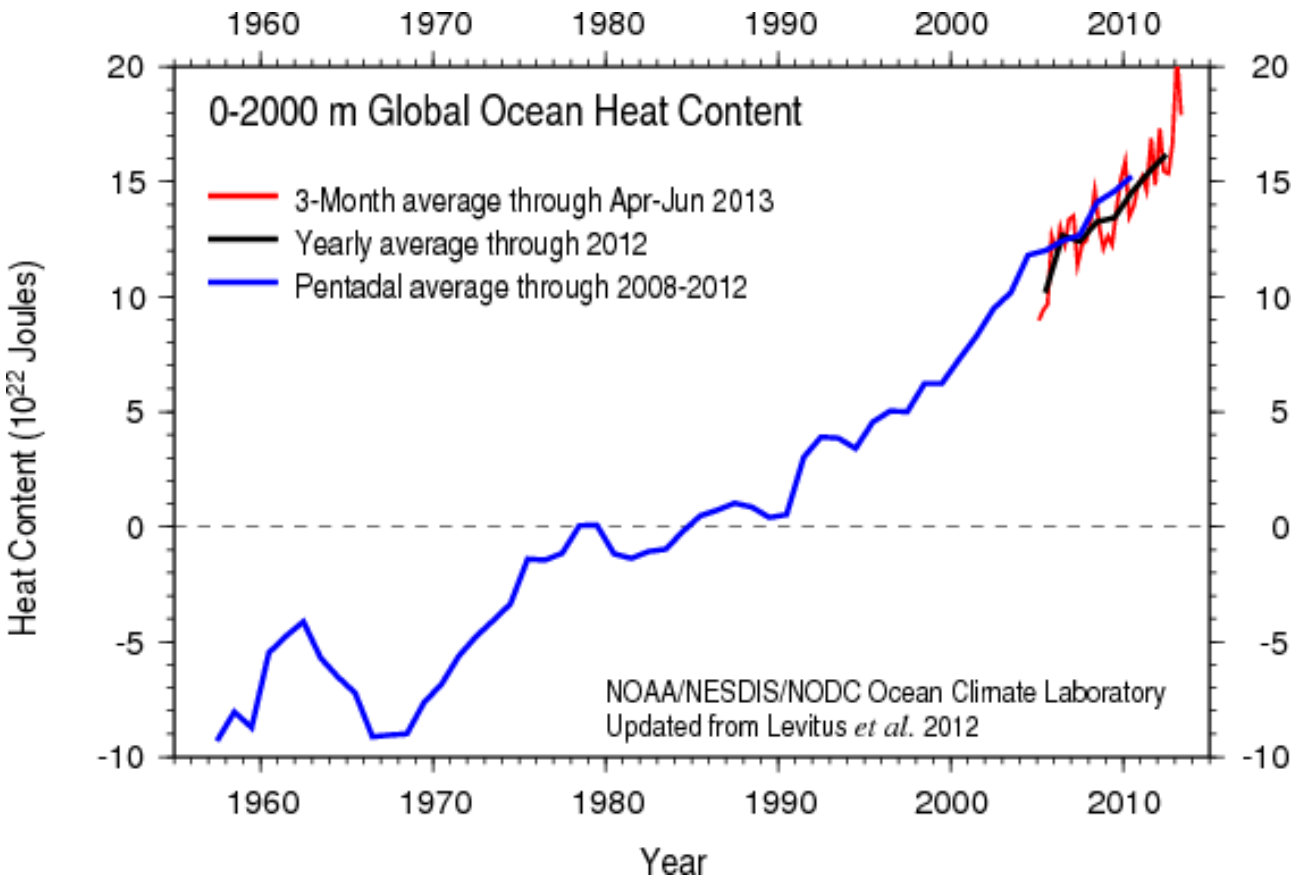
The Day After Tomorrow



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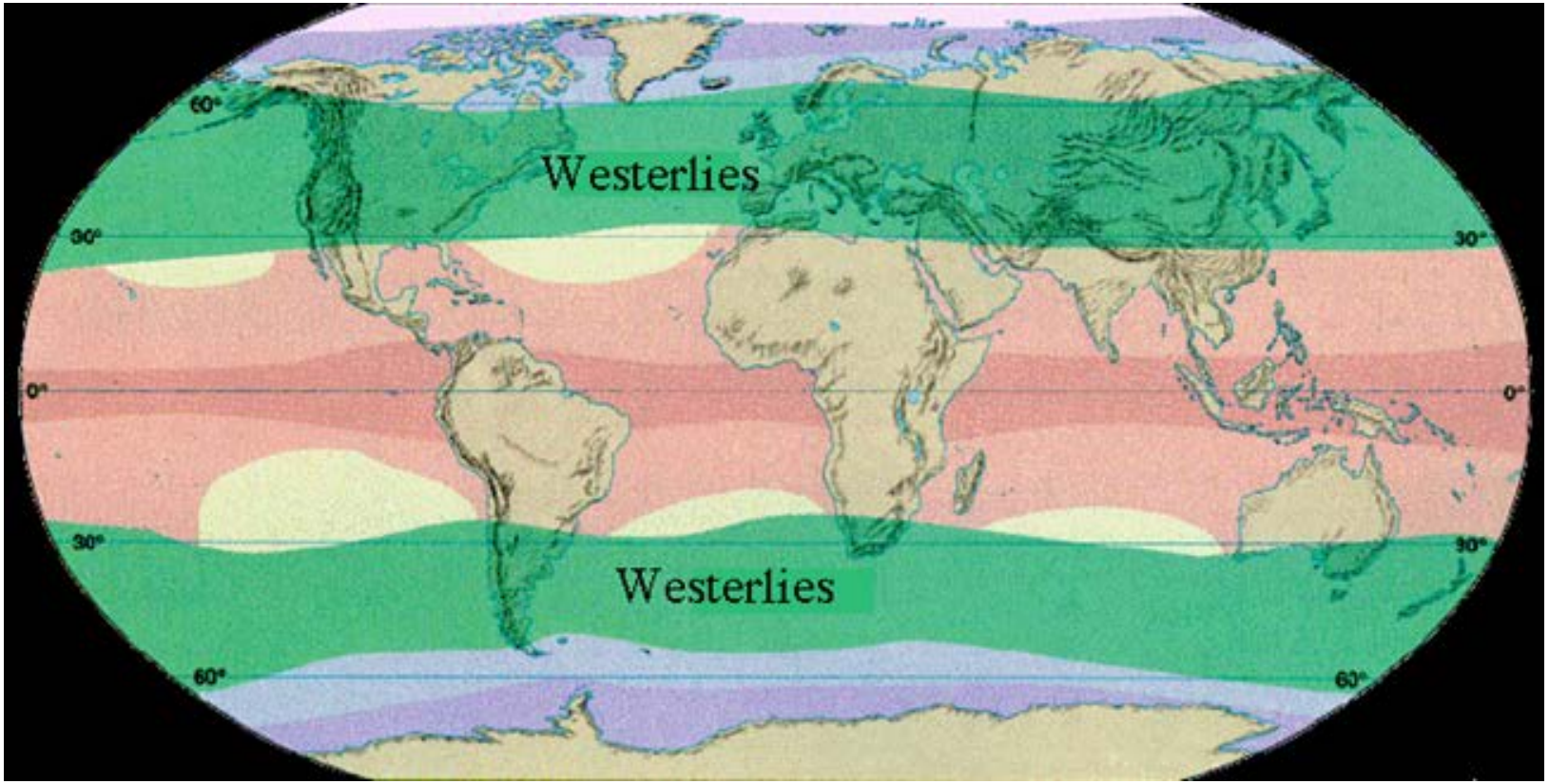
Westerlies



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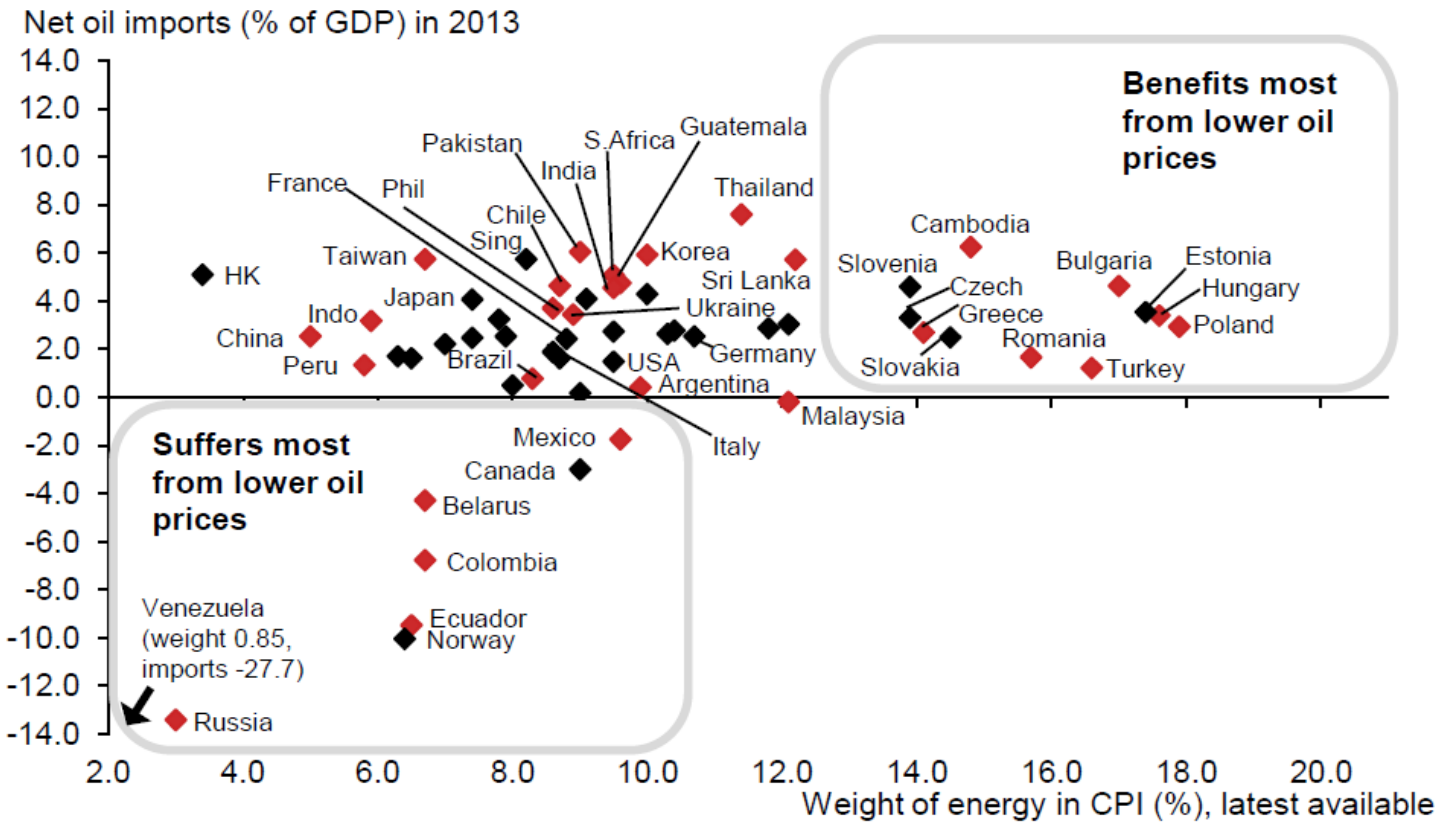
Do You Really Want to Hurt Me?



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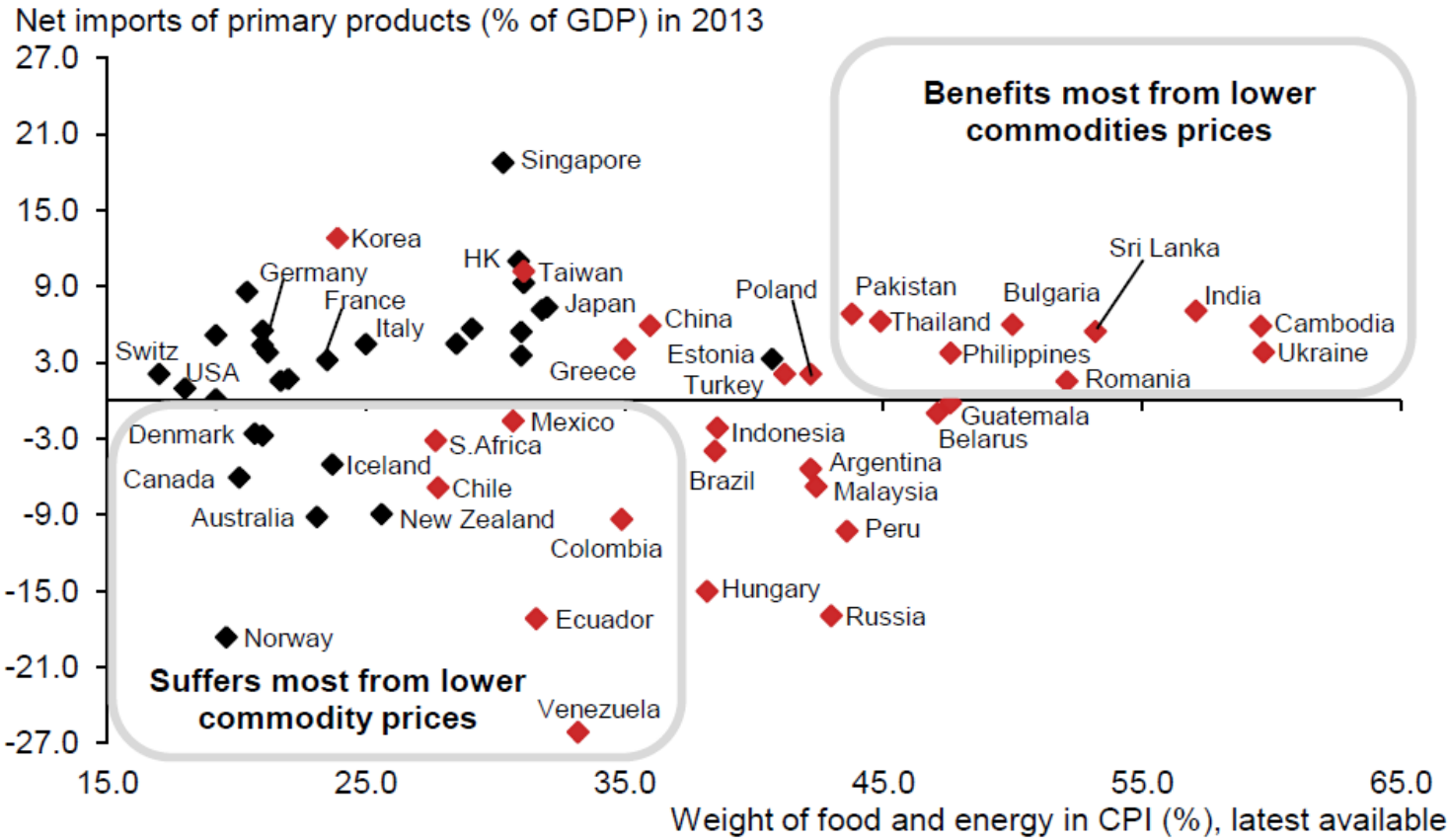
Do You Really Want to Make Me Cry?



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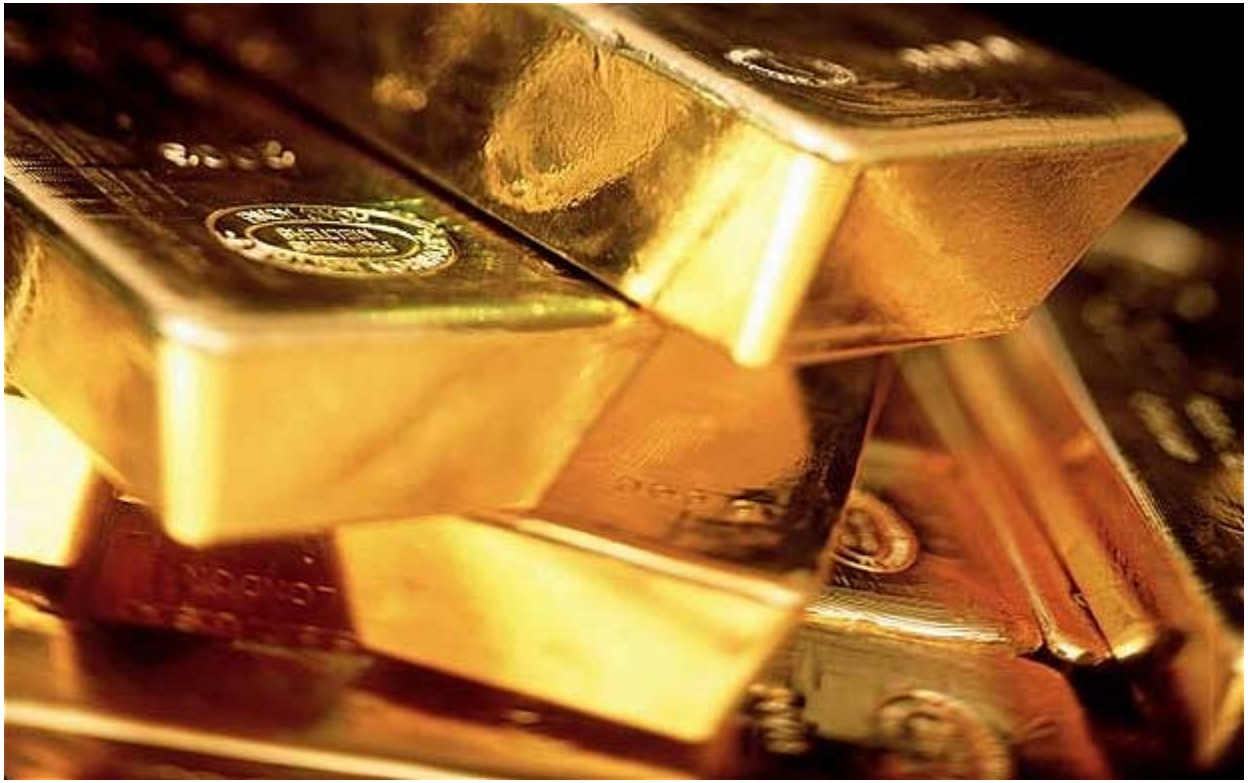

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Gold is Forever

1994 - 2003

2008 - present

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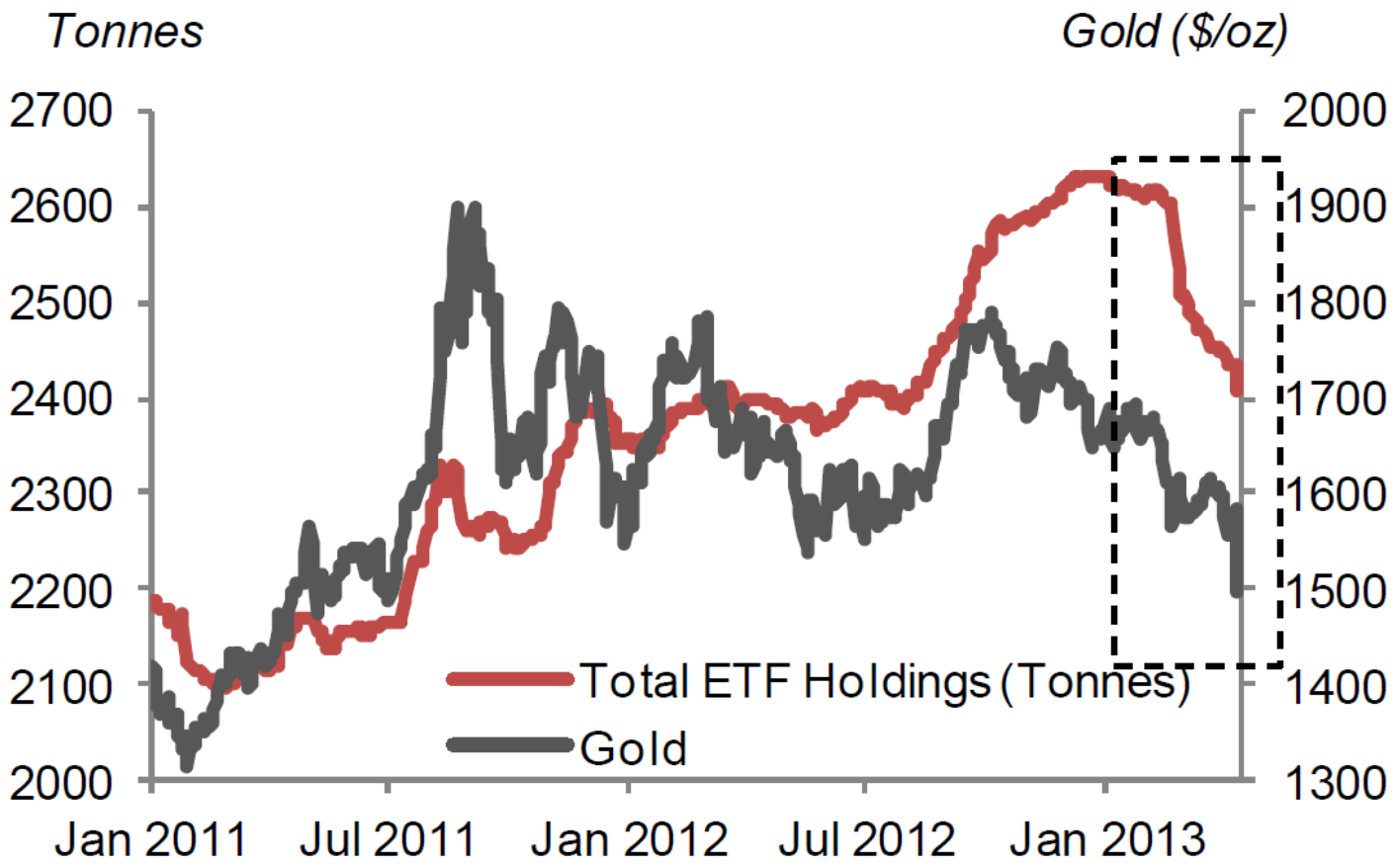
Do you really want to hurt me?



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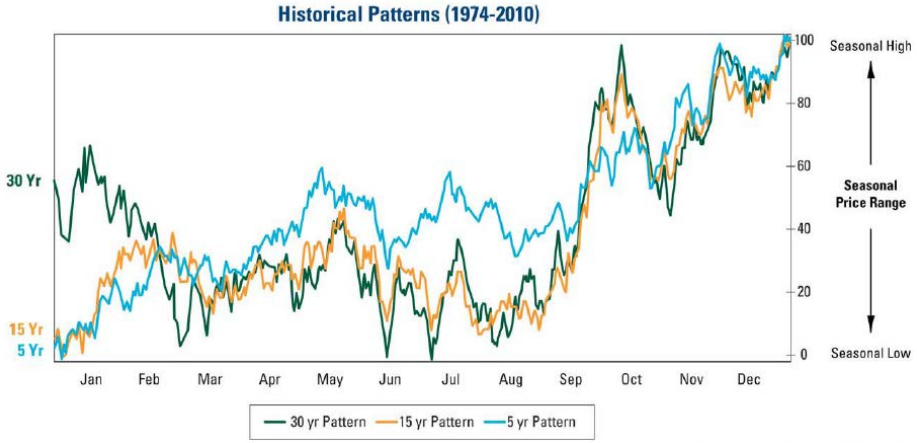
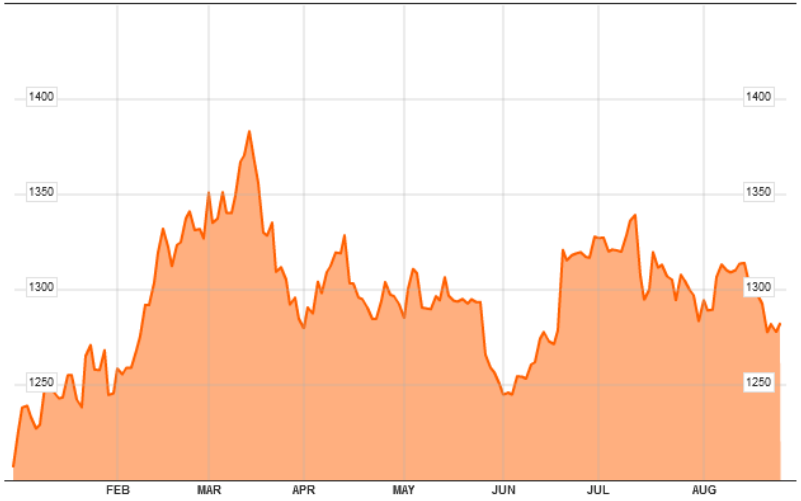
But beware of seasonality





Source: Bloomberg

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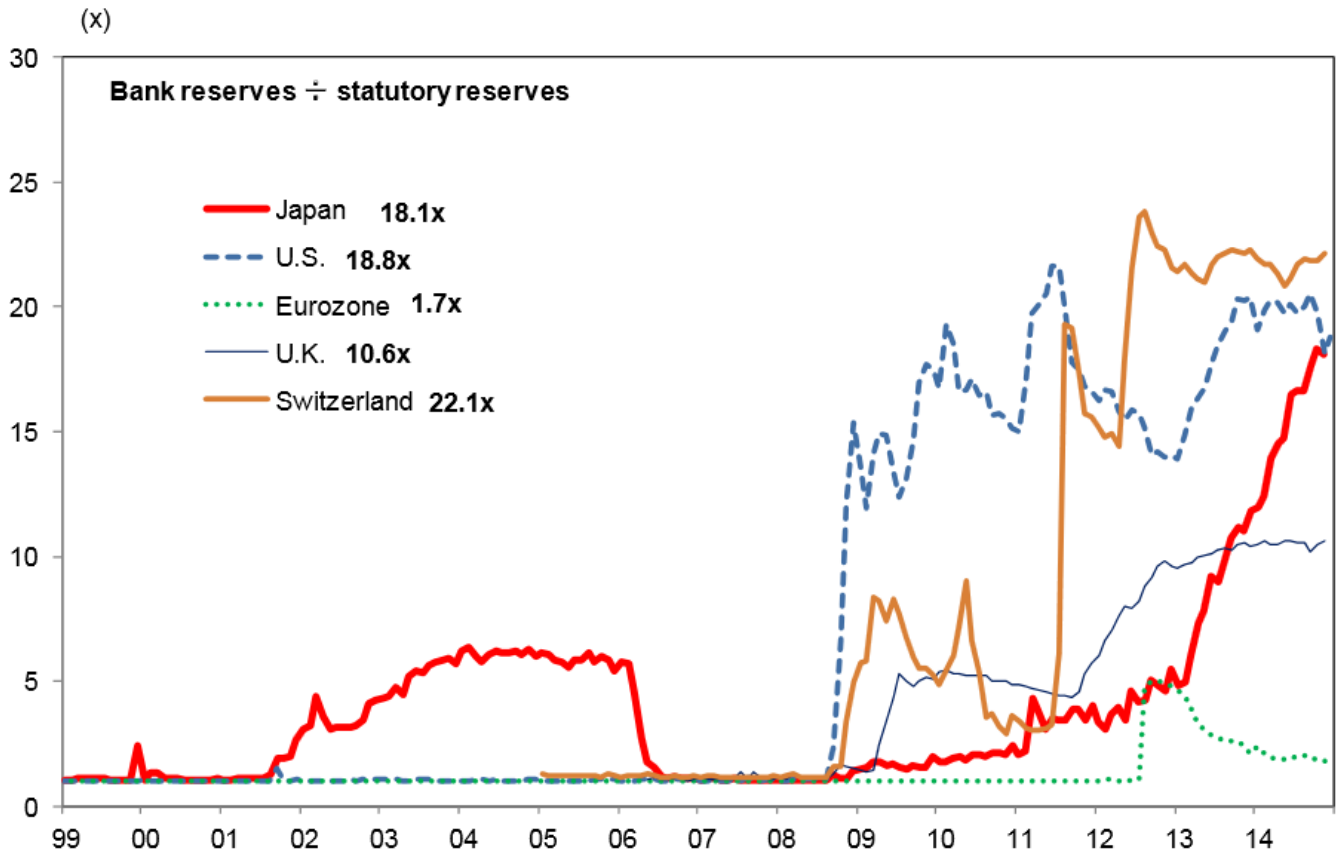
Money, money, money



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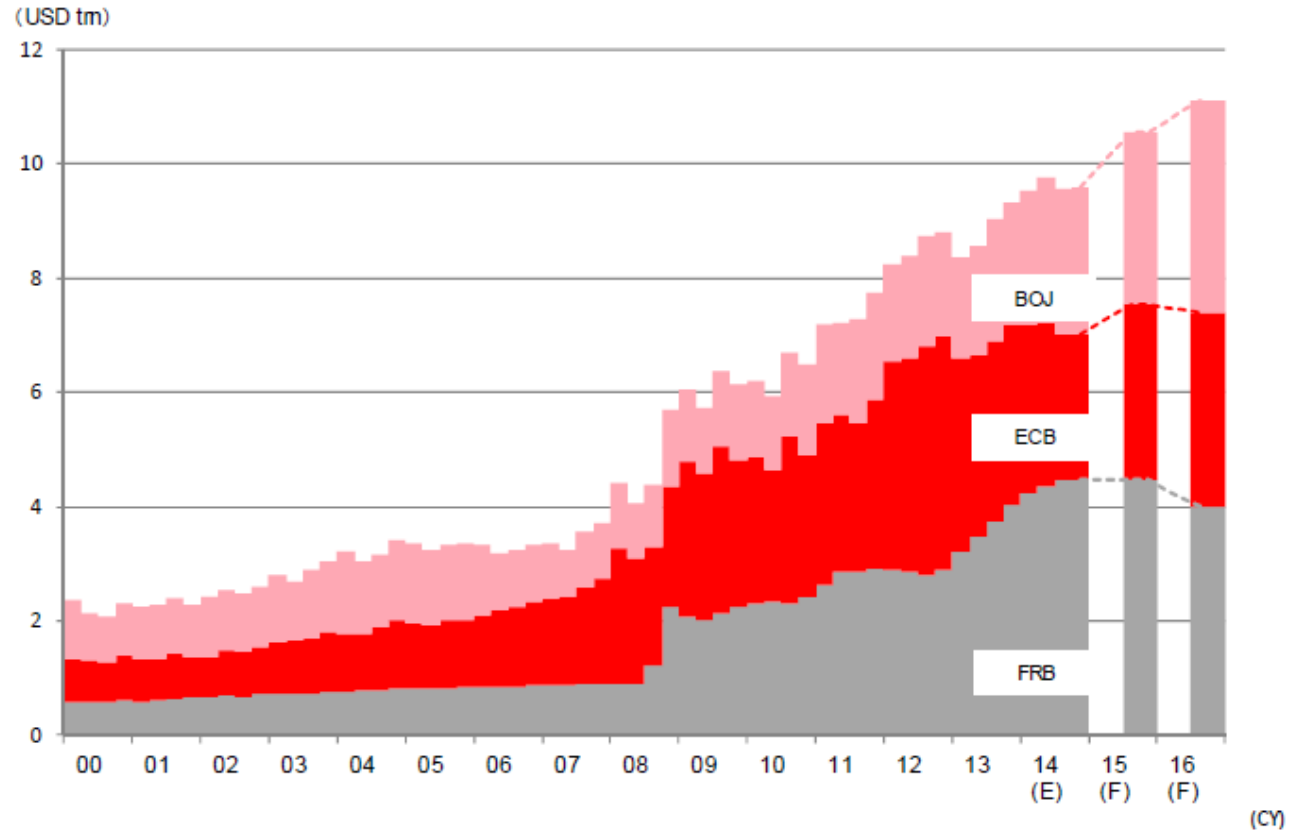
The Party Continues



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Chicken Game 8 – Final Episode
Sound of Silence

thesundaily
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Najib sues MP Tony Pua over 1MDB

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Posted on 6 March 2015 - 06:08pm

Last updated on 7 March 2015 - 11:09am

KUALA LUMPUR: Prime Minister Datuk Seri Najib Abdul Razak has filed a defamation su
Petaling Jaya Utara MP Tony Pua Kiam Wee and another person over Pua's rema

UM law lecturer to be charged with sedition

KUALA LUMPUR: Universiti Malaya's Associate Professor Dr Azmi Sharom is expected to be charged today at the Kuala Lumpur Sessions Court.

The law lecturer is expected to face a charge under the Sedition Act for his comments regarding the 2009 Perak menteri besar crisis, which were published by an online news portal.

Dang Wangi Criminal Investigation Department chief Deputy Superintendent M. Gunalan confirmed that Azmi would be charged

Associate Professor Dr Azm

Tuesday, 24 March 2015, 12:26 PM

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Nation

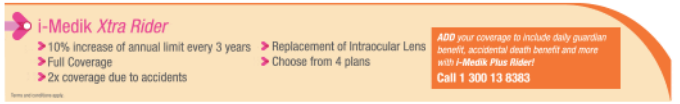
Home > News > Nation

Published: Tuesday March 24, 2015 MYT 6:34:00 PM

Updated: Tuesday March 24, 2015 MYT 8:18:27 PM

IGP: Hudud debate may spur IS reaction

FRONTPAGE | NATION | BUSINESS | LIFESTYLE | SPORTS | W



IGP: "I'm like a referee on social media"

BY FAREZZA HANUM RASHID - 20 MARCH 2015 @ 3:48 PM

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KUALA LUMPUR: Responding to criticisms on his Twitter activities,

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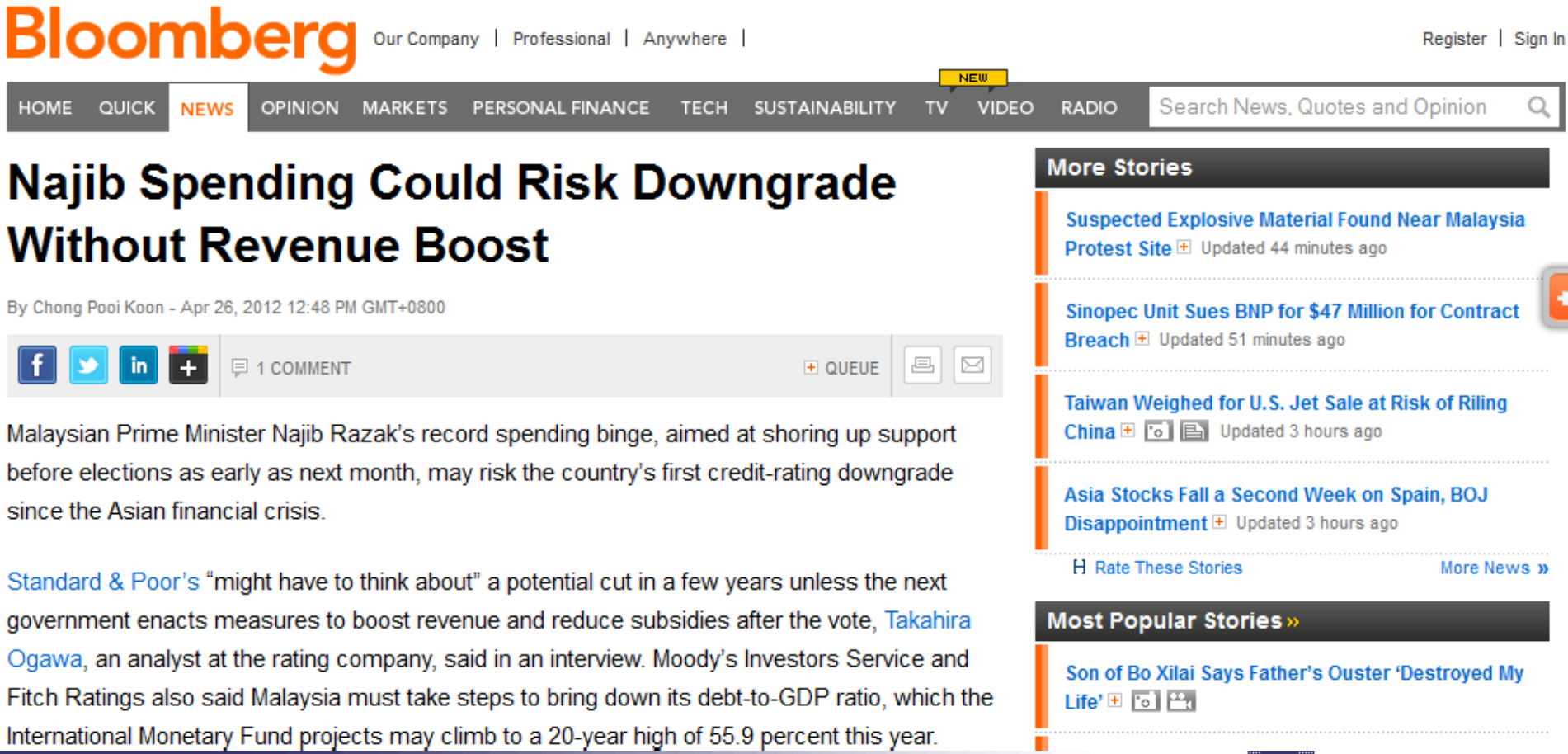
Oh, yes, wait a minute



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Najib Spending Could Risk Downgrade Without Revenue Boost

By Chong Pooi Koon - Apr 26, 2012 12:48 PM GMT+0800

1 COMMENT QUEUE

Malaysian Prime Minister Najib Razak's record spending binge, aimed at shoring up support before elections as early as next month, may risk the country's first credit-rating downgrade since the Asian financial crisis.

Standard & Poor's "might have to think about" a potential cut in a few years unless the next government enacts measures to boost revenue and reduce subsidies after the vote, Takahira Ogawa, an analyst at the rating company, said in an interview. Moody's Investors Service and Fitch Ratings also said Malaysia must take steps to bring down its debt-to-GDP ratio, which the International Monetary Fund projects may climb to a 20-year high of 55.9 percent this year.

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Son of Bo Xilai Says Father's Ouster 'Destroyed My Life'

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Mr Rating Agency

Malaysia risks credit downgrade if reforms not done, says S&P

By Leslie Lau
Executive Editor
September 06, 2012

KUALA LUMPUR, Sept 6 — Malaysia's sovereign credit rating may be cut if the government does not deliver promised reforms to cut spending to reduce its fiscal deficits, Standard and Poor's (S&P) has said in its latest report on the country, joining other global ratings agencies in warnings about the strains on the country's credit profile.

S&P said reforms the government should look at include the introduction of a goods and services tax (GST) and subsidy cuts.

"We may raise the sovereign credit ratings if stronger growth and the government's effort to reduce spending result in lower-than-expected deficits, as indicated in the 10th Malaysia Plan. With lower deficits, a significant reduction in government debt is possible.

"We may lower the ratings if the government can't deliver the reform measures to reduce its fiscal deficits and increase the country's growth prospects. These reforms may include, but are not limited to, the GST and subsidy reforms on the fiscal side, and private investment and economic diversification reforms on the economic growth agenda," said the ratings agency.

File photo of people shopping in Putrajaya. S&P has said the government should look at introducing a goods and services tax and cutting subsidies. — Reuters pic

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It’s an OPEC Game

	RM billion			Impact of falling Tapis oil price on fiscal deficit (US$ per barrel)					
	2013	2014F	2015F	90	85	80	75	70	65
Total Revenue	**213.4**	**225.1**	**235.2**	**227.9**	**223.2**	**218.3**	**213.7**	**209.6**	**206.5**
Tax revenue	156.0	171.8	183.4	179.9	178.3	176.6	175.0	173.4	171.8
Direct tax	120.5	133.1	135.6	132.2	130.5	128.9	127.2	125.6	124.0
of which:									
Petroleum income tax (PITA)	29.8	28.3	25.6	22.2	20.5	18.8	17.2	15.6	14.0
Indirect tax	35.4	38.6	47.7	47.7	47.7	47.7	47.7	47.7	47.7
Non-tax revenue	57.4	53.3	51.8	47.9	44.9	41.7	38.7	36.2	34.7
of which:									
Licences and permits	13.4	13.0	13.1	11.2	10.2	9.0	8.0	7.5	7.0
Investment income	35.3	32.8	31.1	29.7	27.7	25.7	23.7	21.7	20.7
PETRONAS dividend	27.0	29.0	27.0	25.0	23.0	21.0	19.0	17.0	16.0
Operating expenditure	211.3	221.1	223.4	213.4	211.4	209.4	207.4	205.4	205.4
of which:									
Subsidies	43.3	40.6	37.7	27.7	25.7	23.7	21.7	19.7	19.7
of which:									
Fuel i.e. Petrol, Diesel, Liquefied Petroleum Gas (LPG)	23.5	21.0	20.0	10.0	8.0	6.0	4.0	2.0	2.0
Net development expenditure	40.7	41.3	47.5	47.5	47.5	47.5	47.5	47.5	47.5
Overall balance	**-38.6**	**-37.3**	**-35.7**	**-33.1**	**-35.8**	**-38.6**	**-41.3**	**-43.4**	**-46.4**
% of GDP	**-3.9**	**-3.5**	**-3.0**	**-2.8**	**-3.0**	**-3.3**	**-3.5**	**-3.7**	**-3.9**

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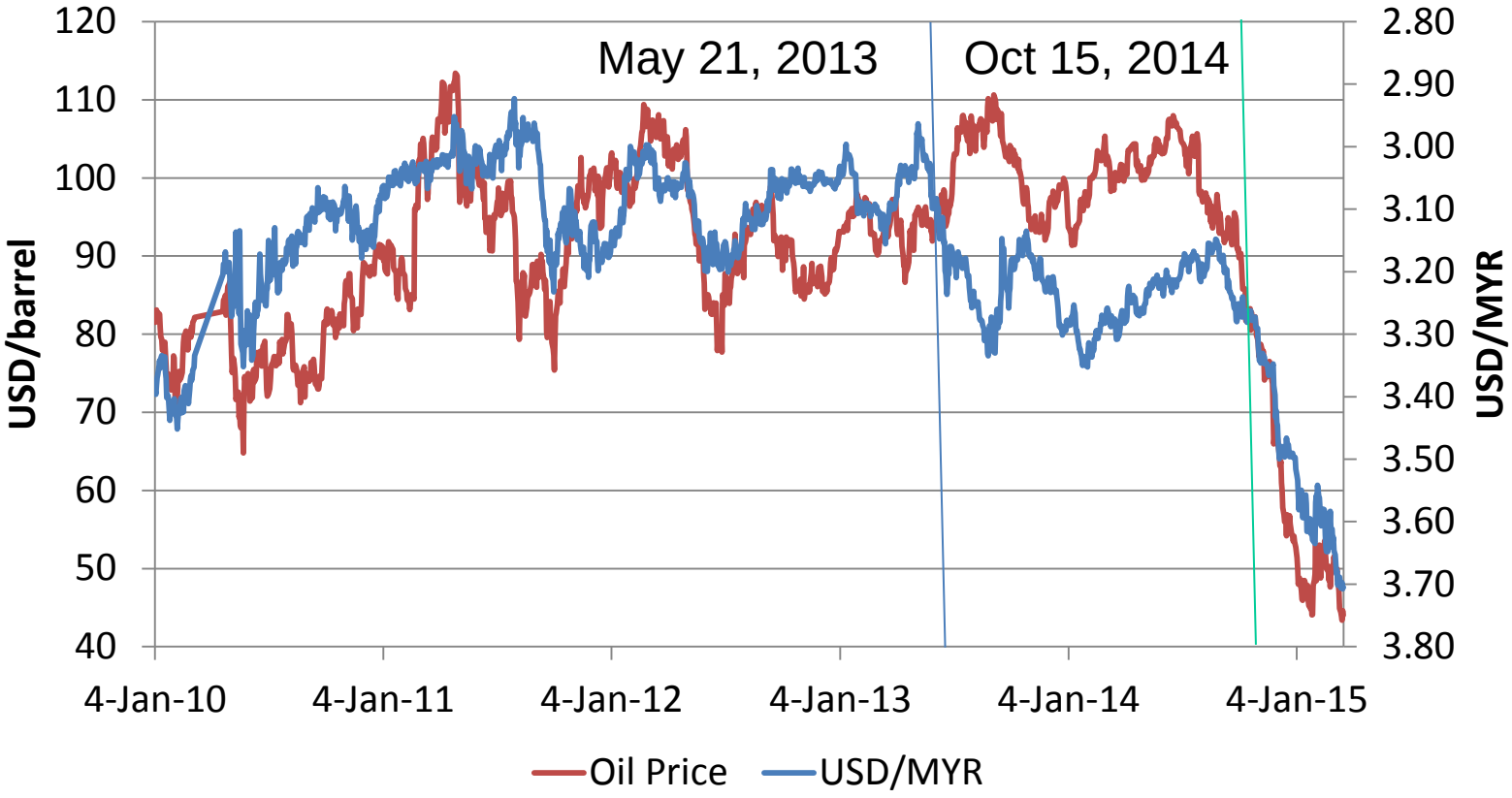
Long long time ago



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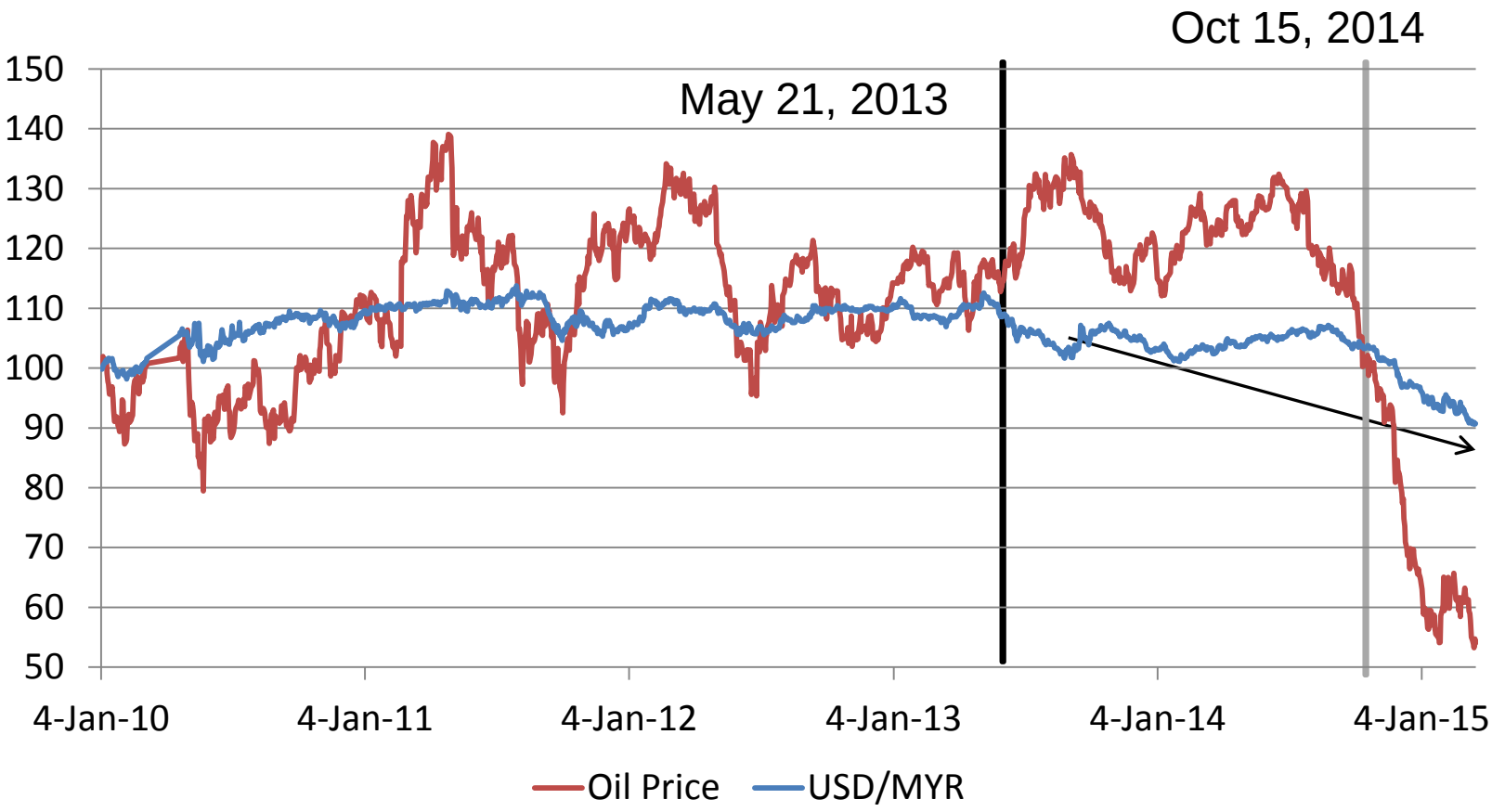
In a far far Galaxy



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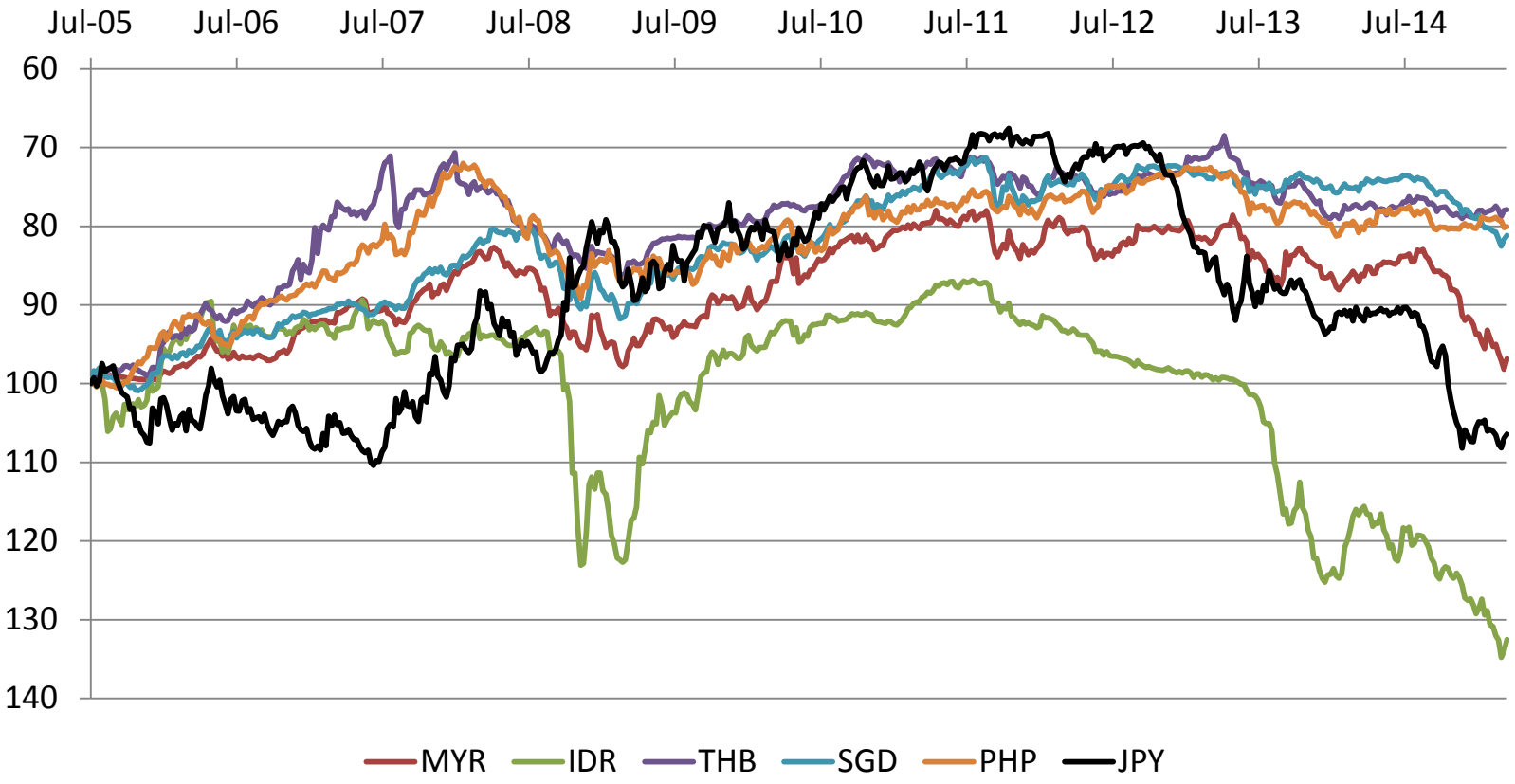
It’s more than Oil



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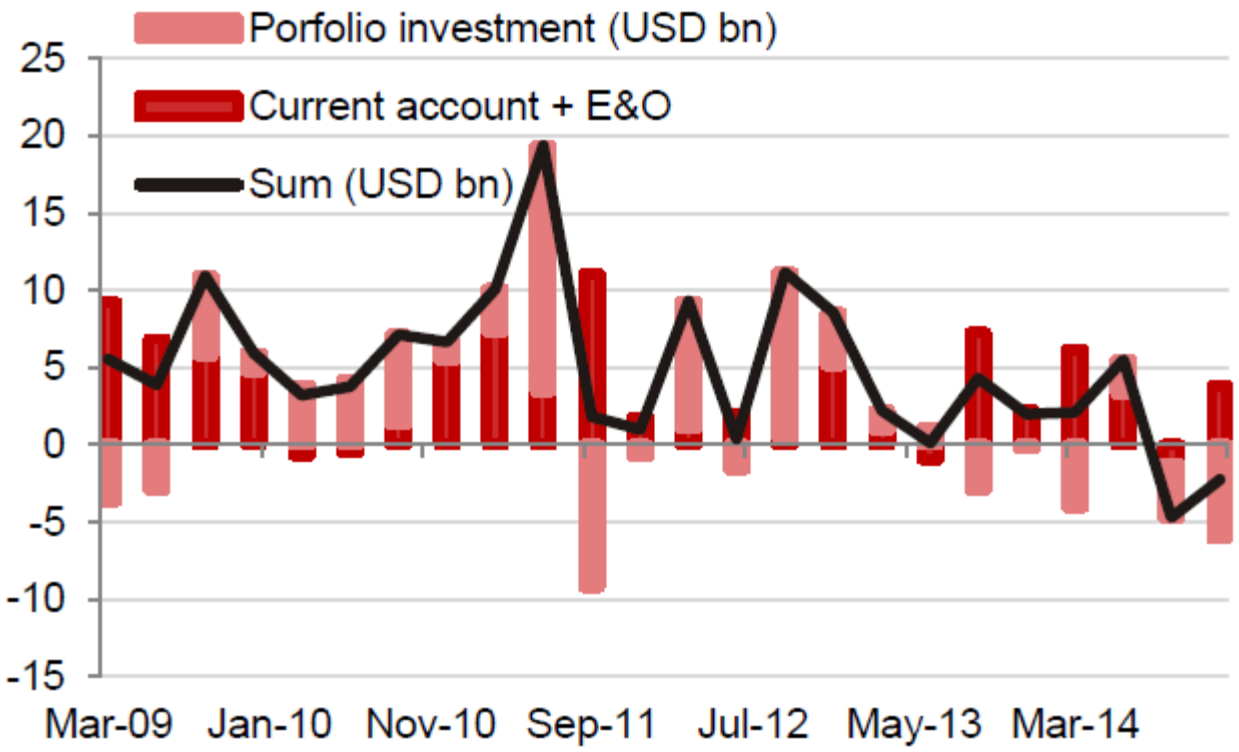
Cruise for Bruise

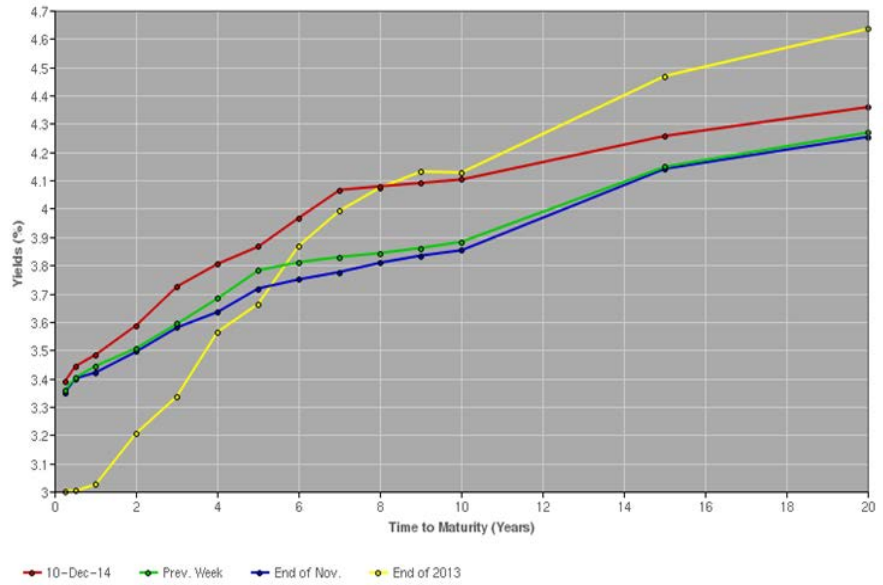
Debt maturity profile of top 20 O&G companies				
Date	Local Currency (USD mn)	Foreign Currency (USD mn)	Total (USD mn)	Details
Mar-15	91	14	105	PETD (LC,$84mn,23Mar) PETR (FC,$14.5mn,18Mar)
Apr-15	14	0	14	KNMG (LC,$14mn,14Apr)
May-15	0	0	0	
Jun-15	126	0	126	SHELL (LC,$126mn,15Jun)
Jul-15	11	0	11	AMRB (LC,$11.2mn,6Jul)
Aug-15	0	0	0	
Sep-15	0	0	0	
Oct-15	31	0	31	UMWOG (LC,$30.8mn,8Oct)
Nov-15	0	0	0	
Dec-15	139	59	197	SAKP (LC,$138.6mn,6Dec) SAKP (FC,$58.5mn,6Dec)
Jan-16	0	0	0	
Feb-16	1111	955	2066	UMWOG (LC,$123.2mn,5Feb) SAKP (LC,$987.5mn,7Feb) SAKP (FC,$955mn,7Feb)

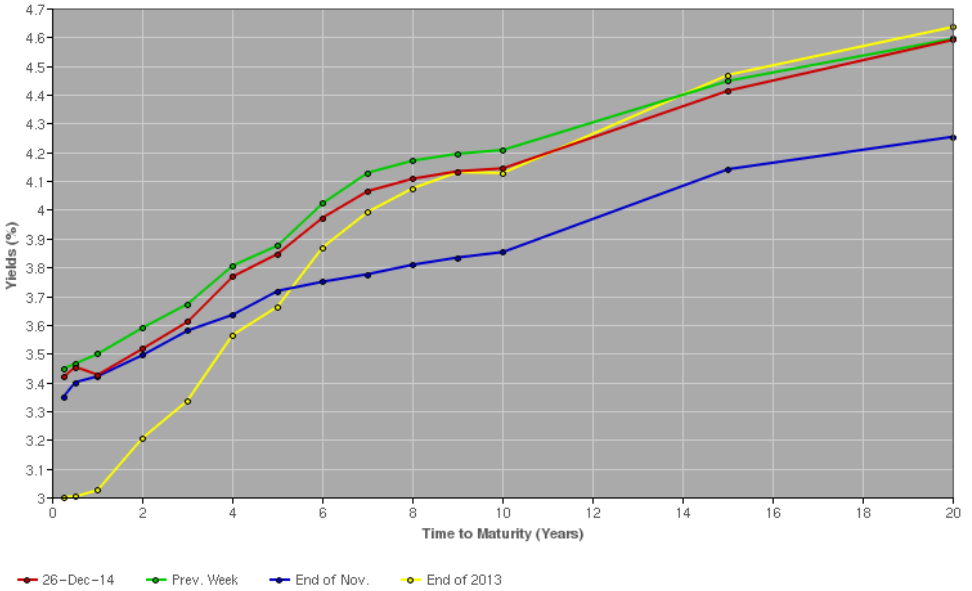
Debt maturity profile of commodity-related firms*				
Date	Local Currency (USD mn)	Foreign Currency (USD mn)	Total (USD mn)	Details
15-Mar	8	4	12	
15-Apr	36	0	36	
15-May	50	350	400	Tenaga (FC,$350mn,5May)
15-Jun	197	200	397	YTL Power (FC,$200mn,30Jun)
15-Jul	99.4	0	99.4	
15-Aug	0	0	0	
15-Sep	71.9	7.2	79.1	
15-Oct	18.1	0	18.1	
15-Nov	81.7	0	81.7	
15-Dec	246.8	0	246.8	
16-Jan	11.3	0	11.3	
16-Feb	642.3	0	642.3	

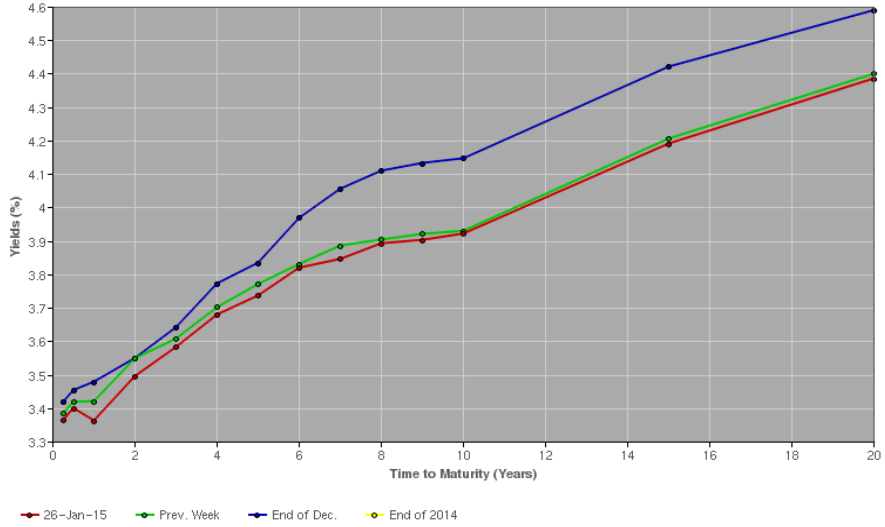
Current Account

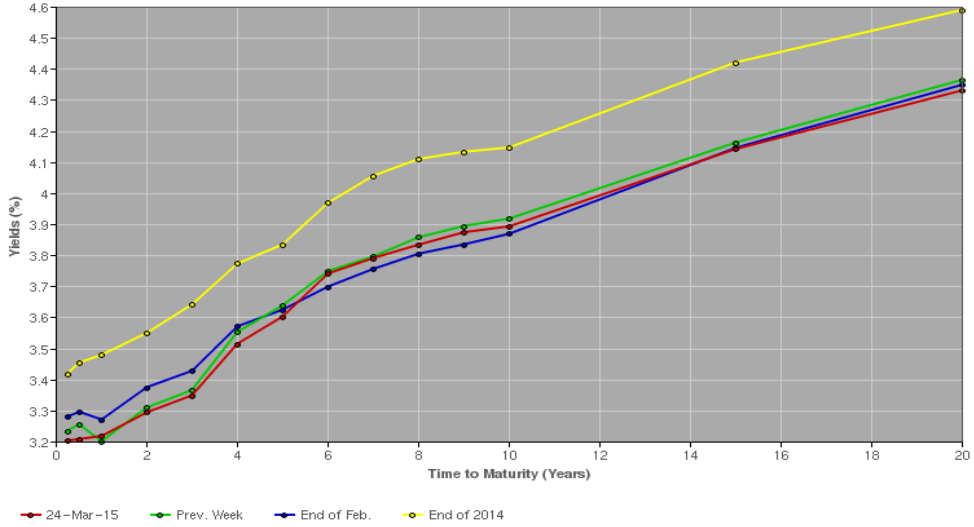


On the Rise

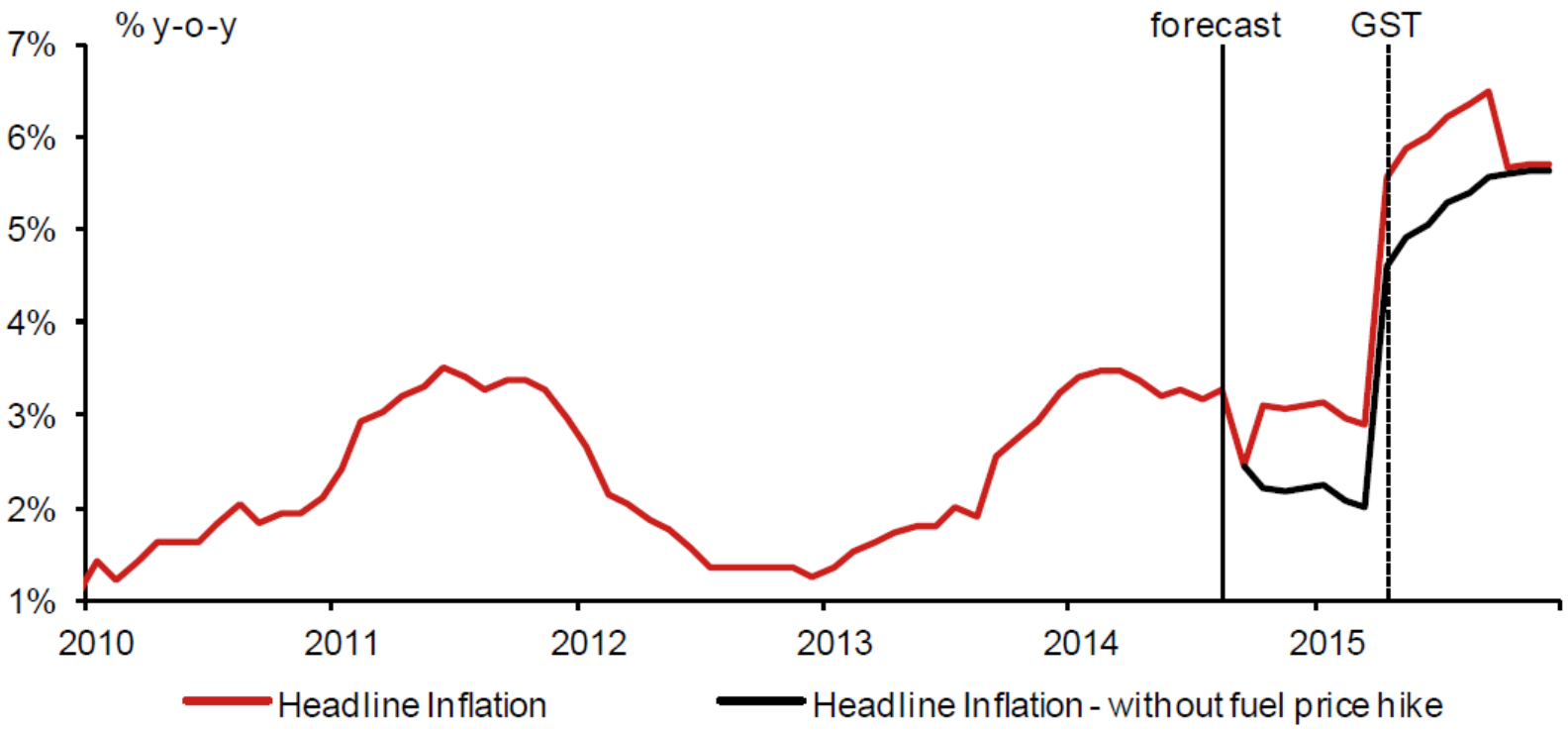

Yields (%)
Time to Maturity (Years)
10-Dec-14
Prev. Week
End of Nov.
End of 2013


Yields (%)
Time to Maturity (Years)
26-Dec-14
Prev. Week
End of Nov.
End of 2013


Yields (%)
Time to Maturity (Years)
26-Jan-15
Prev. Week
End of Dec.
End of 2014


Yields (%)
Time to Maturity (Years)
24-Mar-15
Prev. Week
End of Feb.
End of 2014

Controllable?



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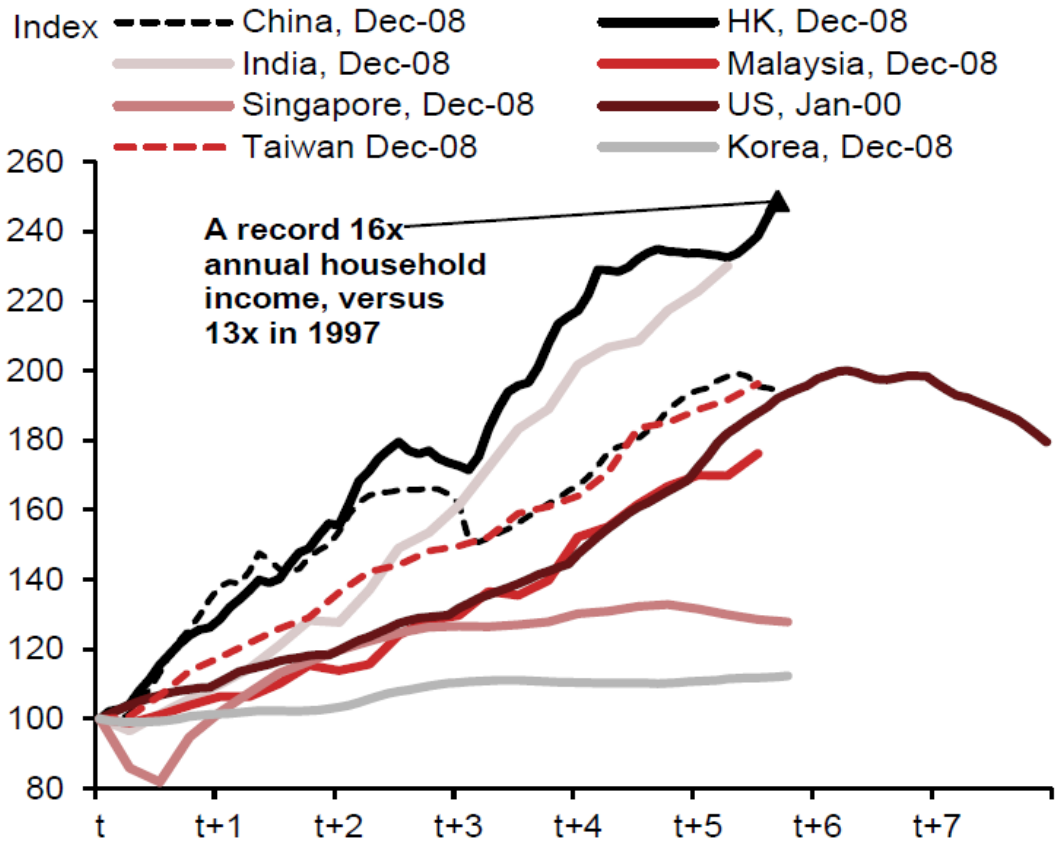
Time Bomb is Clicking!



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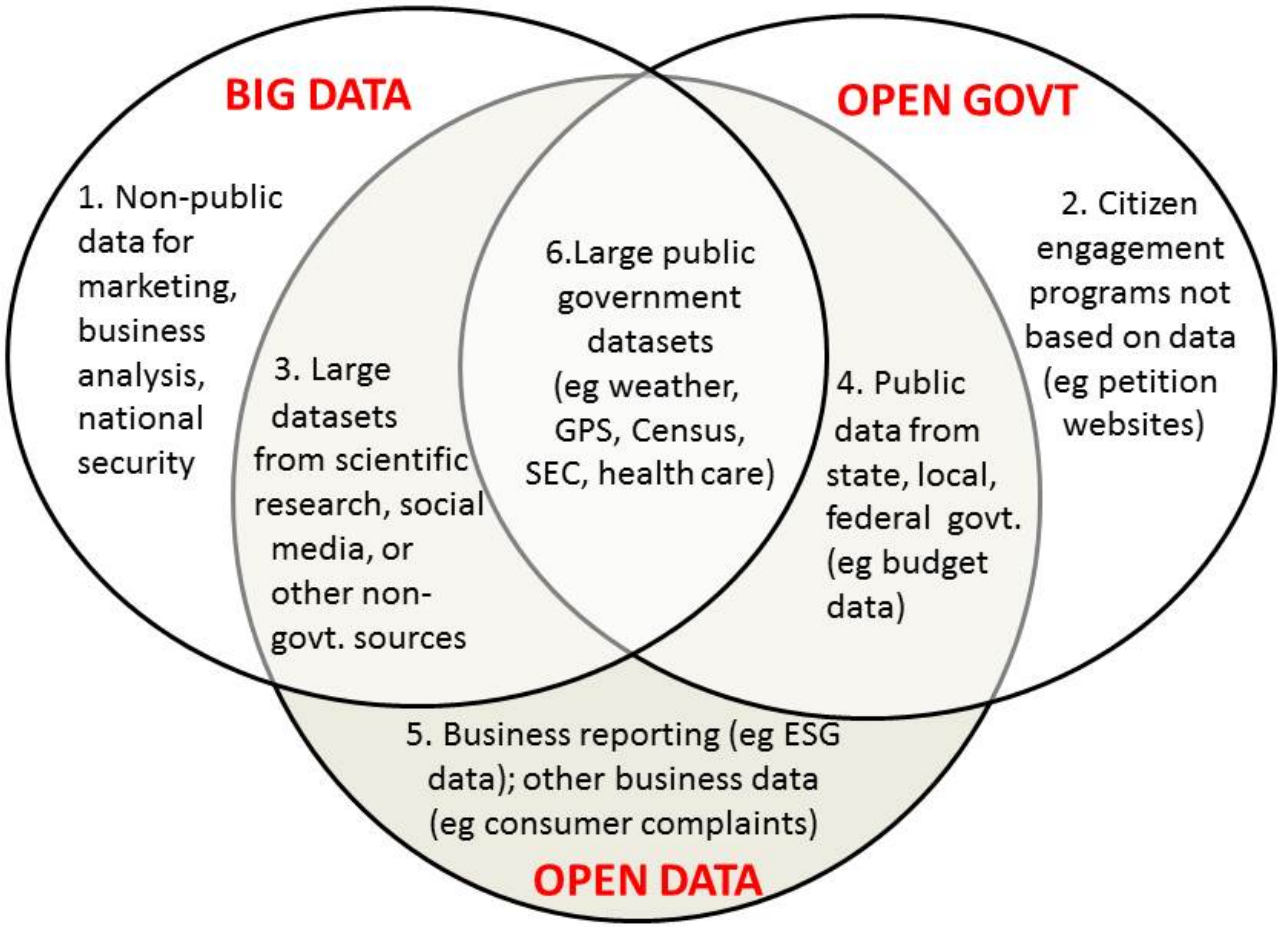

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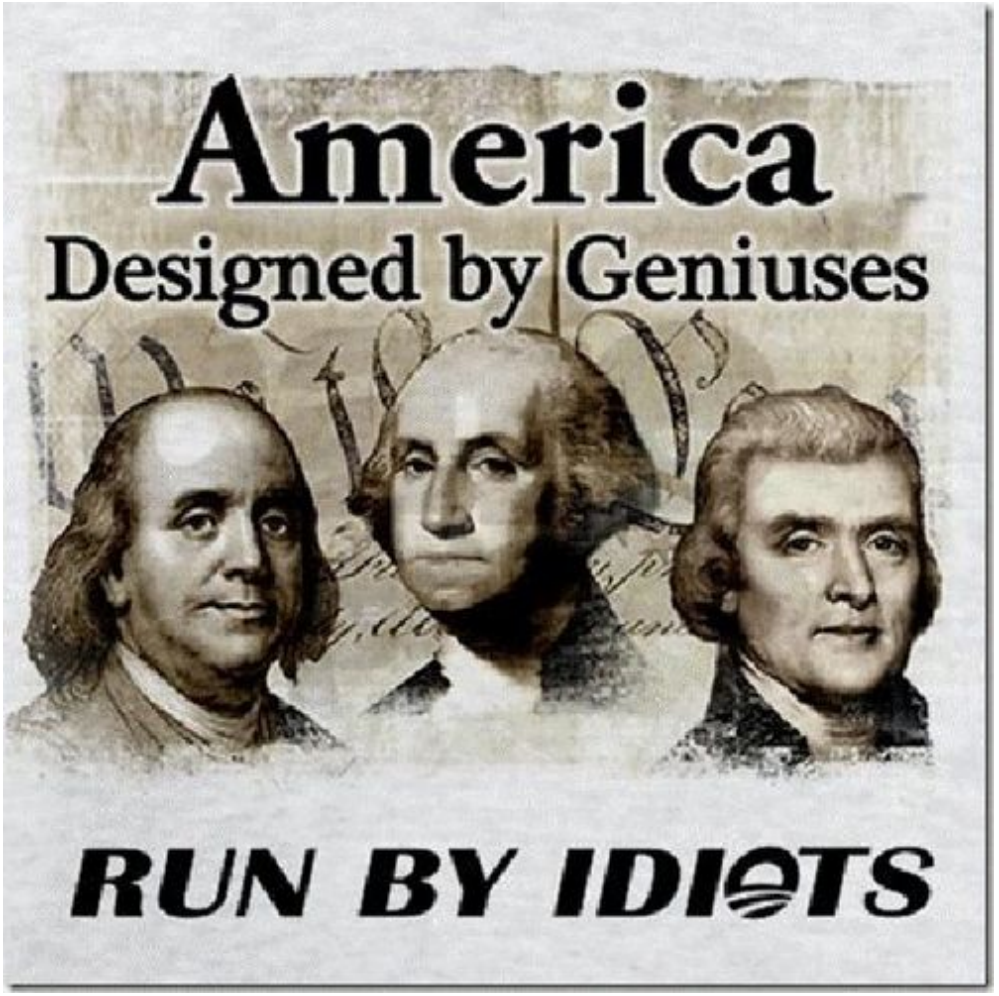

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Thank you

谢谢

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