

OCBC BANK POSITIVE ON EQUITIES FOR 2014

Kuala Lumpur, 11 February 2014 – The year of the horse may see a galloping start to equities with OCBC Bank singling it out as the preferred asset class for this year.

Offering his views in conjunction with a financial market outlook seminar hosted by OCBC Bank (Malaysia) Berhad for its premier banking customers, the Bank's Singapore-based Head of Content & Research for Wealth Management, Mr Vasu Menon, said he expects equities to be the flavour of the year given the positive outlook on the global economy especially in developed markets.

“In a nutshell, we think the high liquidity levels globally will augur well for the equity markets. But while we are bullish about developed markets, we remain cautious about emerging ones,” he said.

While the stock market indices for developed markets such as the US, Japan, Germany, Norway, Spain and Sweden posted gains in excess of 20% for 2013 - with several others such as France, UK and Australia recording healthy growth rates in the teens – the same could not be said about emerging markets. Except for South Africa, Taiwan and Malaysia, the other notable emerging markets recorded single digit or even negative growth.



Mr Vasu Menon, OCBC Ltd's Singapore-based
Head of Content & Research for Wealth Management

Mr Menon said there are encouraging prospects for growth in all three regions of the developed world (the US, Eurozone and Japan) and that fiscal policy will see less of a drag on growth in 2014 with less aggressive US and European fiscal tightening. Monetary policy, he added, can also be expected to remain extremely accommodative.

“Tapering by the Fed can be expected to cause some amount of market volatility, with the US dollar likely to strengthen by the same token.

“However, the outlook for emerging markets will be more mixed, with China being the cause for biggest concern. The 2014 economic growth forecasts for all the developed economies are clearly on the uptrend, and with at least a small improvement in growth being forecast for emerging markets as a whole. But not so for China, which is expected to see its economic growth fall from 7.7% in 2013 to 7% this year.

“The rebalancing of China may prove to be both a difficult and painful exercise. Three decades of remarkable expansion lifted 500 million people out of poverty, and now the rebalancing from investment to consumption is unlikely to be smooth, even if it is successful. The banking sector may need a government bail out and there is the added danger of political events as growth slows,” he said.

Despite the recent turbulence in emerging markets, overall, Mr Menon says Asia ex-Japan is nowhere near the poor position it saw in 1997-98.

“Asia is in a much stronger domestic fiscal position today with better domestic policy management and inflation control. The exchange rates are in line with fundamentals and Asia is today far more competitive with stronger trade positions. So, it would be wrong to obsess over current account deficits, in Asia especially since it is now less exposed to foreign debt,” he said.

Vasu Menon is part of the OCBC Bank Regional Wealth Panel. He formulates views about the outlook for financial markets, and writes articles about investment and wealth management matters. His articles and views are frequently featured in papers and publications. He is also a regular commentator in TV channels like CNBC, Bloomberg TV and Channel News Asia.

About OCBC Bank

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OCBC Bank and its subsidiaries offer a broad array of specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 450 branches and representative offices in 15 countries and territories, including more than 330 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which continued to gain industry recognition in 2011 including being voted "Outstanding Private Bank in Asia Pacific" in 2013 by Private Banker International.

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