

# External Reserves, end-August 2015

## Surprisingly stable...

- External reserves came in better than expected as it stabilized at end-Aug 2015 after falling sharply in the preceding two months.
- This was despite weak MYR and indications of continued net portfolio investment outflows from foreign selloffs in the equity and bond markets.
- Suggest offset from sustained current account surplus and net inflows of FDI and other investments.

External reserves as at 28 Aug 2015 surprisingly rose slightly to **USD94.7b** (MYR357.7b) from USD94.5b (MYR356.4b) on 14 Aug 2015. This equivalent to 7.4 months of retained imports and 1.0 times of short-term external debt. External reserves increased +0.2% MoM compared with -2.3% MoM last month. Year-to-date, external reserves fell by -14.8% from USD111.2b in January 2015.

Despite worsening MYR depreciation vs USD during Aug 2015 i.e. -8.6% MoM versus -1.5% MoM in July 2015. Last month also saw MYR hit intra-day low of 4.30 against the greenback.

And indication of sustained portfolio capital outflows amid selloffs in both equity and bond markets. Foreign investors remained net sellers of Malaysian equities i.e. -MYR4.0b in Aug 2015 (July 2015: -MYR3.0b), with a cumulative total YTD as of end Aug 2015 of -MYR15.8b (2014: -MYR 6.9b). Total foreign shareholding of Malaysian equities is currently about 22.5% (as at 3 Sep 2015) as compared to 22.7% in July 2015. Meanwhile, Aug 2015 data on foreign holdings of Malaysian debt securities is yet to be released but to recap, foreign holdings were down by -MYR5.2b in July 2015 to MYR206.8b from MYR211.9b in June 2015, while the % share of foreign holdings of the Malaysian Government Securities (MGS) dipped to 47.8% from 48.5% over the same period. Nonetheless, suggesting further drop in foreign holdings in the bond market, the 10-Year MGS yield rose to as high as 4.451% during Aug 2015 from 4.08 at end-July 2015.

Data may help to ease pressure on MYR somewhat, at least in the short-term. USD/MYR eased somewhat to sub-4.20 by end-Aug 2015 into the start of Sep 2015, but move back to above the level to close at 4.26 on Friday ahead of the data release amid worries of continued free-fall in the external reserves. The surprisingly stable external reserves suggest offset to net portfolio funds outflows from sustained current account surplus and net inflows of FDI and other investments, and may help to ease the pressure on MYR in the near-term. But MYR still has to content with other headwinds like commodity prices, domestic politics, impending US Fed's interest rate hike and China's currency policy, hence continued volatility.

### Analysts

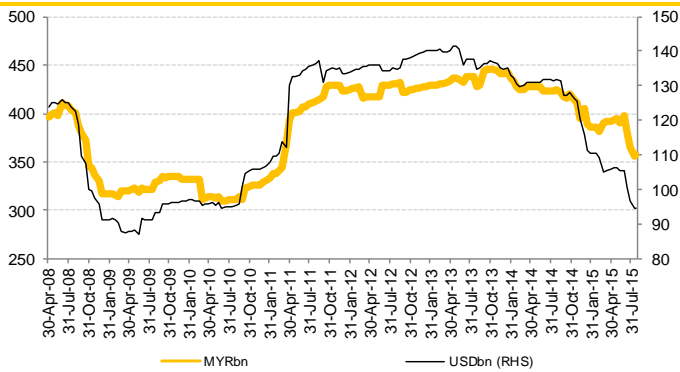
Suhaimi B Ilias  
(603) 2297 8682  
suhaimi\_iliash@maybank-ib.com

Dr Zamros Dzulkafli  
(603) 2082 6818  
zamros.d@maybank-ib.com

Ramesh Lankanathan  
(603) 2297 8685  
ramesh@maybank-ib.com

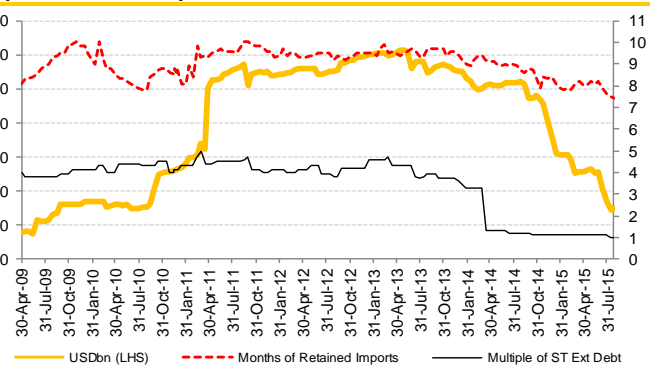
William Poh Chee Keong  
(603) 2297 8683  
william.poh@maybank-ib.com

Malaysia: External Reserves in MYRb and USDb



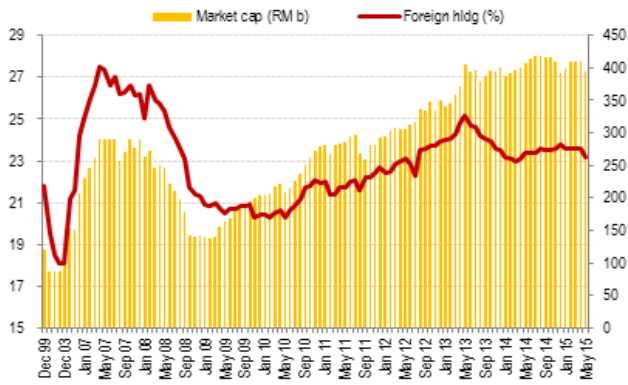
Sources: BNM, CEIC

Malaysia: External Reserves as “Months of Retained Imports” & “Multiple of Short Term External Debt”



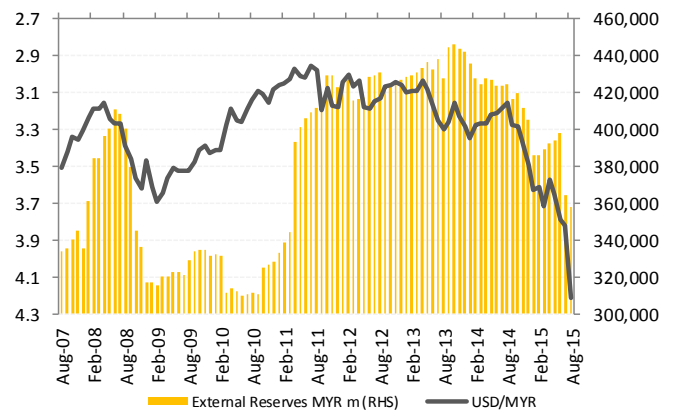
Sources: BNM, CEIC

Bursa Malaysia: Market Cap (MYR b) and Foreign Holdings of Equities (%)



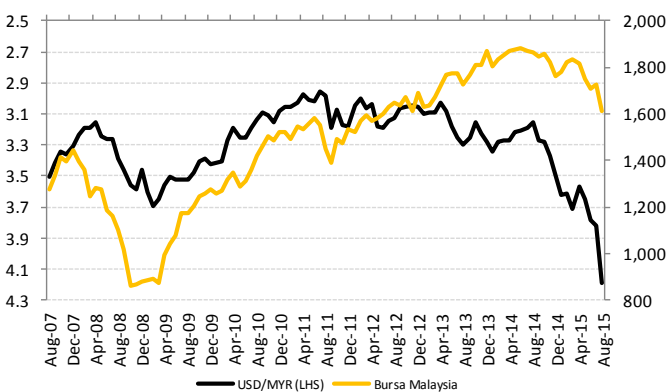
Sources: Bursa Malaysia, CEIC, Maybank KE

Malaysia: External Reserves vs USD/MYR



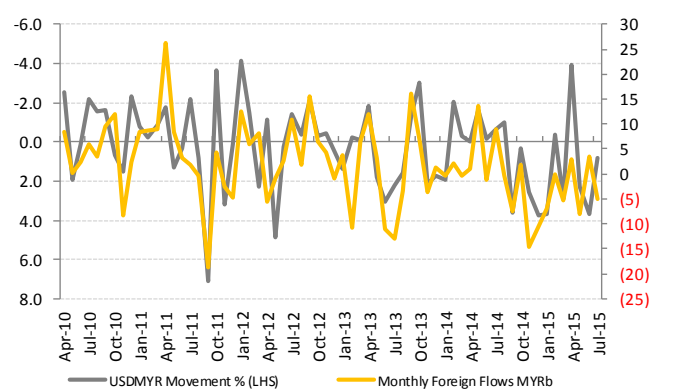
Sources: Bursa Malaysia, Maybank KE

Malaysia: KLCI vs USD/MYR



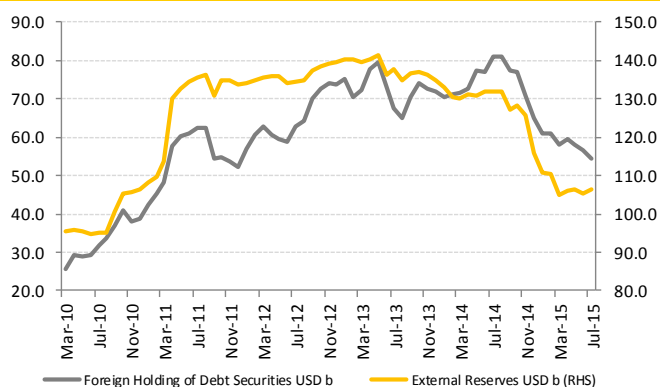
Sources: CEIC, BNM

Malaysia: Monthly Foreign Flows of Total Debt Securities vs USD/MYR

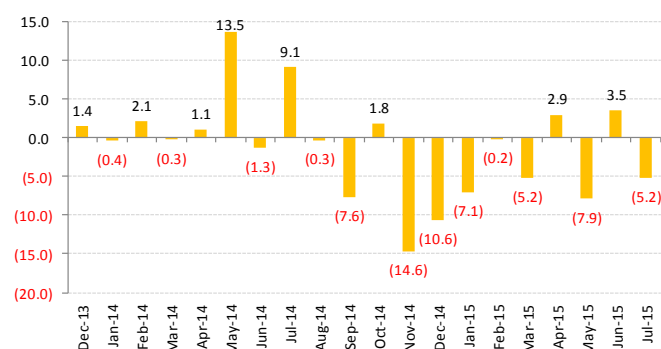


Sources: CEIC, BNM

Malaysia: External Reserves vs Foreign Holdings of Debt Securities



Malaysia: Total Debt Securities - Monthly inflows/outflows



Sources: CEIC, BNM

Sources: CEIC, BNM

Malaysia: External Reserves

	15-May-15	30-May-15	15-Jun-15	30-Jun-15	15-Jul-15	30-Jul-15	14-Aug-15	28-Aug-15
Reserves (MYR b)	393.4	394.3	390.2	398.1	379.4	364.7	356.4	357.7
Reserves (USD b)	106.2	106.4	105.3	105.5	100.5	96.7	94.5	94.7
Months of retained imports	8.0	8.2	8.1	8.2	7.9	7.6	7.5	7.4
Short term external debt	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0

Sources: Dept. Of Statistics, Bloomberg

Malaysia: Fixed Income Foreign Holdings & Flows

	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15
<b>MGS</b>						
Foreign Holdings (MYR b)	145.7	151.4	157.6	158.2	166.8	165.4
Foreign Holdings (%)	45.1	45.7	47.0	46.9	48.5	47.8
Monthly Flows (MYR b)	(1.0)	5.7	6.1	0.6	8.6	(1.4)
<b>GII</b>						
Foreign Holdings (MYR b)	5.9	5.9	10.7	10.9	9.8	8.2
Foreign Holdings (%)	3.0	3.1	5.5	5.3	4.7	4.0
Monthly Flows (MYR b)	0.6	0.0	4.8	0.1	(1.1)	(1.6)
<b>SPK</b>						
Foreign Holdings (MYR b)	0.6	0.6	0.0	0.0	0.0	0.0
Foreign Holdings (%)	2.5	2.4	0.1	0.1	0.1	0.1
Monthly Flows (MYR b)	0.0	(0.0)	(0.6)	0.0	0.0	0.0
<b>PDS</b>						
Foreign Holdings (MYR b)	13.9	13.6	12.4	12.6	12.6	12.4
Foreign Holdings (%)	3.2	3.1	2.8	2.8	2.7	2.7
Monthly Flows (MYR b)	0.0	(0.2)	(1.2)	0.3	(0.0)	(0.2)
<b>Discount Instrument</b>						
Foreign Holdings (MYR b)	52.6	41.9	35.6	26.8	22.7	20.7
Foreign Holdings (%)	64.6	66.1	70.8	76.2	77.9	73.2
Monthly Flows (MYR b)	0.2	(10.8)	(6.2)	(8.9)	(4.1)	(2.0)
<b>Total (MYR b)</b>	218.7	213.4	216.4	208.4	211.9	206.8

Sources: Dept. Of Statistics, Bloomberg

## Research Offices

### REGIONAL

**Sadiq CURRIMBHOY**  
Regional Head, Research & Economics  
(65) 6231 5836 [sadiq@maybank-ke.com.sg](mailto:sadiq@maybank-ke.com.sg)

**WONG Chew Hann, CA**  
Regional Head of Institutional Research  
(603) 2297 8686 [wchewh@maybank-ib.com](mailto:wchewh@maybank-ib.com)

**ONG Seng Yeow**  
Regional Head of Retail Research  
(65) 6231 5839  
[ongsengyeow@maybank-ke.com.sg](mailto:ongsengyeow@maybank-ke.com.sg)

**TAN Sin Mui**  
Director of Research  
(65) 6231 5849 [sinmui@kimeng.com.hk](mailto:sinmui@kimeng.com.hk)

### ECONOMICS

**Suhaimi ILIAS**  
Chief Economist  
Singapore | Malaysia  
(603) 2297 8682 [suhaimi\\_ilias@maybank-ib.com](mailto:suhaimi_ilias@maybank-ib.com)

**Luz LORENZO**  
Philippines  
(63) 2 849 8836  
[luz\\_lorenzo@maybank-atrke.com](mailto:luz_lorenzo@maybank-atrke.com)

**Tim LEELAHAPHAN**  
Thailand  
(66) 2658 6300 ext 1420  
[tim.l@maybank-ke.co.th](mailto:tim.l@maybank-ke.co.th)

**JUNIMAN**  
Chief Economist, Bill  
Indonesia  
(62) 21 29228888 ext 29682  
[Juniman@bankbii.com](mailto:Juniman@bankbii.com)

### STRATEGY

**Sadiq CURRIMBHOY**  
Global Strategist  
(65) 6231 5836 [sadiq@maybank-ke.com.sg](mailto:sadiq@maybank-ke.com.sg)

**Willie CHAN**  
Hong Kong / Regional  
(852) 2268 0631 [wilietchan@kimeng.com.hk](mailto:wilietchan@kimeng.com.hk)

### MALAYSIA

**WONG Chew Hann, CA** *Head of Research*  
(603) 2297 8686 [wchewh@maybank-ib.com](mailto:wchewh@maybank-ib.com)  
• Strategy

**Desmond CH'NG, ACA**  
(603) 2297 8680  
[desmond.chng@maybank-ib.com](mailto:desmond.chng@maybank-ib.com)  
• Banking & Finance

**LIAW Thong Jung**  
(603) 2297 8688 [tjliaw@maybank-ib.com](mailto:tjliaw@maybank-ib.com)  
• Oil & Gas Services - Regional

**ONG Chee Ting, CA**  
(603) 2297 8678 [ct.ong@maybank-ib.com](mailto:ct.ong@maybank-ib.com)  
• Plantations - Regional

**Mohshin AZIZ**  
(603) 2297 8692 [mohshin.aziz@maybank-ib.com](mailto:mohshin.aziz@maybank-ib.com)  
• Aviation - Regional • Petrochem

**YIN Shao Yang, CPA**  
(603) 2297 8916 [samuel.y@maybank-ib.com](mailto:samuel.y@maybank-ib.com)  
• Gaming - Regional • Media

**TAN Chi Wei, CFA**  
(603) 2297 8690 [chiwei.t@maybank-ib.com](mailto:chiwei.t@maybank-ib.com)  
• Power • Telcos

**WONG Wei Sum, CFA**  
(603) 2297 8679 [weisum@maybank-ib.com](mailto:weisum@maybank-ib.com)  
• Property

**LEE Yen Ling**  
(603) 2297 8691 [lee.yl@maybank-ib.com](mailto:lee.yl@maybank-ib.com)  
• Building Materials • Glove • Ports • Shipping

**CHAI Li Shin, CFA**  
(603) 2297 8684 [lshin.c@maybank-ib.com](mailto:lshin.c@maybank-ib.com)  
• Plantation • Construction & Infrastructure

**Ivan YAP**  
(603) 2297 8612 [ivan.yap@maybank-ib.com](mailto:ivan.yap@maybank-ib.com)  
• Automotive • Semiconductor • Technology

**Kevin WONG**  
(603) 2082 6824 [kevin.wong@maybank-ib.com](mailto:kevin.wong@maybank-ib.com)  
• REITs • Consumer Discretionary

**LIEW Wei Han**  
(603) 2297 8676 [weihan.l@maybank-ib.com](mailto:weihan.l@maybank-ib.com)  
• Consumer Staples

**LEE Cheng Hooi** *Regional Chartist*  
(603) 2297 8694  
[chenghooi.lee@maybank-ib.com](mailto:chenghooi.lee@maybank-ib.com)

**Tee Sze Chiah** *Head of Retail Research*  
(603) 2297 6858 [szechiah.t@maybank-ib.com](mailto:szechiah.t@maybank-ib.com)

**Cheah Chong Ling**  
(603) 2297 8767 [chongling.c@maybank-ib.com](mailto:chongling.c@maybank-ib.com)

### HONG KONG / CHINA

**Howard WONG** *Head of Research*  
(852) 2268 0648  
[howardwong@kimeng.com.hk](mailto:howardwong@kimeng.com.hk)  
• Oil & Gas - Regional

**Benjamin HO**  
(852) 2268 0632 [benjaminho@kimeng.com.hk](mailto:benjaminho@kimeng.com.hk)  
• Consumer & Auto

**Jacqueline KO, CFA**  
(852) 2268 0633 [jacquelineko@kimeng.com.hk](mailto:jacquelineko@kimeng.com.hk)  
• Consumer Staples & Durables

**Ka Leong LO, CFA**  
(852) 2268 0630 [klo@kimeng.com.hk](mailto:klo@kimeng.com.hk)  
• Consumer Discretionary & Auto

**Mitchell KIM**  
(852) 2268 0634 [mitchellkim@kimeng.com.hk](mailto:mitchellkim@kimeng.com.hk)  
• Internet & Telcos

**Osbert TANG, CFA**  
(86) 21 5096 8370  
[osberttang@kimeng.com.hk](mailto:osberttang@kimeng.com.hk)  
• Transport & Industrials

**Ricky WK NG, CFA**  
(852) 2268 0689 [rickyng@kimeng.com.hk](mailto:rickyng@kimeng.com.hk)  
• Utilities & Renewable Energy

**Steven ST CHAN**  
(852) 2268 0645 [stevanchan@kimeng.com.hk](mailto:stevanchan@kimeng.com.hk)  
• Banking & Financials - Regional

**Warren LAU**  
(852) 2268 0644  
[warrenlau@kimeng.com.hk](mailto:warrenlau@kimeng.com.hk)  
• Technology - Regional

### INDIA

**Jigar SHAH** *Head of Research*  
(91) 22 6623 2632 [jigar@maybank-ke.co.in](mailto:jigar@maybank-ke.co.in)  
• Oil & Gas • Automobile • Cement

**Anubhav GUPTA**  
(91) 22 6623 2605 [anubhav@maybank-ke.co.in](mailto:anubhav@maybank-ke.co.in)  
• Metal & Mining • Capital Goods • Property

**Vishal MODI**  
(91) 22 6623 2607 [vishal@maybank-ke.co.in](mailto:vishal@maybank-ke.co.in)  
• Banking & Financials

**Abhijeet KUNDU**  
(91) 22 6623 2628 [abhijeet@maybank-ke.co.in](mailto:abhijeet@maybank-ke.co.in)  
• Consumer

**Neerav DALAL**  
(91) 22 6623 2606 [neerav@maybank-ke.co.in](mailto:neerav@maybank-ke.co.in)  
• Software Technology • Telcos

### SINGAPORE

**Gregory YAP**  
(65) 6231 5848 [gyap@maybank-ke.com.sg](mailto:gyap@maybank-ke.com.sg)  
• SMID Caps  
• Technology & Manufacturing • Telcos

**YEAK Chee Keong, CFA**  
(65) 6231 5842  
[yeakcheekeong@maybank-ke.com.sg](mailto:yeakcheekeong@maybank-ke.com.sg)  
• Offshore & Marine

**Derrick HENG, CFA**  
(65) 6231 5843 [derrickheng@maybank-ke.com.sg](mailto:derrickheng@maybank-ke.com.sg)  
• Transport • Property • REITs (Office)

**Joshua TAN**  
(65) 6231 5850 [joshuatn@maybank-ke.com.sg](mailto:joshuatn@maybank-ke.com.sg)  
• REITs (Retail, Industrial)

**WEI Bin**  
(65) 6231 5844 [weibin@maybank-ke.com.sg](mailto:weibin@maybank-ke.com.sg)  
• Commodity • Logistics • S-chips

**John CHEONG**  
(65) 6231 5845 [johncheong@maybank-ke.com.sg](mailto:johncheong@maybank-ke.com.sg)  
• Small & Mid Caps • Healthcare

**TRUONG Thanh Hang**  
(65) 6231 5847 [hang.truong@maybank-ke.com.sg](mailto:hang.truong@maybank-ke.com.sg)  
• Small & Mid Caps

### INDONESIA

**Isnapura ISKANDAR** *Head of Research*  
(62) 21 2557 1129  
[isnaputra.iskandar@maybank-ke.co.id](mailto:isnaputra.iskandar@maybank-ke.co.id)  
• Strategy • Metals & Mining • Cement

**Rahmi MARINA**  
(62) 21 2557 1128  
[rahmi.marina@maybank-ke.co.id](mailto:rahmi.marina@maybank-ke.co.id)  
• Banking & Finance

**Aurellia SETIABUDI**  
(62) 21 2953 0785  
[aurellia.setiabudi@maybank-ke.co.id](mailto:aurellia.setiabudi@maybank-ke.co.id)  
• Property

**Pandu ANUGRAH**  
(62) 21 2557 1137  
[pandu.anugrah@maybank-ke.co.id](mailto:pandu.anugrah@maybank-ke.co.id)  
• Infra • Construction • Transport • Telcos

**Janni ASMAN**  
(62) 21 2953 0784  
[janni.asman@maybank-ke.co.id](mailto:janni.asman@maybank-ke.co.id)  
• Cigarette • Healthcare • Retail

**Adhi TASMIN**  
(62) 21 2557 1209  
[adhi.tasmin@maybank-ke.co.id](mailto:adhi.tasmin@maybank-ke.co.id)  
• Plantations

### PHILIPPINES

**Luz LORENZO** *Head of Research*  
(63) 2 849 8836  
[luz\\_lorenzo@maybank-atrke.com](mailto:luz_lorenzo@maybank-atrke.com)  
• Strategy  
• Utilities • Conglomerates • Telcos

**Lovell SARREAL**  
(63) 2 849 8841  
[lovell\\_sarreal@maybank-atrke.com](mailto:lovell_sarreal@maybank-atrke.com)  
• Consumer • Media • Cement

**Rommel RODRIGO**  
(63) 2 849 8839  
[rommel\\_rodriago@maybank-atrke.com](mailto:rommel_rodriago@maybank-atrke.com)  
• Conglomerates • Property • Gaming  
• Ports/ Logistics

**Katherine TAN**  
(63) 2 849 8843  
[kat\\_tan@maybank-atrke.com](mailto:kat_tan@maybank-atrke.com)  
• Banks • Construction

**Ramon ADVIENTO**  
(63) 2 849 8845  
[ramon\\_adviento@maybank-atrke.com](mailto:ramon_adviento@maybank-atrke.com)  
• Mining

**Michael BENGSON**  
(63) 2 849 8840  
[michael\\_bengson@maybank-atrke.com](mailto:michael_bengson@maybank-atrke.com)  
• Conglomerates

**Jaclyn JIMENEZ**  
(63) 2 849 8842  
[jaclyn\\_jimenez@maybank-atrke.com](mailto:jaclyn_jimenez@maybank-atrke.com)  
• Consumer

**Arabelle MAGHIRANG**  
(63) 2 849 8838  
[arabelle\\_maghirang@maybank-atrke.com](mailto:arabelle_maghirang@maybank-atrke.com)  
• Banks

### THAILAND

**Maria LAPIZ** *Head of Institutional Research*  
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399  
[Maria.L@maybank-ke.co.th](mailto:Maria.L@maybank-ke.co.th)  
• Consumer • Materials • Ind. Estates

**Sittichai DUANGRATTANACHAYA**  
(66) 2658 6300 ext 1393  
[Sittichai.D@maybank-ke.co.th](mailto:Sittichai.D@maybank-ke.co.th)  
• Services Sector • Transport

**Sukit UDOMSIRIKUL** *Head of Retail Research*  
(66) 2658 6300 ext 5090  
[Sukit.u@maybank-ke.co.th](mailto:Sukit.u@maybank-ke.co.th)

**Mayuree CHOWVIKARN**  
(66) 2658 6300 ext 1440  
[mayuree.c@maybank-ke.co.th](mailto:mayuree.c@maybank-ke.co.th)  
• Strategy

**Padon VANNARAT**  
(66) 2658 6300 ext 1450  
[Padon.v@maybank-ke.co.th](mailto:Padon.v@maybank-ke.co.th)  
• Strategy

**Surachai PRAMUALCHAROENKIT**  
(66) 2658 6300 ext 1470  
[Surachai.p@maybank-ke.co.th](mailto:Surachai.p@maybank-ke.co.th)  
• Auto • Conmat • Contractor • Steel

**Suttatip PEERASUB**  
(66) 2658 6300 ext 1430  
[suttatip.p@maybank-ke.co.th](mailto:suttatip.p@maybank-ke.co.th)  
• Media • Commerce

**Sutthichai KUMWORACHAI**  
(66) 2658 6300 ext 1400  
[sutthichai.k@maybank-ke.co.th](mailto:sutthichai.k@maybank-ke.co.th)  
• Energy • Petrochem

**Termporn TANTIVIVAT**  
(66) 2658 6300 ext 1520  
[termporn.t@maybank-ke.co.th](mailto:termporn.t@maybank-ke.co.th)  
• Property

**Jaroonpan WATTANAWONG**  
(66) 2658 6300 ext 1404  
[jaroonpan.w@maybank-ke.co.th](mailto:jaroonpan.w@maybank-ke.co.th)  
• Transportation • Small cap

### VIETNAM

**THAI Quang Trung, CFA**, *Deputy Manager*,  
Institutional Research  
(84) 8 44 555 888 x 8180  
[thai@maybank-kimeng.com.vn](mailto:thai@maybank-kimeng.com.vn)  
• Real Estate • Construction • Materials

**Le Nguyen Nhat Chuyen**  
(84) 8 44 555 888 x 8082  
[chuyen.le@maybank-kimeng.com.vn](mailto:chuyen.le@maybank-kimeng.com.vn)  
• Oil & Gas

**NGUYEN Thi Ngan Tuyen**, *Head of Retail Research*  
(84) 8 44 555 888 x 8081  
[tuyen.nguyen@maybank-kimeng.com.vn](mailto:tuyen.nguyen@maybank-kimeng.com.vn)  
• Food & Beverage • Oil&Gas • Banking

**TRINH Thi Ngoc Diep**  
(84) 8 44 555 888 x 8208  
[diep.trinh@maybank-kimeng.com.vn](mailto:diep.trinh@maybank-kimeng.com.vn)  
• Technology • Utilities • Construction

**PHAM Nhat Bich**  
(84) 8 44 555 888 x 8083  
[bich.pham@maybank-kimeng.com.vn](mailto:bich.pham@maybank-kimeng.com.vn)  
• Consumer • Manufacturing • Fishery

**NGUYEN Thi Sony Tra Mi**  
(84) 8 44 555 888 x 8084  
[mi.nguyen@maybank-kimeng.com.vn](mailto:mi.nguyen@maybank-kimeng.com.vn)  
• Port operation • Pharmaceutical  
• Food & Beverage

**TRUONG Quang Binh**  
(84) 4 44 555 888 x 8087  
[binh.truong@maybank-kimeng.com.vn](mailto:binh.truong@maybank-kimeng.com.vn)  
• Rubber plantation • Tyres and Tubes • Oil&Gas

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## Malaysia

Maybank Investment Bank Berhad  
(A Participating Organisation of  
Bursa Malaysia Securities Berhad)  
33rd Floor, Menara Maybank,  
100 Jalan Tun Perak,  
50050 Kuala Lumpur  
Tel: (603) 2059 1888;  
Fax: (603) 2078 4194

Stockbroking Business:  
Level 8, Tower C, Dataran Maybank,  
No.1, Jalan Maarof  
59000 Kuala Lumpur  
Tel: (603) 2297 8888  
Fax: (603) 2282 5136

## Philippines

Maybank ATR Kim Eng Securities Inc.  
17/F, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines 1200

Tel: (63) 2 849 8888  
Fax: (63) 2 848 5738

## South Asia Sales Trading

Kevin Foy  
Regional Head Sales Trading  
kevinfoy@maybank-ke.com.sg  
Tel: (65) 6336-5157  
US Toll Free: 1-866-406-7447

### Malaysia

Rommel Jacob  
rommeljacob@maybank-ib.com  
Tel: (603) 2717 5152

### Indonesia

Harianto Liong  
harianto.liong@maybank-ke.co.id  
Tel: (62) 21 2557 1177

### New York

Andrew Dacey  
adacey@maybank-keusa.com  
Tel: (212) 688 2956

### Vietnam

Tien Nguyen  
thuytien.nguyen@maybank-kimeng.com.vn  
Tel: (84) 44 555 888 x8079

## Singapore

Maybank Kim Eng Securities Pte Ltd  
Maybank Kim Eng Research Pte Ltd  
50 North Canal Road  
Singapore 059304

Tel: (65) 6336 9090

## Hong Kong

Kim Eng Securities (HK) Ltd  
Level 30,  
Three Pacific Place,  
1 Queen's Road East,  
Hong Kong

Tel: (852) 2268 0800  
Fax: (852) 2877 0104

## Thailand

Maybank Kim Eng Securities  
(Thailand) Public Company Limited  
999/9 The Offices at Central World,  
20<sup>th</sup> - 21<sup>st</sup> Floor,  
Rama 1 Road Pathumwan,  
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)  
Tel: (66) 2 658 6801 (research)

## North Asia Sales Trading

Andrew Lee  
andrewlee@kimeng.com.hk  
Tel: (852) 2268 0283  
US Toll Free: 1 877 837 7635

### Thailand

Tanasak Krishnasreni  
Tanasak.K@maybank-ke.co.th  
Tel: (66)2 658 6820

### India

Manish Modi  
manish@maybank-ke.co.in  
Tel: (91)-22-6623-2601

### Philippines

Keith Roy  
keith\_roy@maybank-atrke.com  
Tel: (63) 2 848-5288

## London

Maybank Kim Eng Securities  
(London) Ltd  
5<sup>th</sup> Floor, Aldermay House  
10-15 Queen Street  
London EC4N 1TX, UK

Tel: (44) 20 7332 0221  
Fax: (44) 20 7332 0302

## Indonesia

PT Maybank Kim Eng Securities  
Plaza Bapindo  
Citibank Tower 17<sup>th</sup> Floor  
Jl Jend. Sudirman Kav. 54-55  
Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188  
Fax: (62) 21 2557 1189

## Vietnam

Maybank Kim Eng Securities Limited  
4A-15+16 Floor Vincom Center Dong  
Khoi, 72 Le Thanh Ton St. District 1  
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888  
Fax : (84) 8 38 271 030

## New York

Maybank Kim Eng Securities USA  
Inc  
777 Third Avenue, 21st Floor  
New York, NY 10017, U.S.A.

Tel: (212) 688 8886  
Fax: (212) 688 3500

## India

Kim Eng Securities India Pvt Ltd  
2nd Floor, The International 16,  
Maharishi Karve Road,  
Churchgate Station,  
Mumbai City - 400 020, India

Tel: (91) 22 6623 2600  
Fax: (91) 22 6623 2604

## Saudi Arabia

*In association with*  
**Anfaal Capital**  
Villa 47, Tujjar Jeddah  
Prince Mohammed bin Abdulaziz  
Street P.O. Box 126575  
Jeddah 21352

Tel: (966) 2 6068686  
Fax: (966) 26068787