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Malaysia Growth At 2-Year High: ETF In Focus

Malaysia's central bank has said that its GDP grew 5.6% year over year in the first quarter of 2017, compared with 4.5% in the fourth quarter of 2016. This is the highest rate of growth in two years, and Bank Negara Malaysia attributed it to higher domestic demand and better export prospects.

Moreover, higher investments have improved the outlook for the economy, as private sector demand increased 8.2% year over year in the first quarter of 2017, per Bloomberg.

Adding to this, on May 12, 2017, the central bank left its Overnight Policy Rate (OPR) unchanged amid reduced economic growth worries. Bank Negara Malaysia (OTCPK:PTBRY) left its benchmark interest rate unchanged at 3.00%.

However, the country is facing inflation woes, as its headline inflation increased to 4.3% in the first quarter of 2017, which the bank attributes to the rise in global oil prices and the temporary surge in food prices. Though the bank expects it to stabilize in the latter half of the year, the future course of this statistic is highly uncertain, owing to the uncertainty around the path oil prices will take.

Let us now discuss the ETF providing exposure to Malaysian equities.

iShares MSCI Malaysia ETF (NYSEARCA:EWM)

This fund is a pure play on Malaysia and is appropriate for investors looking to gain exposure to this emerging market nation.

EWM has AUM of $418.02 million and charges a fee of 48 basis points a year. From a sector look, Financials, Utilities, and Industrials are the top three allocations of the fund with 28.20%, 14.44%, and 14.43% exposure, respectively (as of May 17, 2017). From an individual holdings perspective, Public Bank (OTC:PBLOF), Tenaga Nasional Bhd (OTC:TNABF), and Malayan Banking (OTCPK:MLYNF) are the top three holdings of the fund with 11.20%, 9.72%, and 6.69% allocation, respectively (as of May 17, 2017). The fund returned 13.18% in the year-to-date time frame but lost 0.97% in the past one year (as of May 18, 2017). EWM currently has a Zacks Rank #3 (Hold) with a Medium risk outlook.