

## Equity Market Review & Outlook

### REVIEW

- ▶ The US markets tumbled towards the end of January as investors became jittery on the news of the sharp depreciation of Argentine's Peso against the US Dollar and the potential impact to other emerging markets such as Brazil, Turkey and South Africa. The Asia Pacific regional markets also succumbed to the risk-off trade. China's Markit PMI came in at 49.5 in January, the first time it has been below 50 since August 2013, raising concerns regarding China's economic slowdown.
- ▶ Domestically, January is traditionally a positive month for the KLCI, but this was not so this year. Malaysia was not spared from the regional sell-off, and the Malaysian Ringgit depreciated by almost 2% mom against the US Dollar as at end January 2014. The KLCI ended the month at 1,804 points, declining 3.37% mom or 62.9 points, wiping out the gains of the previous month. The broader market outperformed the KLCI slightly as the FBM Emas declining 397.3 points or 3.09% mom. FBM Small Cap index outperformed the KLCI gaining 0.02% during the month. Average value traded on Bursa in December declined 38% mom to RM2.0bn.
- ▶ The sector indices on the local bourse closed generally lower for January, with the best performing sectors being Construction (-1.40%) and Industrial Production (-2.00%). The worst performing sectors were the Consumer (-3.60%), and Plantation (-5.78%).

### OUTLOOK

- ▶ The sell-off seen at the end of January seems to have legs, going into February. The confluence of a few pieces of negative news such as weak China PMI, weak US PMI, and broad based concerns on emerging market liquidity has shaken investors. Of some concern is the sell-off in emerging market currencies against the US Dollar, however this has been partly due to the outflows from Global Equity Exchange Traded Funds as investors buy into the risk-off trade.
- ▶ With the uncertainties in the region, on a relative basis, Malaysia should benefit being a low beta market. In addition, the Malaysian government has already taken steps to address the issues regarding the fiscal deficit and smaller current account by continuing with their subsidy rationalization stance, which will build the country's resilience and improve its fundamentals. On a more micro level, February will be reporting season month, and we are expecting results to not be very inspiring. Cost of living pressures will continue to be highlighted in the coming quarters as suppliers adjust prices for 2014.
- ▶ Given the high foreign holdings in Malaysian equities and in the Malaysian Government Securities (MGS), we expect volatility to persist in these markets, as well as for the Ringgit in the short term. Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

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### NEWS HIGHLIGHTS

- ▶ The much awaited National Automotive Policy announced during the month stated that it targets to reduce car prices by 20-30% by end 2018 by inviting more competition into the market. Whilst the focus of the NAP was to develop the Energy Efficient Vehicles (EEVs) in Malaysia for local consumption and for exports, industry players still need more details to assess the impact of the NAP.
- ▶ BNM issued an industry consultative paper to the financial industry proposing that banks introduce a prime financing rate (PFR) to replace the base lending rate (BLR) as reference for pricing retail loans.
- ▶ S P Setia announced that it had been given notice by Tan Sri Liew Kee Sin, Dato' Teow Leong Seng and Tan Sri Lee Lam Thye of their intentions to resign from their respective positions as President & Chief Executive Officer, Chief Financial Officer and Non-Independent, Non-Executive Director respectively.

### INDEX PERFORMANCE & MOVERS

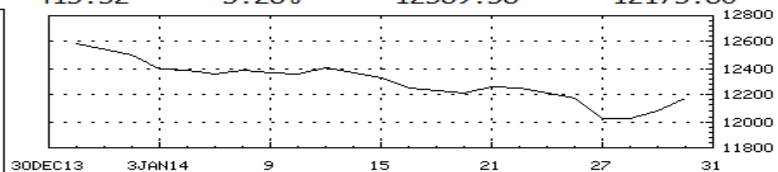
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#### Historical Equity Index Movers

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FBM100 Change -413.52 Pct Chg -3.28% Start Price 12589.38 End Price 12175.86

Index Member Information  
 Additions: 1 Up: 24  
 Deletions: 6 Down: 73  
 Current: 100 Unch: 8  
 Sort: Index Points  
 Order: Ascending  
 1/2/2014 - 1/30/2014



#### LAGGING MOVERS

#### LEADING MOVERS

Security	End Price	Change	Index Pts	Security	End Price	Change	Index Pts
CIMB MK	6.92	-.70	-64.449	TNB MK	11.80	+.42	+24.798
IOI MK	4.20	-.51	-35.822	MISC MK	6.00	+.30	+8.341
SAKP MK	4.39	-.51	-32.908	GENT MK	10.40	+.14	+5.843
AXIATA MK	6.56	-.34	-31.992	MRC MK	1.53	+.24	+3.667
SIME MK	8.99	-.53	-31.223	AMM MK	7.33	+.09	+2.966
MAY MK	9.63	-.31	-25.219	AIRA MK	2.26	+.06	+2.340
DIGI MK	4.69	-.27	-19.030	PKS MK	2.93	+.18	+2.006
PBK MK	19.08	-.32	-17.086	CMS MK	7.42	+.55	+1.795
KLK MK	23.42	-1.48	-14.932	UMWOG MK	4.17	+.16	+1.371
MAXIS MK	6.97	-.30	-14.872	HLFG MK	15.82	+.34	+1.349

+ Added during range, - Removed during range, \* Added/Removed multiple times  
 Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2014 Bloomberg Finance L.P.  
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Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Dec-13	31-Jan-14	+/-	%
FBMKLCI	1867.0	1804.0	-62.9	-3.37%
FBMMES	5675.8	5901.3	225.5	3.97%
FBM100	12589.4	12175.9	-413.5	-3.28%
FBM70	14182.1	13761.1	-421.1	-2.97%
FBMSCAP	15694.2	15696.7	2.5	0.02%
FBMEMAS	12853.6	12456.3	-397.3	-3.09%
FBMSHA	13051.6	12604.0	-447.6	-3.43%
FBMHJRAH	14323.6	13823.3	-500.3	-3.49%
MSCI APxJ	468.2	444.0	-24.2	-5.16%

Source: Bloomberg