

Equity Market Review & Outlook

REVIEW

- ▶ Global markets were range bound as market sentiment were swayed by concerns over the Russia-Ukraine military tension and the slowdown in China. During the month, the US Federal Reserve Chairperson, Janet Yellen, indicated that she is expecting the first rate hike about six months after the asset purchases are halted completely, which is potentially by mid-2015. Mid month, People's Bank of China announced the widening of the USD/CNY daily trading band to +/- 2.0% from 1% around the fixing, in efforts towards financial liberalization and monetary policy independence.
- ▶ Domestically, March was a volatile month, as the KLCI corrected initially post the news of the disappearance of MH370, but managed to close the month higher nevertheless. The KLCI ended the month at 1,849.2 points, gaining 0.74% mom or 13.6 points. The broader market outperformed the KLCI slightly as the FBM Emas Index gained 128.1 points or 1.01% mom. FBM Small Cap index outperformed the KLCI gaining 3.64% during the month. Average value traded on Bursa in March fell 5% mom to RM2.17bn.
- ▶ The sector indices on the local bourse closed higher for March, with the best performing sectors being Construction (4.49%) and Property (3.94%). The worst performing sectors were the Finance (0.15%) and Consumer (0.39%).

OUTLOOK

- ▶ Global markets will likely continue to be volatile with the potential for some weak economic data releases, geopolitical uncertainties (Ukraine), and the continued US Federal Reserves' commitment to tapering and the subsequent timing of interest rate hikes.
- ▶ On the domestic front, the market may be lacking positive catalysts to drive the indices to new highs, as corporate earnings for the 1H14 will likely come in relatively soft, and the Malaysian government's focus remains on trying to locate MH370, and the investigations surrounding it. The Federal government will also be testing the sanctity of contracts should they push through the forced acquisition of the Selangor water assets which may result in investors demanding a higher discount for infrastructure/concession type assets in the future. Over the next few months, cost of living pressures will still be a focus point. Staying true to the fiscal consolidation path should deter rating agencies from downgrading Malaysia's sovereign rating, and improve Malaysia's balance sheet strength.
- ▶ Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

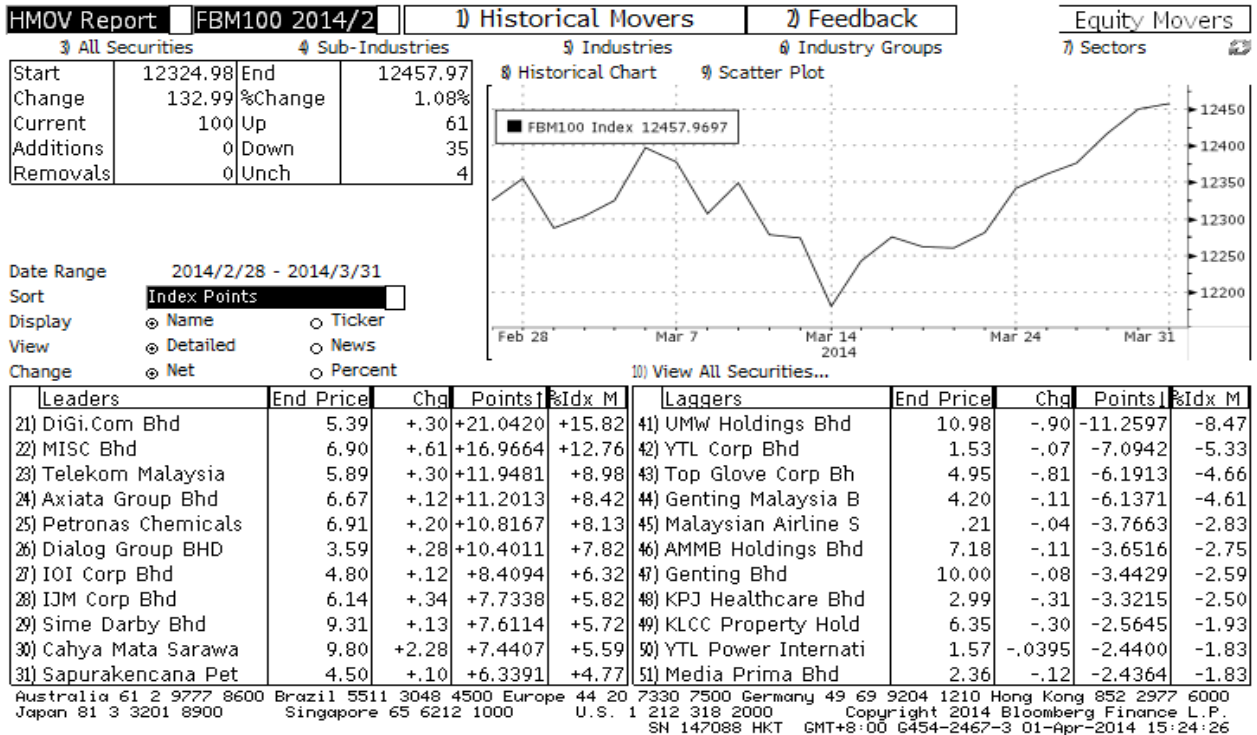
NEWS HIGHLIGHTS

- ▶ Puncak Niaga and Gamuda are holding out for a better offer for their water assets, despite the threat of the Selangor government insisting the invocation of WASIA S114 to take over the operations of the water assets.
- ▶ Telekom Malaysia Bhd (TM) is spending a total of RM560m in a deal that will see it gain control of mobile wireless operator Packet One Networks (M) Sdn Bhd (P1), signifying the incumbent's seriousness in moving into this sector of the business.
- ▶ Government-backed 1Malaysia Development Bhd (1MDB) has won the highly-sought-after tender to build the 2,000 megawatt coal-fired power plant coded Project 3B.

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INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	28-Feb-14	31-Mar-14	+/-	%
FBMKLCI	1835.7	1849.2	13.6	0.74%
FBMMES	6443.9	6661.3	217.4	3.37%
FBM100	12355.8	12458.0	102.2	0.83%
FBM70	13833.7	13990.9	157.2	1.14%
FBMSCAP	16521.6	17123.0	601.4	3.64%
FBMEMAS	12669.5	12797.6	128.1	1.01%
FBMSHA	12895.6	13146.2	250.6	1.94%
FBMHJRAH	14139.3	14388.3	249.0	1.76%
MSCI APxJ	462.8	470.1	7.3	1.58%

Source: Bloomberg