

Equity Market Review & Outlook

REVIEW

- ▶ The US markets corrected mid month as technology stocks sold off again amid concerns valuations may be too high following the start of the earnings reporting season. However the US markets quickly rebounded as US economic data coming out continued to show positive signs of a recovery and the earnings reports were also better than expected, with the Dow Jones index hitting all time highs by end April 2014.
- ▶ Domestically, investors continued to focus on the small cap stocks in April, however some profit-taking activities on the small caps came in towards the end of the month. Some of the companies that reported their quarterly results during the month were either in line or slightly above, which bodes well for investor sentiment. The KLCI ended the month at 1,871.5 points, gaining 1.21% mom or 22.3 points. The broader market underperformed the KLCI slightly as the FBM Emas Index gained 143.3 points or 1.12% mom. FBM Small Cap index outperformed the KLCI gaining 1.77% during the month. Average value traded on Bursa in April gained 9% mom to RM2.38bn.
- ▶ The sector indices on the local bourse closed higher for April, with the best performing sectors being Property (4.37%) and Technology (3.82%). The worst performing sectors were the Industrial Production (-0.38%) and Industrial (-0.07%).

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. However, the economy in the Euro area seems to be gaining traction, which may benefit overall investor sentiment.
- ▶ On the domestic front, May will be focused around quarterly results reporting whilst expectations are hopeful for earnings to be at least in line, the weakness in consumer spending overall is starting to be felt in the general economy. More consumer related companies have indicated that they have to drive sales with more promotional activities as compared to previous years. The resolution to the Selangor water assets saga has yet to be forthcoming, but any attempt by the Federal government to force the acquisition of the water assets will thereby bring the sanctity of contracts into question – which will likely be a hindrance in trying to raise private funding for future infrastructure projects. The focus on the government's commitment to the subsidy rationalization will likely be in the spotlight come mid 2014, as based on the Budget 2014, there could be another cut to subsidies in the 2H14, should the government intend on staying true to their fiscal consolidation path.
- ▶ Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

NEWS HIGHLIGHTS

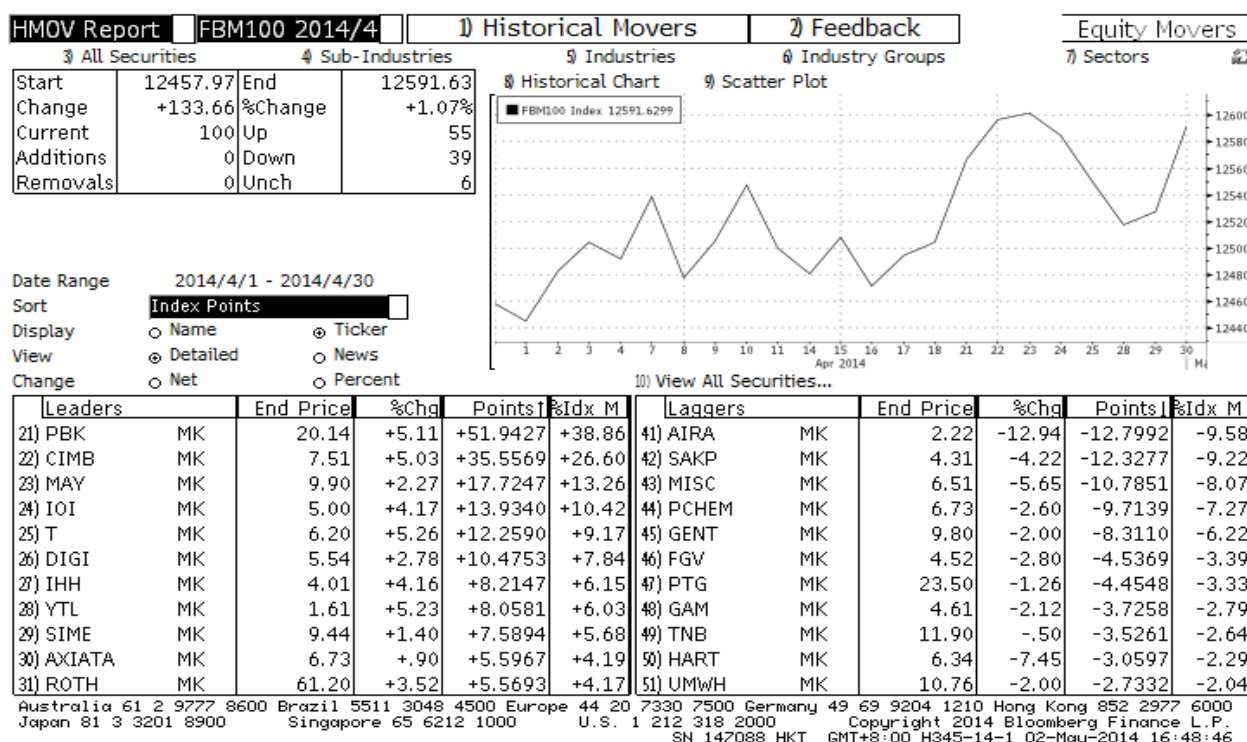
- ▶ The visit to Malaysia by the US President Obama during the month was a historic event, given the last US President to visit was in 1966.
- ▶ Malaysia Airports has confirmed that the KLIA2 will begin its commercial flight operations on 2 May, as scheduled, with five airlines. This will also see the opening of Gateway@KLIA on the same date, which WCT owns 70% stake in.

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- Public Bank has proposed a renounceable rights issue of new shares to raise RM5bn, the first cash call exercise carried out by the bank in 10 years, and is expected to complete in 3Q14.

INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Mar-14	30-Apr-14	+/-	%
FBMKLCI	1849.2	1871.5	22.3	1.21%
FBMMES	6661.3	6583.7	-77.6	-1.17%
FBM100	12458.0	12591.6	133.7	1.07%
FBM70	13990.9	14075.8	84.9	0.61%
FBMSCAP	17123.0	17426.5	303.5	1.77%
FBMEMAS	12797.6	12941.0	143.3	1.12%
FBMSHA	13146.2	13214.5	68.3	0.52%
FBMHJRAH	14388.3	14510.9	122.6	0.85%
MSCI APxJ	470.1	474.3	4.2	0.90%

Source: Bloomberg