

Equity Market Review & Outlook

REVIEW

- ▶ The US equity market ended the month of September lower, on the back of concerns of the timing over the US Federal Reserve rate hikes, and global growth concerns starting to weigh on sentiment. Investors continued to focus their attention on geopolitical flashpoints in Russia and the Middle East, while uncertainty over the outlook for eurozone and China's growth was also cause for concern.
- ▶ The month of September was fairly weak post the disappointing August results season. Foreigners were net sellers during the month of RM1.4bn, reversing the previous month's net buy of RM0.2bn. The KLCI ended the month closing at 1,846.3 points, declining 1.06% mom or 19.8 points. The broader market outperformed the KLCI slightly as the FBM Emas Index declined 70.4 points or 0.54% mom. FBM Small Cap index outperformed the KLCI gaining 0.33% during the month. Average value traded on Bursa in September decreased 15% mom to RM2.14bn.
- ▶ The sector indices on the local bourse closed lower for September, with the best performing sectors being Industrial Production (0.45%) and Technology (0.41%). The worst performing sectors were the Plantation (-1.95%) and Financials (-1.36%).

OUTLOOK

- ▶ Global markets may be volatile over the next few months given the uncertainty over the timing of rate increases in the US, and the impact of the stronger US dollar as a currency. The Occupy Central protest in Hong Kong surprised investors on the depth of potential political unrest, highlighting social issues that was bubbling just under the surface.
- ▶ Domestically, the remaining months of 2014 will likely see softening of consumer demand, given the lagged impacts from the hike in interest rates in July by 25bps, and the more recent hike in RON95 petrol and diesel by 20 sen/litre. Without any expected cash handouts for the general public in the 2H 2014, as there was with BR1M paid in 1H 2014, household disposable income should be feeling the pinch. The Budget 2015 will be announced on the 10th October 2014 with the theme: Accelerating growth, Ensuring Fiscal Sustainability, and Prospering the Rakyat. We are expecting more clarity regarding the GST and its implementation in the coming budget announcement.
- ▶ Whilst we have turned relatively cautious, we believe the difficult steps the government is taking towards fiscal consolidation is a necessary one, and does not preclude the fact that there are still interesting investment ideas in Malaysia. Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

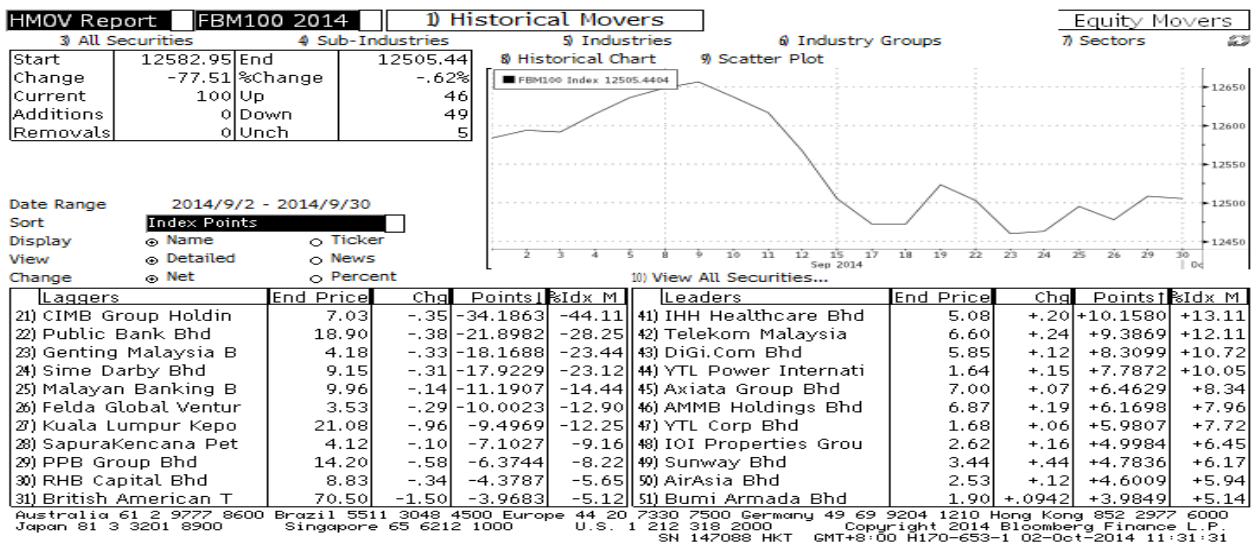
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NEWS HIGHLIGHTS

- ▶ QL Resources, the second largest shareholder of Lay Hong, has made a conditional voluntary takeover offer for the poultry firm at RM3.50/share. The takeover offer is expected to meet with resistance from the Yap family, which founded Lay Hong and is the single largest shareholder with a 43.1% stake.
- ▶ The Employees Provident Fund has written to the respective companies involved in the proposed merger that would create the country's largest bank, to extend its request seeking a waiver to Bursa Malaysia to enable the pension fund to vote in the transaction.
- ▶ BAT announced that it was raising cigarette prices by RM1.00/20-stick pack effective 8 September 2014 with company citing higher operating costs as the reason, and not due to tax increases. JTI also followed suit and also raised their prices by the same quantum. However, two weeks later, BAT and JTI both reverted back to the previous pre-hike prices with the reason of remaining competitive, given Phillip Morris, a major competitor for both BAT and JTI, kept their cigarette prices on hold.

INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Aug-14	30-Sep-14	+/-	%
FBM KLCI	1866.1	1846.3	-19.8	-1.06%
FBM MES	6903.7	7278.9	375.2	5.44%
FBM 100	12583.0	12505.4	-77.5	-0.62%
FBM 70	14173.5	14301.5	128.0	0.90%
FBM SCAP	18604.6	18665.6	61.0	0.33%
FBM EMAS	12995.1	12924.7	-70.4	-0.54%
FBM SHA	13219.7	13185.9	-33.9	-0.26%
FBM HIJRAH	14485.5	14460.6	-24.9	-0.17%
MSCI AP xJ	511.4	472.9	-38.5	-7.53%

Source: Bloomberg