

Equity Market Review & Outlook

REVIEW

- ▶ February was generally a positive month for global equity markets with oil prices stabilizing and rebounding slightly. Market sentiment was also buoyed by the US Federal Reserve's indications that interest rates may not be hiked anytime soon. Domestically, the Malaysian corporate earnings released during the month were generally inline although after revising down earnings all through 2014, there were still companies that managed to disappoint and few surprising on the upside. Stocks that managed to outperform expectations were from a broad range of sectors ranging from utilities, manufacturing, telecommunications, technology, and consumer.
- ▶ The KLCI closed the month at 1,821.21 pts, higher by 39.95 pts or 2.24% mom. The broader market outperformed the KLCI with the FBM Emas Index gaining 2.33% mom. The KLCI underperformed FBM Small Cap Index which gained by 4.71%. Average value traded on Bursa in February increased 1% mom to RM2.19bn per day.
- ▶ The sector indices on the local bourse closed higher for February, with the better performing sectors being Technology (4.98%) and Industrial Production (4.42%). The worst performing sectors were the Plantation (0.86%), and Industrial (2.34%).

OUTLOOK

- ▶ ECB's adoption of its Expanded Asset Purchase program in January cleared up some uncertainty, but timing and magnitude of the US Federal Reserve's next move remains uncertain.
- ▶ Global oil prices have stabilized which has been positive for the market, and lower oil prices should give economies a boost to growth as it should spur demand.
- ▶ For Malaysia, consensus earnings estimate growth for 2015 has dropped to about 7.5% but we expect that this has some downside risk given the hurdles Malaysia has to face this year. Already consumption demand is expected to be weaker given the GST implementation come 1 April. Despite the petrol price cuts for three straight months since December 2014, prices of goods and services generally remained sticky. Effective 1 March 2015, petrol prices were hiked by a quantum of 25 sens for RON97, RON95 and diesel, which may see a spike up in the CPI for March, after expecting a low CPI data to be reported for February. Market sentiment remains relatively weak with the softer ringgit reacting to the concerns over 1MDB, and the increased expectations of BNM cutting OPR (contrary to our current view).
- ▶ As such we maintain our cautious stance, but 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. In the short term, we expect equity markets to remain volatile and any correction would serve as an opportunity to accumulate fundamentally strong stocks on weakness.

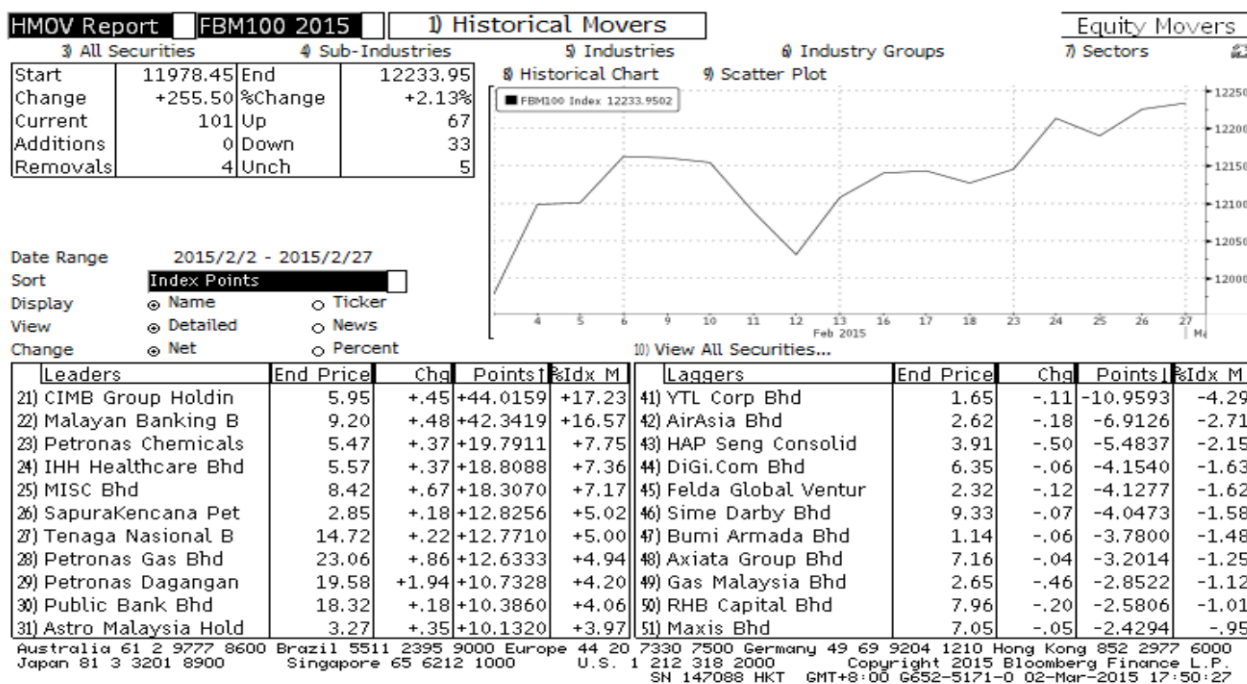
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NEWS HIGHLIGHTS

- ▶ CIMB Group had received approval from Bank Negara Malaysia (BNM) to confirm Tengku Datuk Zafrul Tengku Abdul Aziz as its group CEO and executive director with immediate effect.
- ▶ RHB Capital has confirmed the resignation of the group's Managing Director, Kellee Kam.
- ▶ Tenaga Nasional upped its offer for the acquisition of port operator Integrax Bhd by 50 sen to RM3.25/share, bowing to pressure from Perak Corp Bhd, which had earlier rejected TNB's original offer unless it is raised to RM3.25.

INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Jan-15	28-Feb-15	+/-	%
FBMKLCI	1,781.26	1,821.21	39.95	2.24%
FBMMES	6,556.90	6,634.74	77.84	1.19%
FBM100	11,978.45	12,233.95	255.50	2.13%
FBM70	13,371.65	13,606.27	234.62	1.75%
FBMSCAP	15,872.42	16,620.80	748.38	4.71%
FBMEMAS	12,271.94	12,557.38	285.44	2.33%
FBMSHA	12,851.97	13,120.63	268.66	2.09%
FBMHJRAH	14,937.28	15,168.77	231.49	1.55%
MSCIAPxJ	474.13	488.13	14.00	2.95%

Source: Bloomberg