

Equity Market Review & Outlook

REVIEW

- ▶ April was generally a positive month for the US markets as corporate earnings surprised on the upside, although there were periodic corrections during the month as the US economic data were not as positive as expected resulting in more dovish comments from the US FOMC. Regionally, China and Hong Kong equity markets rallied on the back of the commencement of the Shanghai-Hong Kong Connect, and the People's Bank of China's move to lower the reserve requirement ratio for all banks by 100 basis points. Domestically, Malaysian equity markets started on a strong note as oil prices were trending up and the ringgit also stabilized in tandem. However, the gains were given up by the end of the month as profit taking set in.
- ▶ The KLCI closed the month at 1,818.27 pts, lower by 12.51 pts or 0.68% mom. The broader market outperformed the KLCI with the FBM Emas Index declining only 0.19% mom. The KLCI underperformed the FBM Small Cap Index which gained by 1.44%. Average value traded on Bursa in April declined by 0.5% mom to RM2.11bn per day.
- ▶ The sector indices on the local bourse closed mixed for April, with the better performing sectors being Technology (3.89%) and Construction (3.20%). The worst performing sectors were the Plantation (-2.65%), and Finance (-0.75%).

OUTLOOK

- ▶ Timing and magnitude of the US Federal Reserve's next move continues to be uncertain, and whilst the investor sentiment for the euro area seems to have improved, the risk of a "Grexit" is still possible. Global oil prices have stabilized somewhat which has been positive for the market. However, we are expecting volatility in crude oil prices to continue as tensions in the middle-east will bring up concerns over supply risks.
- ▶ For Malaysia, we are expecting consumption spending in general to slow for the next 1-2 months with the implementation of GST, given the confusion over GST and its implementation. Even one month into its implementation, there are conflicting messages as to whether telecommunication companies should or should not be charging GST and passing this on to their customers for prepaid packs. Looking ahead, the government will be announcing the 11th Malaysian plan in Parliament on the 21 May 2015, which could see higher allocation to development expenditure in areas relating public transport, rural infrastructure, education and healthcare. News flow on 1MDB will likely continue to be on investors' minds, especially when a much awaited power-related IPO is listed come May. Another potentially negative news flow investors will need to be mindful of end May/ early June will be the rating agency Fitch's decision on Malaysia's sovereign rating.
- ▶ 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.

NEWS HIGHLIGHTS

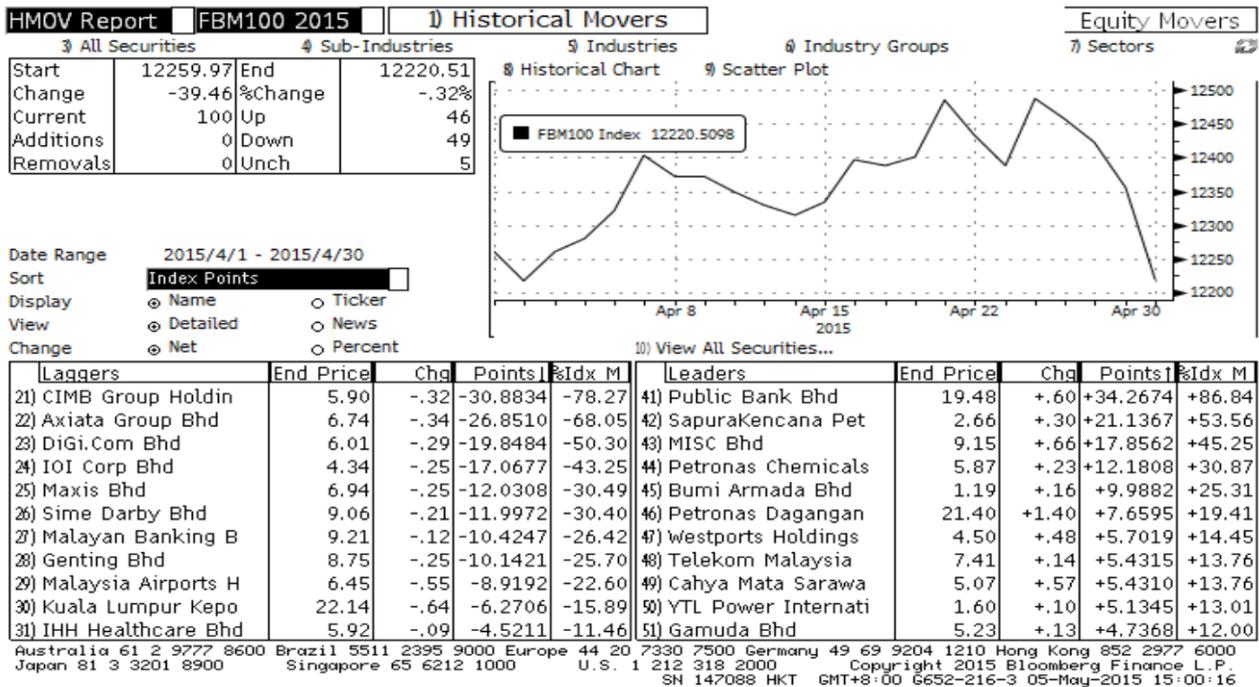
- ▶ Crude oil prices jumped to fresh 2015 peaks, turning higher on news that a tribal group made up of former Al Qaeda militants took control of a major southern oil terminal in Yemen.

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- ▶ The EPF called for a public consultation as a first step towards raising the permissible age for members to withdraw their retirement savings from the current 55 years to 60 years. However, at the recent Invest Malaysia conference, Datuk Seri Najib Tun Razak stated in his speech that members of the Employees Provident Fund (EPF) will retain their right to withdraw their money at the age of 55, after considering the feedback from the public.
- ▶ RHB Capital is planning a rights issue to raise up to RM2.5bn under a proposed restructuring that will see the RHB Banking Group moving towards a "bank holding company" structure, in line with major banking groups across Asean.

INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Mar-15	30-Apr-15	+/-	%
FBMKLCI	1,830.78	1,818.27	-12.51	-0.68%
FBMMES	7,120.16	6,988.01	-132.15	-1.86%
FBM100	12,259.97	12,220.51	-39.46	-0.32%
FBM70	13,488.63	13,615.70	127.07	0.94%
FBMSCAP	16,287.03	16,522.27	235.24	1.44%
FBMEMAS	12,563.38	12,539.04	-24.34	-0.19%
FBMSHA	13,122.15	13,073.91	-48.24	-0.37%
FBMHJRAH	15,157.07	15,018.51	-138.56	-0.91%
MSCI APxJ	485.69	513.47	27.78	5.72%

Source: Bloomberg