

Equity Market Review & Outlook

REVIEW

- ▶ Global markets have been on a consolidation phase on concerns of a US Federal rate hike in June/July and the risk of a BREXIT via the referendum on 23 June. As a result, the US dollar regained its strength and overall weaker outlook was further impacted by the softer China data being released. Oil prices continued its upward trend, as news on output dampened by the fires in Canada, outages in Nigeria and unrest in Libya, on top of the natural declines from high cost producers helped prices reach year-to-date highs above USD50/bbl.
- ▶ Malaysia was the worst performing market in the region, compounded by the weaker ringgit which depreciated by 5.7% m-o-m against the US dollar. Investor sentiment was weak following the concerns over the technical default on the 1MDB bond which missed a payment given the dispute between the issuer (1MDB) and the guarantor (IPIC), which led to speculation over potential cross defaults and putting sovereign ratings at risk. The announcement of the MSCI rebalancing to take place 31 May 2016, triggered a sell down of big cap Malaysian stocks, as Malaysia's weightage on the index was reduced from 3.43% to 3.09%. The Malaysian Securities Commission Shariah compliance review of stocks listed on Bursa Malaysia saw major deletions such as Sunway Construction and Bumi Armada, whilst major additions included Star Media and Pecca. 1Q 2016 results season was once again a disappointment, and consensus has cut 2016 earnings by 4.5%, and now expects 2016 earnings to still grow by 1.3%. This makes it the third year of disappointing results.
- ▶ The KLCI ended the month lower at 1,626, down 2.79%. The broader market outperformed the KLCI as the FBM Emas Index declined by 2.13%. The FBM Small Cap Index declined by 0.99%. Foreign institutional investors were net sellers in May of RM4.3bn, after recording a slower net buy for equities of RM0.5bn in April. Average value traded on Bursa in May increased 5% mom to RM2.25bn.
- ▶ The sector indices on the local bourse closed lower for May with the worst performing sectors being Finance (-2.86%) and Plantation (-3.42%) as plantation companies reported weak results despite higher crude palm oil prices. Technology (+4.31%) performed the best during the month rebounding from the previous month's decline after Apple reportedly cut outlook for their orders to suppliers.

OUTLOOK

- ▶ The unexpected weak showing of the US non-farm payrolls data released early June was a negative surprise, potentially putting a spanner in a June/July US rate hike. This comes after the expectations were raised given all the rhetoric coming out on how much stronger the economic data is for the US now. Nevertheless, we expect the timing of monetary policy will continue to be in focus for investors. This may be further complicated by the upcoming UK's referendum on 23 June on whether to leave the European Union (EU) or not. Whilst the expectation is for UK to remain in the EU, the polls continue to indicate that it can still go either way.
- ▶ After another disappointing results season, the outlook for Malaysia looks challenging. The next two months will contain many headwinds both on the global and local front. Domestically, Selangor will be having two by-elections on 18 June 2016 which is likely to be viewed as an indicator of whether an early general election will be called or not. Politics will be in the limelight for the month of June, and although it is during the Ramadan month, we expect the political parties involved to not hold back. From negative newsflow on 1MDB and the ongoing investigations from foreign agencies, to proposals in Malaysia's parliament to introduce the hudud law for debate, will dampen investor's confidence for Malaysia, despite the relatively strong macroeconomic fundamentals.
- ▶ We remain cautious on Malaysian equities, but any correction in the market would serve as an opportunity to accumulate fundamentally strong stocks on weakness.

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INDEX PERFORMANCE & MOVERS

HMOV Report
FBM100 2016/5/3-
1) History 2) Refresh
Equity Index Movers

3) All Securities 4) Sub-Industries 5) Industries 6) Industry Groups 7) Sectors
8) Historical Chart 9) Scatter Plot

Start	11334.19	End	11084.78
Change	-249.41	%Change	-2.20%
Current	100	Up	39
Additions	0	Down	58
Removals	0	Unch	3

Date Range: 2016/5/3 - 2016/5/31

Sort: Index Points

Display: Name Ticker

View: Detailed News

Change: Net Percent

10) View All Securities...

Laggers					Leaders				
	End Price	%Chg	Points	%Idx M		End Price	%Chg	Points	%Idx M
21) Malayan Banking B	8.16	-8.62	-72.5714	-29.10	41) Public Bank Bhd	19.12	+2.25	+22.9154	+9.19
22) Axiata Group Bhd	5.22	-7.61	-33.9370	-13.61	42) AirAsia Bhd	2.30	+21.05	+15.6839	+6.29
23) CIMB Group Holdin	4.39	-6.00	-26.8247	-10.76	43) British American T	50.06	+9.11	+10.4757	+4.20
24) Tenaga Nasional B	13.98	-2.65	-23.5182	-9.43	44) YTL Corp Bhd	1.63	+4.49	+6.4013	+2.57
25) MISC Bhd	7.72	-8.64	-18.8767	-7.57	45) DiGi.Com Bhd	4.48	+1.82	+5.2411	+2.10
26) Genting Bhd	8.36	-5.43	-18.6768	-7.49	46) Kossan Rubber Ind	6.80	+13.33	+4.4902	+1.80
27) UMW Holdings Bhd	4.98	-24.09	-18.3739	-7.37	47) Inari Amertron Bhd	3.10	+13.55	+4.2069	+1.69
28) IOI Corp Bhd	4.14	-6.33	-18.0212	-7.23	48) Westports Holdings	4.34	+4.58	+3.5258	+1.41
29) Sime Darby Bhd	7.41	-3.77	-16.7491	-6.72	49) Telekom Malaysia	6.73	+1.20	+3.1137	+1.25
30) Bumi Armada Bhd	0.65	-17.72	-8.3486	-3.35	50) IGB Real Estate Inv	1.61	+6.62	+2.9149	+1.17
31) Kuala Lumpur Kepo	23.04	-3.68	-8.2551	-3.31	51) Bursa Malaysia Bhd	8.79	+4.52	+2.3041	+0.92

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 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2016 Bloomberg Finance L.P.
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Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Apr-16	31-May-16	+/-	%
FBM KLCI	1,672.72	1,626.00	-46.72	-2.79%
FBM MES	5,617.09	5,489.79	-127.30	-2.27%
FBM 100	11,334.19	11,084.78	-249.41	-2.20%
FBM 70	12,970.66	12,925.51	-45.15	-0.35%
FBM SCAP	15,426.91	15,274.40	-152.51	-0.99%
FBM EMAS	11,638.02	11,390.69	-247.33	-2.13%
FBM SHA	12,208.99	11,922.64	-286.35	-2.35%
FBM HIJRAH	13,683.89	13,305.04	-378.85	-2.77%
MSCI APxJ	416.42	408.32	-8.10	-1.95%

Source: Bloomberg