

## Equity Market Review & Outlook

### REVIEW

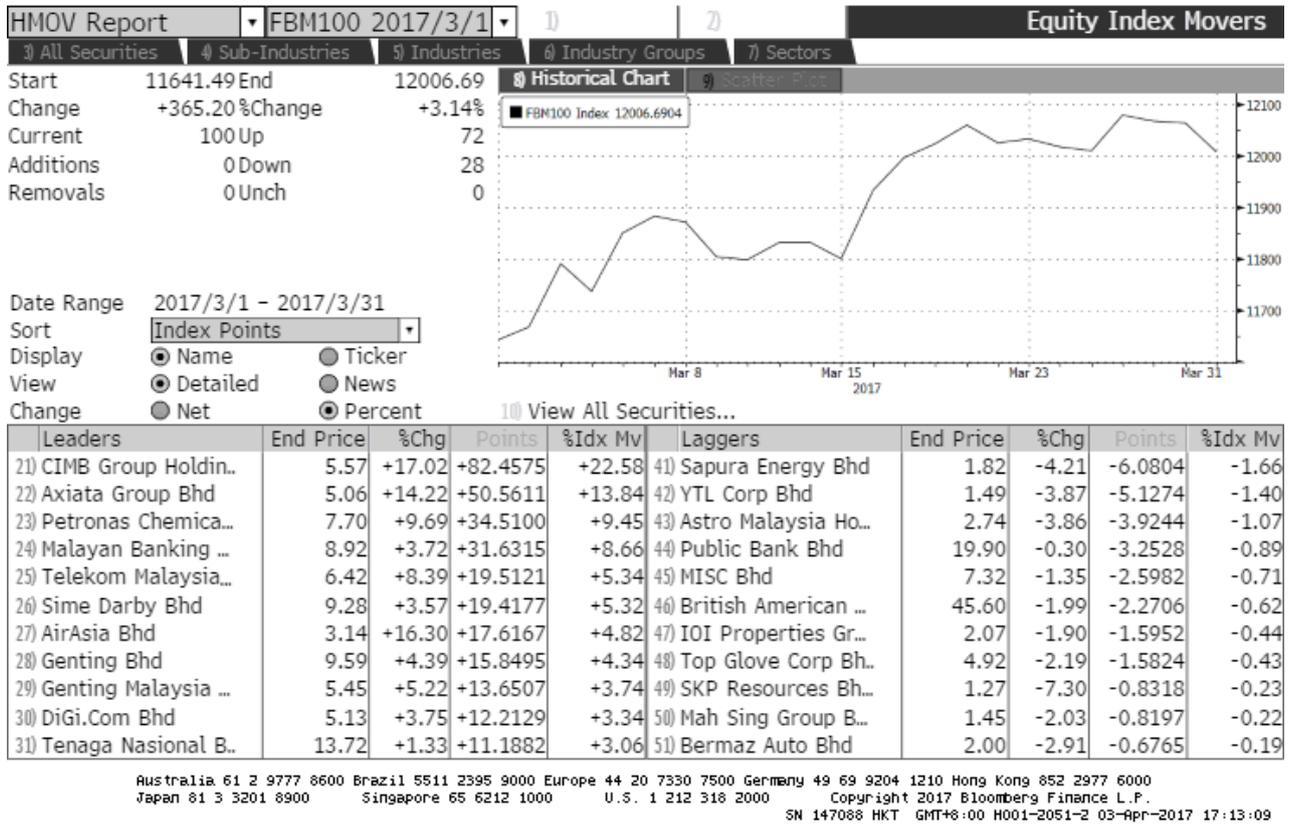
- ▶ US equity markets took a breather in March, with some unwinding of consensus positions such as the view of higher US dollar and higher US long term interest rates, which resulted in a bearish outlook for EM currencies. The US dollar weakened post the US Federal rate hike mid-month. Crude oil prices declined sharply as reported high oil inventory and rising US rig counts renewed concerns of over supply of oil, despite the agreed cut in production by OPEC and non-OPEC countries. China held their National People's Congress where Premier Li reviewed the country's progress made in 2016 and laid out the targets for 2017, focusing on maintaining growth stability, job creation, safeguarding financial security, among others, with an expected GDP growth target of 6.5% for 2017. By the end of the month, US President Trump failed to push through his election promise of getting rid of Obama-care, and in the U.K. Prime Minister Theresa May triggered Article 50 to exit the European Union.
- ▶ Malaysian equities performed positively in tandem with regional markets. Saudi Arabia's King's visit to Malaysia helped kick off the positive sentiment in March as the King announced Saudi Aramco's joint venture with Petronas in RAPID. During the month the media speculated over a potential merger between Axiata and Telekom Malaysia. Axiata's associate company, Idea Cellular then proposed to merge with Vodafone India given the stiffer competition they face. Excitement in the e-commerce sector in Malaysia heightened with the announcement by Jack Ma of Alibaba, to establish an e-commerce hub in the new Digital Free-Trade Zone (DFTZ) in Malaysia Airport's Aerotropolis in Sepang. The KLCI ended the month higher at 2.73% mom to close at 1,740.09 points. The broader market gained 3.44% outperforming the KLCI. All sectors registered positive performances during the month, with the best performing sector being Technology (+16.9%), benefiting from the excitement around the announcement of the Digital Free Trade Zone (DFTZ), and Construction (+6.84%). The worst performing sector was Industrial (+0.7%) and Plantation (+1.49%). The FBM Small Cap Index gained 8.35%. Average value traded on Bursa in March was up 55% mom to RM3.52bn, with increased participation by foreign investors.

### OUTLOOK

- ▶ Post Trump's failure to pass a health care replacement bill, the focus is now on the personal and corporate tax reforms although the end result may be less ambitious than was previously anticipated. Investors are also waiting on the minutes from the recent US Federal Reserves' FOMC to glean some guidance on the outlook for interest rates. There is a growing expectation that post Yellen's term expiring, the US Federal Reserve will likely focus more on reducing their balance sheet. Over in Europe, triggering Article 50, starts the clock ticking for UK to secure new trade agreements in the next 2 years. The ongoing French elections remain unpredictable, with the final result on the 7 May 2017 likely affected by the dissatisfaction and outright hostility towards mainstream politics which could result in high number of voters abstaining. European politics can potentially be source of volatility should anti-European Union sentiment spread.
- ▶ After successfully wooing investment from China, and Saudi Arabia, Prime Minister Najib is now in India looking to deepen commercial linkages between Asia's third largest economy and its third-largest trading partner in the ASEAN group, with the signing of preliminary pacts worth about USD36bn. With the threat of future protectionist trade policies on the rise in the US, these infrastructure investments from China and Saudi, and investment collaboration with India should have a positive impact on the Malaysian economy. Together with firmer crude oil prices, and higher commodity prices in general, has enabled Malaysia to remain resilient, despite slowing consumer demand.
- ▶ We are maintaining a more positive outlook on the market, although cognizant of the risk that investors may lose patience with Trump's efforts to stimulate the US economy. We expect the stable Malaysian ringgit and increasing capital market deals from restructuring efforts and IPO pipe line will have sustain interest in Malaysian equities.

### INDEX PERFORMANCE & MOVERS

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Source: Bloomberg

Indices	Last Price		M o M Changes	
	28-Feb-17	31-Mar-17	+/-	%
<b>FBM KLCI</b>	<b>1,693.77</b>	<b>1,740.09</b>	<b>46.32</b>	<b>2.73%</b>
<b>FBM MES</b>	<b>5,246.42</b>	<b>5,827.48</b>	<b>581.06</b>	<b>11.08%</b>
<b>FBM 100</b>	<b>11,641.49</b>	<b>12,006.69</b>	<b>365.20</b>	<b>3.14%</b>
<b>FBM 70</b>	<b>13,936.09</b>	<b>14,550.47</b>	<b>614.38</b>	<b>4.41%</b>
<b>FBM SCAP</b>	<b>15,763.92</b>	<b>17,080.58</b>	<b>1,316.66</b>	<b>8.35%</b>
<b>FBM EMAS</b>	<b>11,950.28</b>	<b>12,361.69</b>	<b>411.41</b>	<b>3.44%</b>
<b>FBM SHA</b>	<b>12,387.75</b>	<b>12,811.34</b>	<b>423.59</b>	<b>3.42%</b>
<b>FBM HIJRAH</b>	<b>13,686.62</b>	<b>14,101.96</b>	<b>415.34</b>	<b>3.03%</b>
<b>MSCI APxJ</b>	<b>466.06</b>	<b>479.33</b>	<b>13.27</b>	<b>2.85%</b>

Source: Bloomberg