

## Equity Market Review & Outlook

### REVIEW

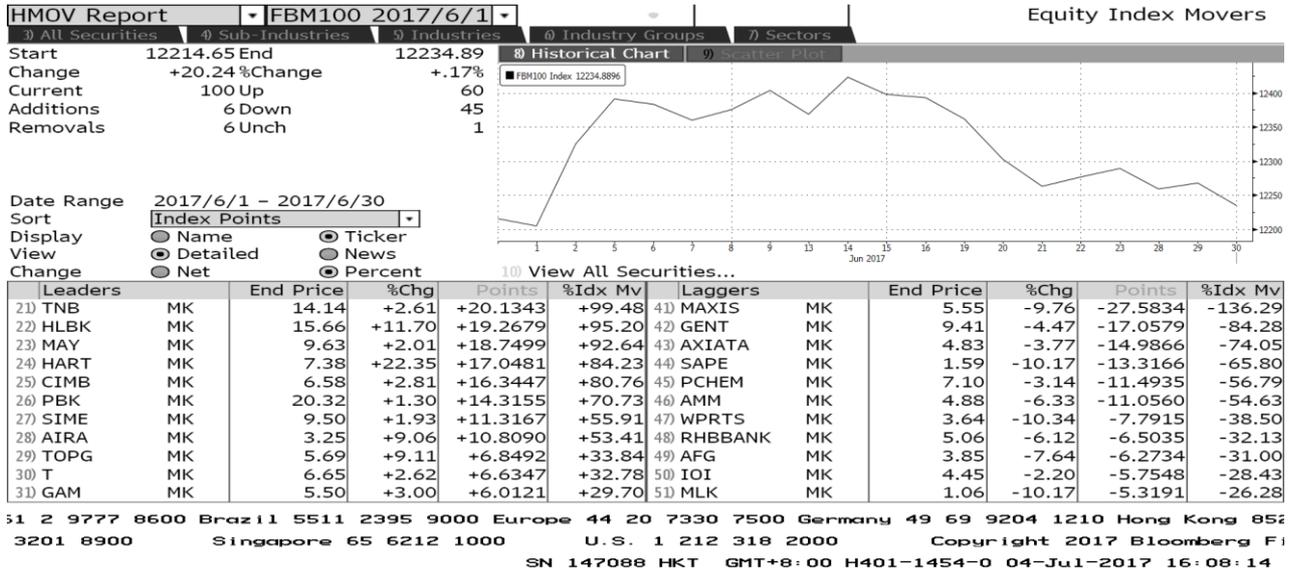
- ▶ Global markets generally performed better in the month of June, despite concerns surrounding terrorist attacks in London prior to the UK elections where the conservatives did worse than expected and ended up with a minority government. The US equity markets hit all-time highs in June, with the Dow Jones Index briefly breaching 21,500 points on the back of technology and financial stocks rebounding. 2-year US treasury yields hit the highest levels since March 2017, after the New York Federal Reserve President reinforced the view for monetary policy normalization. European markets took news of President Macron's parliamentary victory positively, cementing his electoral victory. Commodity prices were weaker during the month, as crude oil prices dipped almost 5% for the month over supply concerns driven by persistent production from the US. Asian emerging markets performed relatively well on the back of improved earnings expectations generally. MSCI announced the inclusion of China A-shares in the MSCI Emerging Market Index and MSCI All Country World Index effective June 2018.
- ▶ The Malaysian equity market started the month well, but gains were given back as investors took profit ahead of the market closure for the Hari Raya holidays. Despite the shorter trading month, there was an increase in merger and acquisition type news flow for the period, such as DRB Hicom and Zhejiang Geely signing an agreement for 49.9% of Proton, RHB Bank and AMMB Holdings receiving approvals from BNM to commence discussions for a merger, SP Setia signing the agreement to acquire I&P group, CIMB Group announced the disposal of 50% CIMB's international stockbroking to China Galaxy Securities with similar discussions underway for the Malaysian stockbroking business as well. The KLCI ended the month slightly lower at -0.12% mom to close at 1,763.67 points. The broader market rose by 0.23%, outperforming the KLCI. The best performing sectors were Technology (+6.15%) and Finance (+1.49%), whilst the worst performing sectors were Plantation (-0.7%) and Property (-0.19%). The FBM Small Cap Index gained 1.14%. Average value traded on Bursa in June was RM2548m down 30% from RM3.29bn in May.

### OUTLOOK

- ▶ Despite an eventful first half of 2017, global growth remains relatively resilient, but we expect uncertainty and volatility to prevail in the second half of the year as geo-political tensions in the Middle East and from North Korea have not abated. Add into the mix the potential for policy misstep in the United States, Brexit related difficulties affecting growth in the UK, and the eventual normalization of monetary policy globally.
- ▶ The Malaysian economy thus far has been fairly resilient thanks to firmer commodity prices. However, the weak crude oil prices of late due to the supply concerns may be negative for the economy should the oil prices remain lower for longer. Reported abundant plantings of soya bean, half way around the world would potentially be negative for crude palm oil prices, another important commodity for Malaysia. Nevertheless, domestic interest in equities remain relatively high with increased M&A activities, where various government linked companies look to enhance value, consolidate and improve on profitability and efficiency. Improved IPO pipeline in 2017 and increased capital market deals will help sustain interest in Malaysia
- ▶ Equity markets have had a good rally year to date, and whilst fundamentals of the economy remain relatively positive, we continue to be cautious due to the potential external headwinds. Nevertheless, any market corrections serve as an opportunity to accumulate fundamentally strong stocks on weakness.

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### INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-May-17	30-Jun-17	+/-	%
<b>FBM KLCI</b>	<b>1,765.87</b>	<b>1,763.67</b>	<b>-2.20</b>	<b>-0.12%</b>
<b>FBM MES</b>	<b>6,132.41</b>	<b>6,493.70</b>	<b>361.29</b>	<b>5.89%</b>
<b>FBM 100</b>	<b>12,214.65</b>	<b>12,234.89</b>	<b>20.24</b>	<b>0.17%</b>
<b>FBM 70</b>	<b>14,915.66</b>	<b>15,073.83</b>	<b>158.17</b>	<b>1.06%</b>
<b>FBM SCAP</b>	<b>17,246.94</b>	<b>17,443.96</b>	<b>197.02</b>	<b>1.14%</b>
<b>FBM EMAS</b>	<b>12,569.90</b>	<b>12,598.94</b>	<b>29.04</b>	<b>0.23%</b>
<b>FBM SHA</b>	<b>12,804.02</b>	<b>12,822.15</b>	<b>18.13</b>	<b>0.14%</b>
<b>FBM HIJRAH</b>	<b>14,075.15</b>	<b>14,064.20</b>	<b>-10.95</b>	<b>-0.08%</b>
<b>MSCI APxJ</b>	<b>497.82</b>	<b>504.95</b>	<b>7.13</b>	<b>1.43%</b>

Source: Bloomberg