

Equity Market Review & Outlook

REVIEW

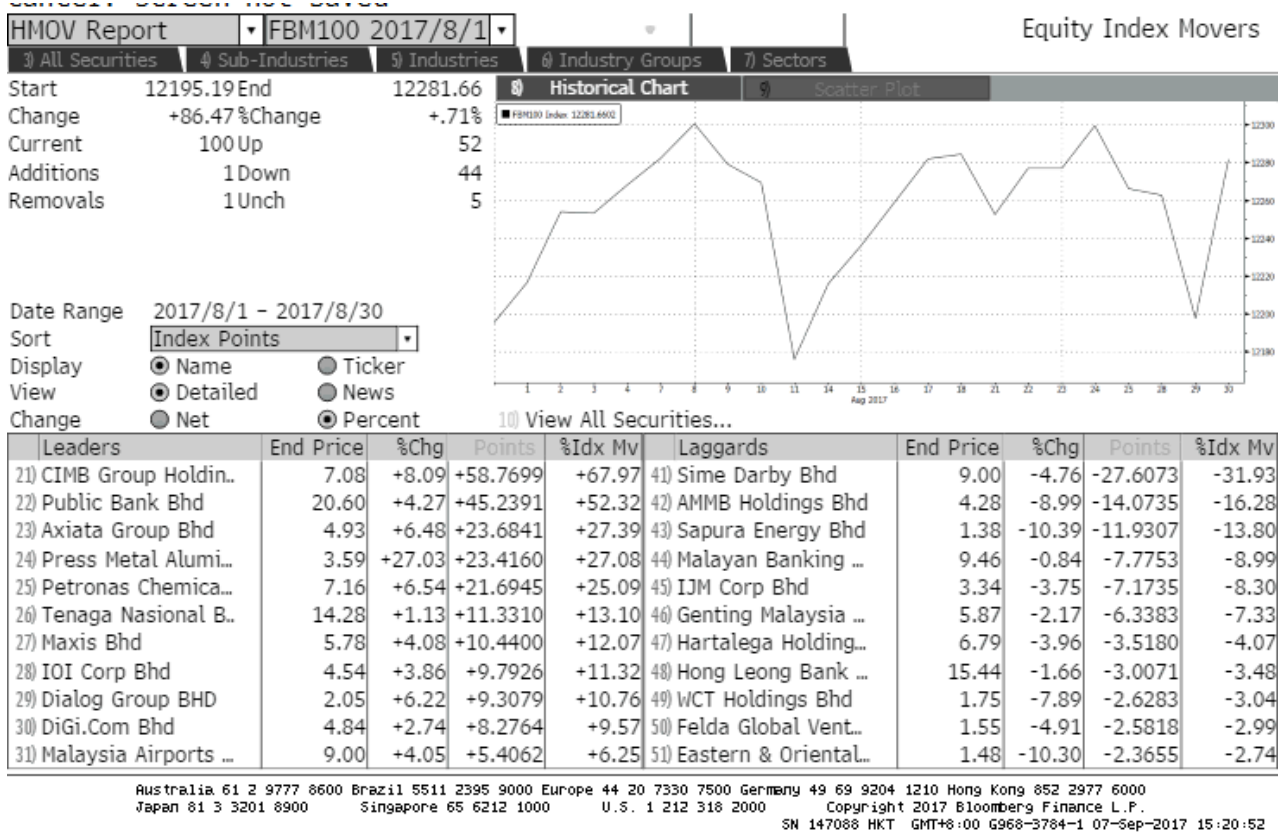
- ▶ The Malaysian equity market was relatively flattish for the month (if not for the spike on the last day of the month) , dragged by lackluster corporate earnings reported for the 2Q2017, and uncertainty regarding geopolitical tensions concerning North Korea, and the impact from US Hurricane Harvey which was the first major hurricane to make landfall in the United States since 2005. Malaysia's GDP growth for 2Q of 5.8% yoy surprising on the upside was not enough of a catalyst to drive investor interest. August saw net foreign outflows of RM0.24bn, compared to RM0.42b of net inflows in July.
- ▶ The KLCI ended the month slightly higher at +0.75% mom to close at 1,773.16 points. The broader market rose by 0.46%, underperforming the KLCI. The best performing sectors were Industrial Production (+0.84%) and Finance (+0.65%), whilst the worst performing sectors were Construction (-1.64%) and Property (-1.3%). The FBM Small Cap Index declined 3.05%. Average value traded on Bursa in August was RM2148m flat from July of RM2156m.

OUTLOOK

- ▶ Global growth resilience may be tested in coming months with the natural disasters in the US in the form of a back to back major hurricanes making landfall in the United States, and uncertainty stemming from rising North Korean tensions as a result of their missile testing activities. Normalization of monetary policy in the United States now may become a question mark as growth may be hampered by Hurricane Harvey and Irma.
- ▶ Malaysia thankfully, is a fairly resilient economy, Crude oil prices continue to remain relatively firmer and is being translated to better overall government finances and contributing positively to our trade surplus. The economic momentum is expected to remain robust in the 2H 2017 as more infrastructure projects commence, boosted by resilient consumer demand, supported by improving tourist numbers. The only concern for the longer term is the seemingly lack of growth from corporate Malaysia where earnings were disappointing for the last 3 years, and 2017 was supposed to be a turnaround year – however after the 1H results season, consensus seem uncertain what the growth trend will be with wide ranging expectation for 2017 earnings growth of between 0.4%-7%.
- ▶ 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-Jul-17	31-Aug-17	+/-	%
FBM KLCI	1,760.03	1,773.16	13.13	0.75%
FBM MES	6,531.63	6,612.74	81.11	1.24%
FBM 100	12,195.19	12,281.66	86.47	0.71%
FBM 70	14,970.60	15,059.84	89.24	0.60%
FBM SCAP	17,274.82	16,747.36	-527.46	-3.05%
FBM EMAS	12,552.60	12,610.07	57.47	0.46%
FBM SHA	12,717.64	12,749.09	31.45	0.25%
FBM HIJRAH	13,916.52	13,950.65	34.13	0.25%
MSCI APxJ	529.23	532.53	3.30	0.62%

Source: Bloomberg