

Equity Market Review & Outlook

REVIEW

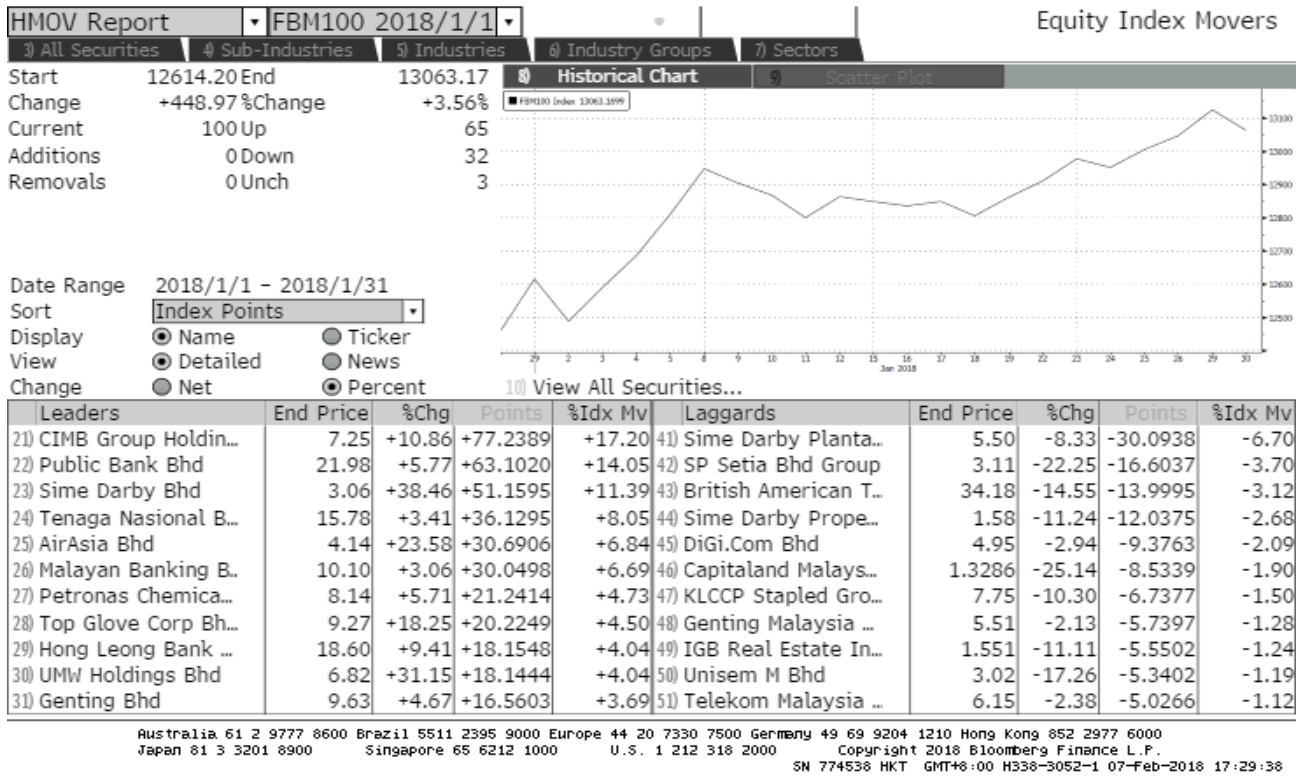
- ▶ The Month of January was a good start for global markets and Malaysia, driven by improving economic prospect and positive investor sentiment despite the distraction of a three-day US government shutdown. Expectation of the ringgit to remain strong and continue to appreciate, amidst an environment of higher oil prices, Bank Negara Malaysia hiking OPR by 25bps, and inflow of foreign funds into Malaysia. Crude oil prices posted solid performances in January with WTI up 7.1% and Brent crude up 3% to USD64.73 and USD69.4 respectively. The ringgit was amongst the best performing currencies in the region gaining 4.1%, while the dollar index fell 3.2% for the month.
- ▶ The KLCI closed the month higher at 4.0%% mom to close at 1,868 points. The broader market gained by 3.3%, marginally underperforming the KLCI. The best performing sectors were Finance (+6.14%) and Industrial Production (+4.12%), whilst the worst performing sectors were technology (-5.52%) and Property (-1.96%). The FBM Small Cap Index gained only 0.2%. Average value traded on Bursa in January was RM3.77b higher by 48% mom from Dec as foreign investors were net buyers for the month of RM3.4b.

OUTLOOK

- ▶ Despite the volatility facing global markets early February, whilst the US is still trying to sort out its Budget deficit proposals, investors got spooked by the better employment numbers and the sudden realization that another US rate hike is now likely in the cards for the coming FOMC meeting in March. That seems rather irrational given Bloomberg showed that the probability of another hike since late January was already at 80% for March 2018. In any case, the current economic data still indicates that a synchronized global recovery is underway, and barring any black swan events, it should gain momentum.
- ▶ Malaysia was not sheltered by the correction felt by global markets, however, it is always a low beta market and the abundance of local institutional liquidity should provide some support to the equity market. The month of February is likely to be very volatile as the Chinese New Year celebrations and closing of equity markets mid-month, may mean investors would rather take money of the table than risk not being able to trade whilst markets are closed during the festive period in the region. February will also be results reporting month for many corporates, but if there are any positive surprises, it may be overlooked as investors remain jittery. The recent market correction provides an opportunity to accumulate stocks that are fundamentally strong but are now at a more attractive valuation.

Equity Market Review & Outlook

INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		M o M Changes	
	31-Dec-17	31-Jan-18	+/-	%
FBM KLCI	1796.81	1868.58	71.77	3.99%
FBM MES	6603.55	6490.91	-112.64	-1.71%
FBM 100	12614.2	13063.17	448.97	3.56%
FBM 70	16085.54	16473.55	388.01	2.41%
FBM SCAP	17050.87	17084.76	33.89	0.20%
FBM EMAS	12942.57	13371.86	429.29	3.32%
FBM SHA	13302.92	13658.05	355.13	2.67%
FBM HIJRAH	14528.19	15039.01	510.82	3.52%
MSCI APxJ	569.62	607.74	38.12	6.69%

Source: Bloomberg