

Equity Market Review & Outlook

REVIEW

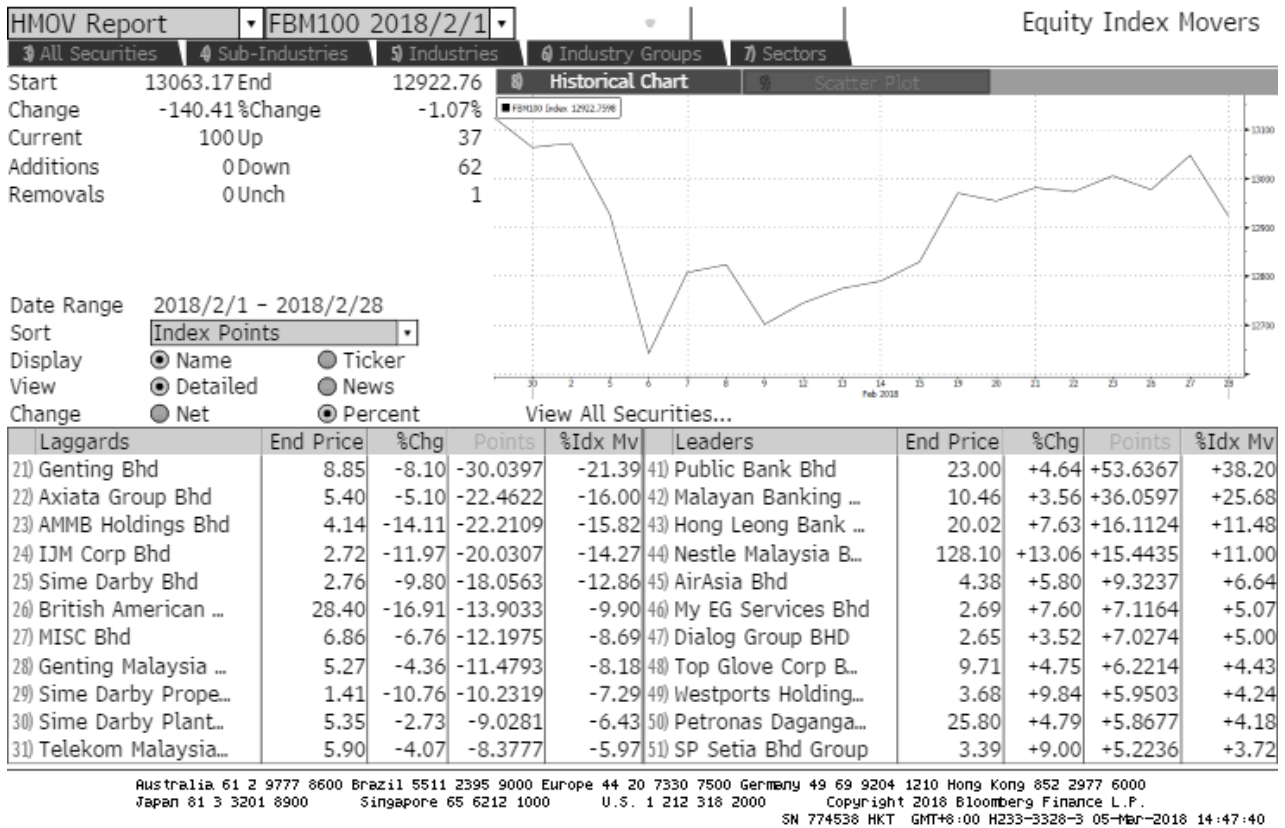
- ▶ After a good start in January for global markets and Malaysian equity markets alike, the month of February saw markets correct triggered by the sharp sell-down in the US Dow Jones Index on the 5 Feb 2018 which declined by 4.6%. The irony being that the market was spooked by the stronger job and wage data in the US, stoking fears of higher than expected inflation which may result in the US Federal Reserve being more hawkish, triggering a sell-off in the US bond market. The Malaysian equity market corrected as foreign investors reduced their exposure in Malaysia with Rm1.2bn net outflow for the month. Malaysian corporate results reporting for the 4Q2017 period which were announced in February were generally inline, and whilst 2017 earnings closed with a decent 7% growth yoy, consensus is expecting 2018 earnings growth to register similar levels of growth.
- ▶ The KLCI closed the month lower at 0.66% mom to close at 1,856.2 points. The broader market declined by 1.15%, marginally underperforming the KLCI. The best performing sector was Consumer (+2.40%) driven mainly by the spectacular performance of Nestle Berhad, which has continued its upward trend after its inclusion into the MSCI Malaysia Index and FBMKLCI index. The worst performing sectors were Construction (-5.93%) and Industrial (-4.71%). The FBM Small Cap Index declined by 2.13%. Average value traded on Bursa in February was RM2.87b lower by 17% mom from January, partly due to the shorter trading month.

OUTLOOK

- ▶ Volatility in global markets will likely continue for a while. Whilst current economic data still indicates that a synchronized global recovery is underway and expected to gain momentum, investors continue to fret whether this would mean the FOMC would be more aggressive with their rate hikes than expected. Bloomberg shows that the probability of a rate hike in March 2018 is at 100%. US President Trump also decided to “make-good” on one of his election promises by imposing hefty tariffs on steel and aluminum imports from China, Canada, and the EU. This protectionist measure needs to be monitored as it was one of the election promises that many trading nations were concerned about most. US increased protectionist stance will invite retaliating measures from their trading partners, which can have a negative impact on global growth.
- ▶ 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. Investors will be mindful about the US FOMC expected rate hike on 21 March 2018, the impending BNM annual Economic Report which will reveal the BNM’s growth forecast for Malaysia, and speculate over when the next General Elections will be called. 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		MoM Changes	
	31-Jan-18	28-Feb-18	+/-	%
FBM KLCI	1868.58	1856.2	-12.38	-0.66%
FBM MES	6490.91	6206.84	-284.07	-4.38%
FBM 100	13063.17	12922.76	-140.41	-1.07%
FBM 70	16473.55	16114.5	-359.05	-2.18%
FBM SCAP	17084.76	16720.59	-364.17	-2.13%
FBM EMAS	13371.86	13218.25	-153.61	-1.15%
FBM SHA	13658.05	13427.51	-230.54	-1.69%
FBM HIJRAH	15039.01	14812.87	-226.14	-1.50%
MSCI APxJ	607.74	577.95	-29.79	-4.90%

Source: Bloomberg