

Equity Market Review & Outlook

REVIEW

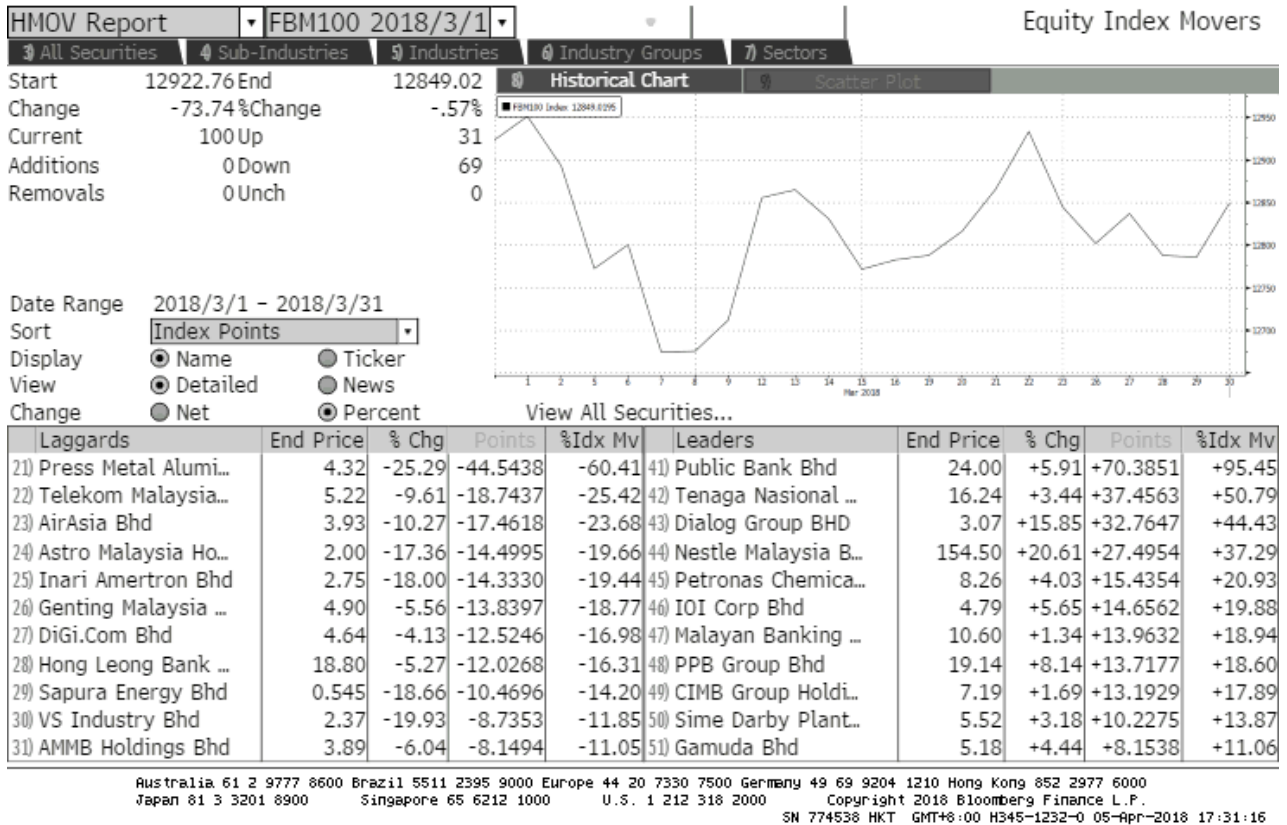
- ▶ Global markets corrected sharply in March as investors sold down on concerns regarding global growth concerns after escalating US protectionist stance with US President Trump deciding to “make-good” on one of his election promises by imposing hefty tariffs on steel and aluminum imports from China, Canada, and the EU. This subsequently led to China retaliating with their own increase of tariffs on exports from the US – increasing US-China trade tensions. Malaysian equity markets similarly was volatile in tandem with global markets, given the openness of the Malaysian economy. However, the Malaysian ringgit during the period managed to maintain its strength against the USD, appreciating 1.6% mom, supported by firmer oil prices.
- ▶ The KLCI closed the month slightly up at 0.39% mom to close at 1,863.46 points. The broader market declined by 1.31%, underperforming the KLCI. The best performing sector was Consumer (+3.56%) for the second consecutive month as Nestle Berhad’s share price continued its rally, after its inclusion in the MSCI Malaysia Index and FBMKLCI index. The worst performing sectors were Technology (-15.30%) and Property (-8.31%). Technology stocks continued to perform poorly suffering from the negative sentiment from the escalating trade war. Sentiment for the property sector continues to be weak, dampened by potential oversupply and affordability issues compounded by the January Bank Negara rate hike. The FBM Small Cap Index declined by 11.15%. Average value traded on Bursa in March was RM2724m lower than Feb by 5%.

OUTLOOK

- ▶ Global market volatility gained momentum in recent weeks as the trade war/ protectionist rhetoric coming from the US and China became louder. Markets remain hopeful that calmer heads will prevail, as an increased protectionist stance will invite retaliating measures from trading partners, which can have a negative impact on global growth. Economic data so far still indicates a synchronized global recovery, but even the US FOMC Chairman Powell noted there is a potential risk to growth and inflation from the economic impact of the restrictive trade policies.
- ▶ 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 somewhat. With the announcement of dissolution of the parliament by the Prime Minister of Malaysia on the 6 April, investors will likely be on the sidelines as we get closer to the date of the actual date for the General Elections, expected early May (yet to be officially announced as at time of writing). Any correction in the market would serve as an opportunity to accumulate fundamentally strong stocks.

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INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		M o M Changes	
	28-Feb-18	31-Mar-18	+/-	%
FBM KLCI	1856.2	1863.46	7.26	0.39%
FBM MES	6206.84	5455.89	-750.95	-12.10%
FBM 100	12922.76	12849.02	-73.74	-0.57%
FBM 70	16114.5	15601.39	-513.11	-3.18%
FBM SCAP	16720.59	14856.33	-1,864.26	-11.15%
FBM EMAS	13218.25	13045.59	-172.66	-1.31%
FBM SHA	13427.51	13230.74	-196.77	-1.47%
FBM HIJRAH	14812.87	15057.57	244.70	1.65%
M S C I A P x J	577.95	563.96	-13.99	-2.42%

Source: Bloomberg