

FUND COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

December 2018





REVIEW

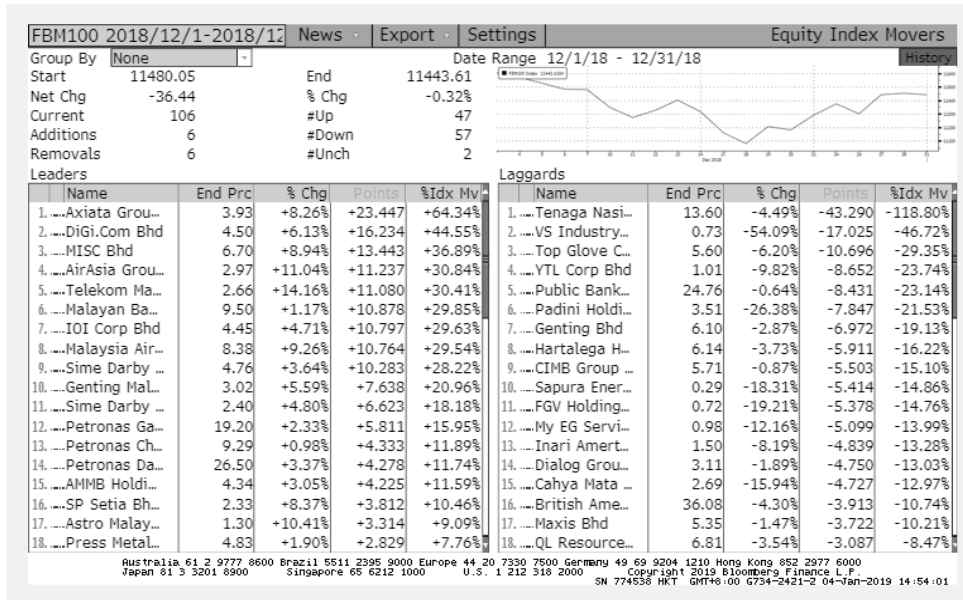
- › December month for Malaysian equities closed slightly higher, partly aided by some window dressing activities at the close of the year. Crude oil prices continued to be weak in December, falling 9% (to USD53.80/bbl for Brent) and 10.8% (to USD45.4/bbl for WTI) respectively. Hence it was not surprising for OPEC and its allies to agree to further cuts in production; at least until April 2019. External events during the month added to the volatility, such as the arrest of Huawei's CFO in Canada, just after the US and China announced a temporary trade war truce on 30 Nov 2018. By the end of the month, Malaysia received a bit a good news, with Moody's Rating agency affirming Malaysia's local and foreign currency issuer and senior unsecured debt ratings at A3 with stable outlook.
- › The KLCI closed the month at 1,690.58 points, up 0.64% mom as the big cap stocks outperformed, whilst the FBM Small Cap Index declined 7.09% mom. The best performing sectors were Telecommunication (+1.05%) and Plantation (+0.73%). The worst performing sectors were Technology (-8.26%) and Energy (-8.0%) mom. However for the year of 2018, the KLCI declined 5.9% yoy, Average value traded on Bursa in December was RM1739m, down 22% mom.

OUTLOOK

- › External headwinds seem to be getting stronger, with a lot of uncertainties likely to prevail and fuel more volatility. The weak China PMI numbers and the growing expectation of the US economy faltering are legitimate concerns we need to be mindful of. Malaysia's economy should be relatively resilient, but not immune. Weak global growth numbers will likely lead to weak demand for commodities such as crude oil and palm oil, commodities that Malaysia relies upon quite heavily. In addition, our largest trading partner's slowing growth is already having an impact on the demand of US branded handsets, which will have an impact on future new orders Malaysian E&E exporters may be supplying to.
- › With near term catalysts lacking for Malaysia, we expect this sort of volatility to continue; be it from domestic politics or policies, made more challenging by external noises from the ongoing US-China trade war/truce, US monetary policy, and volatilities in oil prices. Many of these things are out of our control, and we have to remain focused on companies that have strong fundamentals and a good track record of thriving even in challenging environments.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Nov-18	31-Dec-18	+/-	%
FBM KLCI	1679.86	1690.58	10.72	0.64%
FBM MES	4764.43	4317.49	-446.94	-9.38%
FBM 100	11480.05	11443.61	-36.44	-0.32%
FBM 70	13541.91	13075.19	-466.72	-3.45%
FBM SCAP	12161.37	11298.74	-862.63	-7.09%
FBM EMAS	11604.34	11527.51	-76.83	-0.66%
FBM SHA	11633.44	11504.43	-129.01	-1.11%
FBM HIJRAH	13115.11	13110.33	-4.78	-0.04%
MSCI AP xJ	491.89	477.09	-14.81	-3.01%

Source: Bloomberg