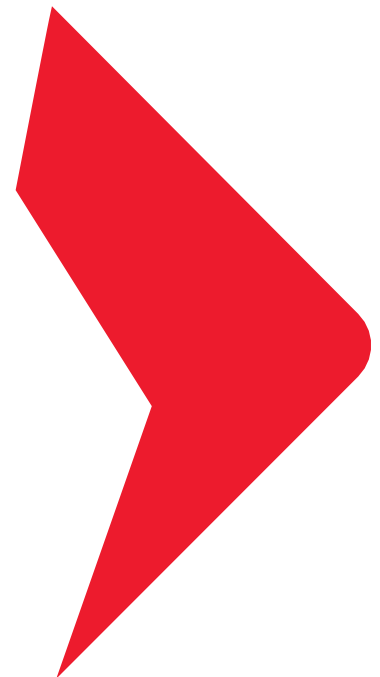


MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

October 2019





REVIEW

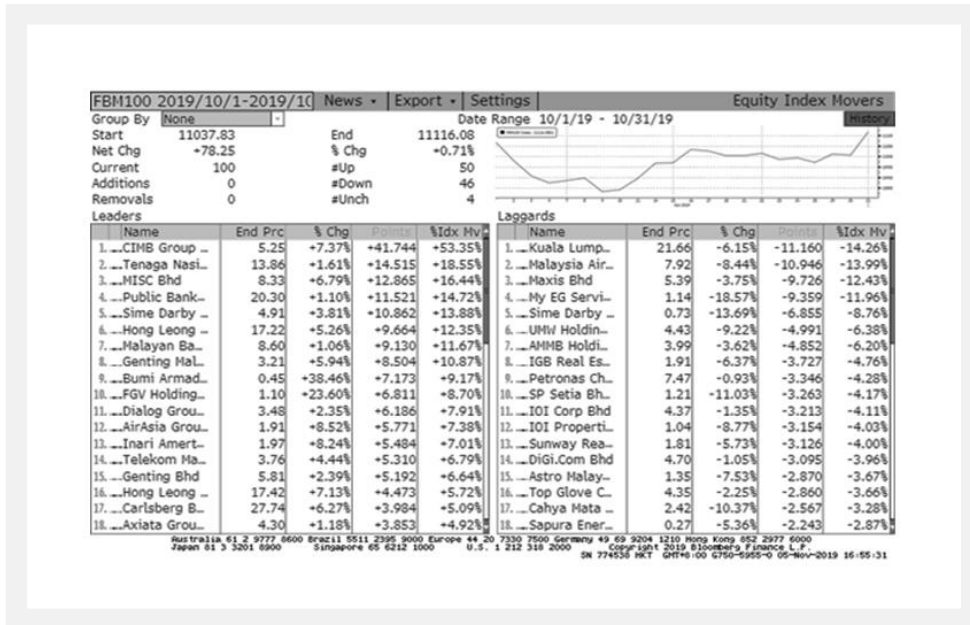
- ▶ Global and regional markets trended up in the month of October amid improved global market sentiments and progress being made on the US-China phase 1 trade deal negotiations currently underway. The KLCI had a weak start in October, with the main event of the month being the announcement of Budget 2020 on 11 Oct 2019. We deem Malaysia's Budget 2020 to be mildly positive as it is focused on measures aimed at promoting jobs, FDIs, and structural reforms, rather than the traditional mega infrastructure pump-priming. The Budget 2020 offered tax incentives that should benefit the Electronic and non-electronic manufacturing sectors.
- ▶ The KLCI rose 0.89% mom in Oct 2019 to close at 1597.98 points, rebounding from September's 4-year's low. The FBM Small Cap index gained 5.39% for the month outperforming the KLCI. The best performing sector was Energy (+7.9%) and Technology (5.79%). The worst performing sectors were Telco & Media (-3.7%) and Property (-2.53%). Foreign investors were net sellers again of equities for the month of October of RM0.5bn, making the YTD net foreign outflow of RM8.3bn from equities. Average value traded on Bursa in Oct was RM2095m, higher by 7.5% mom.

OUTLOOK

- ▶ The month of November has historically been weak for the performance of KLCI, which has registered an average of -1.3% mom loss over the past 10 years. We continue to expect volatility for the Malaysian equity market driven by external headwinds. Investors will be monitoring the developments on the US-China Phase 1 trade deal, expected to be signed mid-November; and updates regarding Brexit. The Saudi Aramco listing prospectus should be available on the 9 November 2019, which will be of interest to see what valuations it would be listed at, and would serve as some sort of benchmark should Malaysia take the same route to list Petronas Carigali.
- ▶ Whilst we maintain a relatively cautious outlook, we are hopeful that there could be some earnings recovery in 2020, given the dismal and uninspiring growth seen for the last 3-4 years. Despite this potential green-shoot, we are cognizant of the risks of our own making, such as the increasing government interference in commercial negotiations causing disruptions, policy flip-flops or weak messaging resulting in confusion amongst the market players, and distracting political infighting. Nevertheless, we remain focused on accumulating fundamentally sound stocks on weakness.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Sep-19	31-Oct-19	+/-	%
FBM KLCI	1583.91	1597.98	14.07	0.89
FBM MES	4495.12	4973.11	477.99	10.63
FBM 100	11037.83	11116.08	78.25	0.71
FBM 70	13933.07	13950.26	17.19	0.12
FBM SCAP	12978.08	13678.21	700.13	5.39
FBM EMAS	11203.71	11305.73	102.02	0.91
FBM SHA	11768.43	11829.78	61.35	0.52
FBM HIJRAH	13080.77	13086.4	5.63	0.04
MSCI APxJ	502.08	522.12	20.03	3.99

Source: Bloomberg



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