

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

August 2019





REVIEW

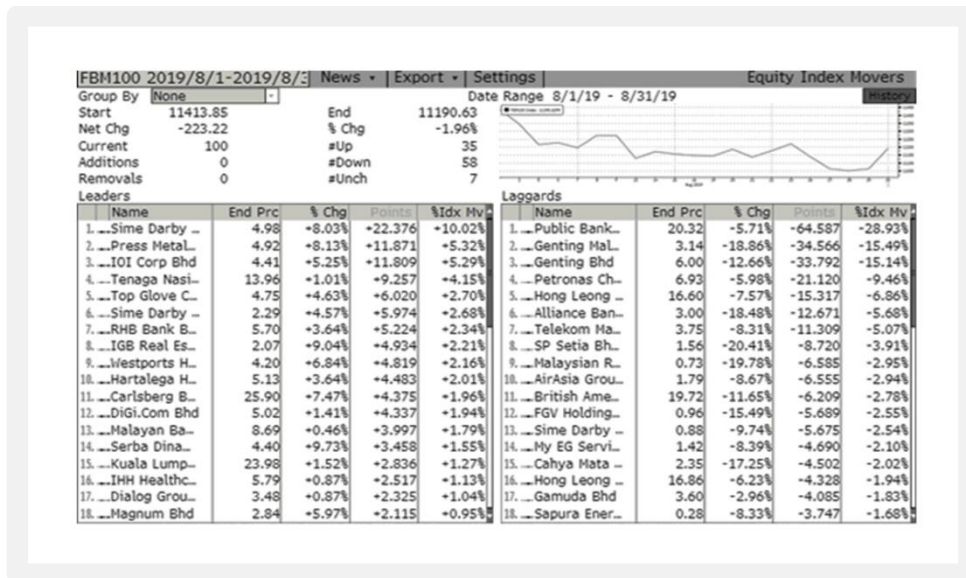
- Regional markets corrected in the month of August, largely due to an escalation in the trade war and fear of increasing recession risks sparked by the further collapse in global bond yields. President Trump announced an additional 10% tariff on a further USD300bn in Chinese imports starting 1 Sept 2019, followed by the US designating China as a “currency manipulator”. Domestically, the Malaysian ringgit depreciated by about 2% for the month, given its correlation with the China’s CNY which depreciated 3.8% against the USD. Brent crude oil prices declined by 7.3% for the month on concerns of slowing global growth and demand. August recorded net equity outflow of RM2.6bn, bringing the total equity outflow for 2019 at RM7.3bn so far. 2Q2019 results season reported was uninspiring yet again with more downgrades in earnings by consensus. The KLCI declined 1.39% mom in Aug 2019 to close at 1612.14 points, and was one of the worst performer in the region.
- The FBM Small Cap index declined 4.87% for the month underperforming the KLCI. The best performing sector was Plantation (+2.32%) and Utility (-0.8%). The worst performing sectors were Property (-7.88%) and Construction (-4.37%). Average value traded on Bursa in Aug was RM2008m, lower by 12.5% mom.

OUTLOOK

- We continue to expect volatility for the Malaysian equity market, driven by external headwinds. With the resumption of the US-China trade tensions, uncertainty remains high, and risk to growth will increase. BNM also highlighted this risk could also potentially impact Malaysia’s GDP negatively given how integrated Malaysia is to the global value chain. Investors will be monitoring the FTSE Russell WGBI announcement expected on 27 Sept 2019 on whether Malaysia will be excluded or not. Thereafter Budget 2020 will be announced on the 11 Oct 2019.
- While we remain cautious over the near-term due to the continued volatility, we see opportunities with the recent market correction and look to accumulate stocks on weakness. There will be pockets of opportunities and value as we navigate through the volatility by focusing on companies with strong fundamentals and good track record of thriving even in challenging environments.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Jul-19	31-Aug-19	+/-	%
FBM KLCI	1634.87	1612.14	-22.73	-1.39
FBM MES	4767.79	4488.2	-279.59	-5.86
FBM 100	11413.85	11190.63	-223.22	-1.96
FBM 70	14494.35	13944.71	-549.64	-3.79
FBM SCAP	13536.68	12876.98	-659.70	-4.87
FBM EMAS	11589.67	11348.5	-241.17	-2.08
FBM SHA	12002.94	11912.05	-90.89	-0.76
FBM HIJRAH	13342.3	13361.26	18.96	0.14
MSCI APxJ	519.13	494.65	-24.47	-4.71

Source: Bloomberg



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