

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

September 2019





REVIEW

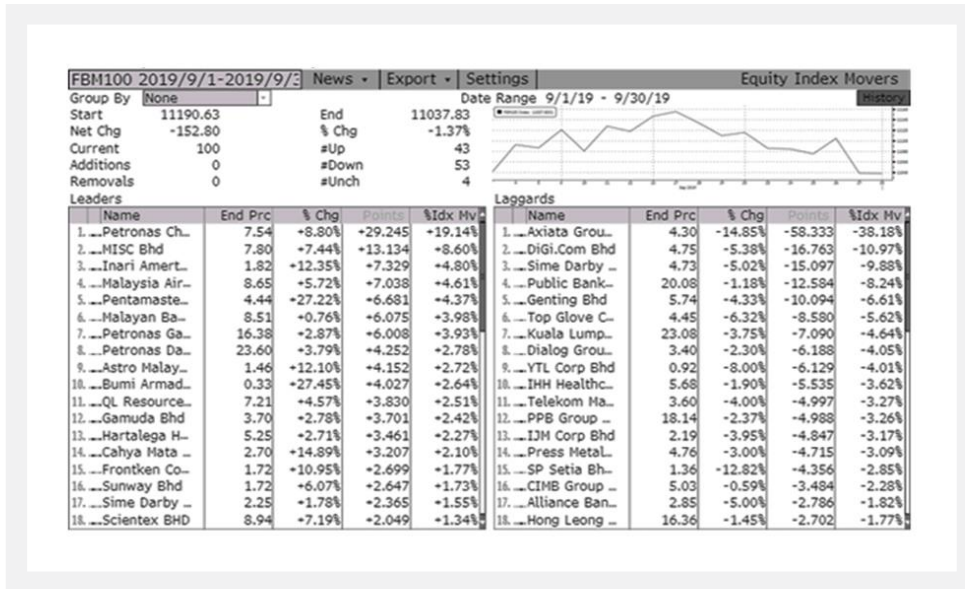
- ▶ Global and regional equity markets reversed some of the August losses amid renewed optimism as US and China return to the negotiation tables again. However, markets lost some momentum later in the month following a drone attack on Saudi's oil facilities and an impeachment inquiry launched against the US President Trump.
- ▶ Investor sentiment domestically weakened following the end to Axiata and Telenor Asia merger talks due to "complexities", which led to profit taking activities. FTSE Russell's decision to defer Malaysia's exclusion from the World Global Bond Index (WGBI) and keeping it on the watchlist, was a relief but could be a case of kicking the can down the road, with the next review in March 2020. The KLCI declined 1.75% mom in Sept 2019 to close at 1583.91 points and continues to be one of the worst performers in the region. KLCI's September close was the lowest since August 2015. The FBM Small Cap index gained 0.79% for the month outperforming the KLCI. The best performing sector was Technology (+7.10%) and Energy (4.2%). The worst performing sectors were Property (-3.71%) and Plantation (-2.45%). Average value traded on Bursa in Sept was RM1947m, lower by 3% mom.

OUTLOOK

- ▶ We continue to expect volatility for the Malaysian equity market, driven by external headwinds, particularly growing geopolitical risks. Whilst the US and China are due to meet on the 10 Oct 2019 in their efforts to negotiate a trade truce, uncertainty continues to rule the day. Given how integrated Malaysia is to the global value chain, this is a risk that could potentially impact Malaysia's GDP negatively. Budget 2020 will be announced on the 11 Oct 2019, which we expect to be themed around "shared prosperity", possibly continuing with the B40 focus. We hope to see more business-friendly incentives offered in the Budget 2020, to drive private investment, and compete more effectively versus our regional peers.
- ▶ We remain cautious over the near term given the lack of positive catalysts to drive the market and corporate earnings outlook remaining uninspiring. Increasing government interference in what should be commercial negotiations is a concern as it disrupts the economy's efficient supply and demand dynamics. However, the recent market correction provides us with an opportunity to accumulate fundamentally sound 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-Aug-19	30-Sep-19	+/-	%
FBM KLCI	1612.14	1583.91	-28.23	-1.75%
FBM MES	4488.2	4495.12	6.92	0.15%
FBM 100	11190.63	11037.83	-152.80	-1.37%
FBM 70	13944.71	13933.07	-11.64	-0.08%
FBM SCAP	12876.98	12978.08	101.10	0.79%
FBM EMAS	11348.5	11203.71	-144.79	-1.28%
FBM SHA	11912.05	11768.43	-143.62	-1.21%
FBM HIJRAH	13361.26	13080.77	-280.49	-2.10%
MSCI APxJ	494.65	502.08	7.43	1.50%

Source: Bloomberg



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