

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

February 2020





REVIEW

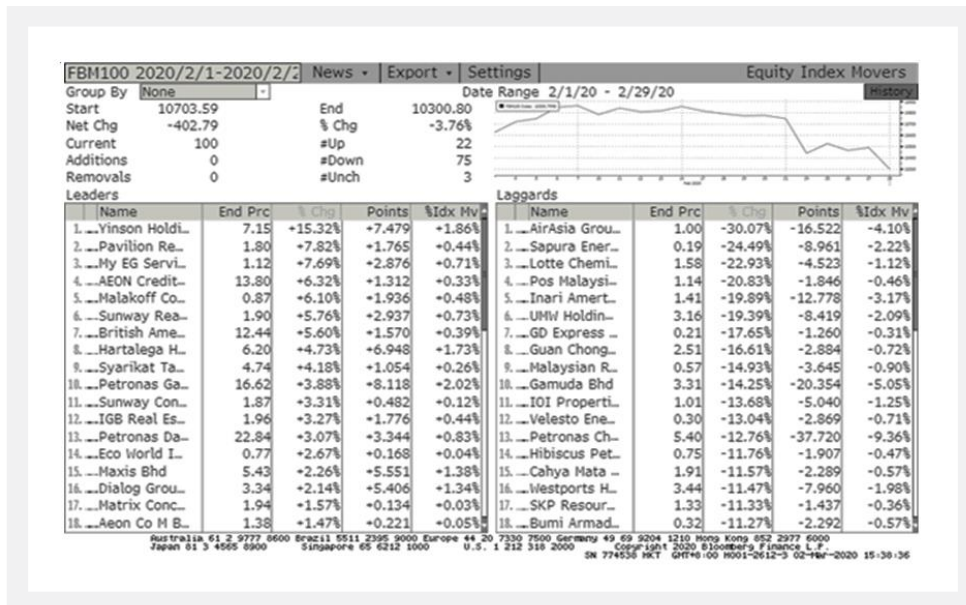
- Markets corrected in the month of February as the world focused on the outbreak of COVID-19, as countries outside of China reported rising numbers of confirmed cases and deaths. Malaysian equity markets continued to be weak, on the back of lower than expected 4Q2019 GDP growth of 3.6% yoy, and the implication of the COVID-19 outbreak on 2020 GDP growth, which the government forecasts to range 3.2-4.2%. 4Q2019 corporate earnings reported during the month disappointed, resulting in 2019 KLCI earnings declining by 9%, the second consecutive year of negative earnings growth. The month ended with political upheaval as the Pakatan Harapan government saw the departure of Bersatu from their coalition, to find support from Barisan Nasional and PAS political parties. Investors endured a week of uncertainty, with Tun Mahathir resigning as the Prime Minister to then being appointed as interim PM, and then finally the appointment by the King of Tan Sri Muhyiddin Yassin as Malaysia's Prime Minister.
- The KLCI declined 3.16% mom in February 2020 to close at 1482.64 points, the lowest level since end-2011. The FBM Small Cap index declined 4.05% for the month underperforming the KLCI. The sectors that declined the least were Utilities (-1.6%) and Telecommunication (-2.4%). The worst performing sectors were Energy (-8.0%) and Construction (-7.52%). Average value traded on Bursa in February was RM2640m higher by 19% mom.

OUTLOOK

- The start of 2020 is already marred with geo-political tensions, natural disasters, and a viral outbreak. Depending on how long this COVID-19 outbreak continues, we would expect global growth to be affected by the muted consumption and manufacturing activities, given the increased importance of China's economy to global growth.
- The black swan event of the change of government in Malaysia will add to the drag on the economy, already weighed down by the COVID-19 outbreak, and weaker outlook for the commodity-related sectors. Cognizant of the risks, the MPC of BNM announced the second consecutive cut to OPR of 25bps on 3 March 2020, bringing the OPR rate to 2.5%. We do not rule out the possibility of another OPR cut should economic growth continue to be weak.
- Uncertainty surrounding the change of government in Malaysia will be the cause of weak sentiment and volatility for the next few months. We await the announcement of the ministers chosen for the new cabinet to assess their capability in addressing the economic woes plaguing Malaysians currently. We are also concerned that the reform agenda that formed part of the previous government's mandate will now take a back seat, which may increase Malaysia's long term risk premium. With the correction in the market, we remain focused on accumulating fundamentally sound stocks on weakness.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Jan-20	29-Feb-20	+/-	%
FBM KLCI	1531.06	1482.64	-48.42	-3.16%
FBM MES	5377.22	5238.29	-138.93	-2.58%
FBM 100	10703.59	10300.8	-402.79	-3.76%
FBM 70	13651.5	12873.92	-777.58	-5.70%
FBM SCAP	13274.12	12736.02	-538.10	-4.05%
FBM EMAS	10890.12	10478.77	-411.35	-3.78%
FBM SHA	11552.7	11121.15	-431.55	-3.74%
FBM HIJRAH	12816.01	12346.81	-469.20	-3.66%
MSCI APxJ	532.15	509.01	-23.14	-4.35%

Source: Bloomberg



Disclaimer

This document is prepared for information purposes only and may not be published, circulated, reproduced or distributed in whole or part, whether directly or indirectly, to any other person without the prior written consent of Eastspring Investments Berhad. It should not be construed as an offer or solicitation for the subscription, purchase or sale of any securities mentioned herein. Whilst we have taken all reasonable care to ensure that the information contained in this document is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness. Any opinion or estimate contained in this document is subject to change without notice. Investors may wish to seek advice from a professional adviser before making a commitment to invest in units of any of our funds. Eastspring Investments Berhad and its related and affiliated corporations together with their respective directors and officers may have or may take positions in the securities mentioned in this document and may also perform or seek to perform other investment services for the corporations whose securities are mentioned in this document as well as other parties. The graphs or charts are included for illustrative purposes only. Past performance is not necessarily a guide to future performance. The predictions, projections, or forecast on the economy, securities markets or the economic trends of the markets are not necessarily indicative of the future or likely performance of Eastspring Investments Berhad or any funds managed by Eastspring Investments Berhad. The value and any income accruing to the investments, if any, may fall as well as rise. An investment is subject to investment risks, including the possible loss of the principal amount invested. Eastspring Investments companies (excluding JV companies) are ultimately wholly-owned/indirect subsidiaries of Prudential plc of the United Kingdom. Eastspring Investments companies (including JV companies) and Prudential plc are not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or with the Prudential Assurance Company, a subsidiary of M&G plc, a company incorporated in the United Kingdom.