

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

January 2020





REVIEW

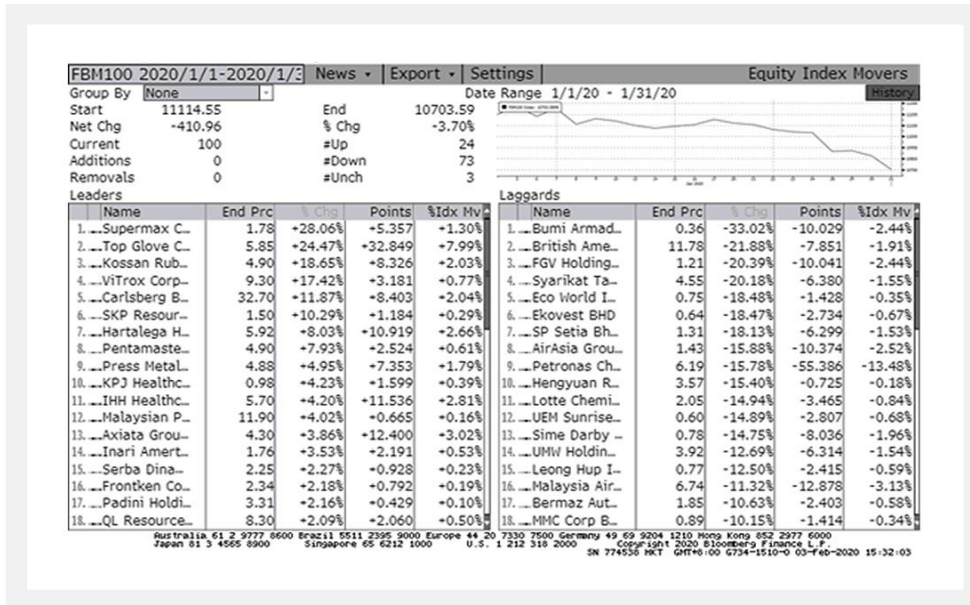
- ▶ January 2020 started with initial bouts of optimism with the phase 1 US-China trade deal having been signed. However, the month of January was plagued by persistent bushfires in Australia, heightened geopolitical risk after US ordered an airstrike that killed Iran's General Qassem Soleimani, Iran's missiles striking a US military base in Iraq in retaliation, a passenger plane shot down in the aftermath, volcanoes erupting in the Philippines, and the outbreak of the Wuhan novel Coronavirus (2019-nCoV). In response to the virus outbreak, China has locked down 10 cities (70 million people), extended the Chinese New Year holiday by 3 days and banned package travel, all in an attempt to stem the contagion.
- ▶ The KLCI declined 3.63% mom in January 2020 to close at 1531.06 points, the lowest level since 2015. The FBM Small Cap index declined 6.29% for the month underperforming the KLCI. The best performing sector was Health care (+9.8%) and Technology (3.11%). The worst performing sectors were Property (-7.98%) and Plantation (-7.63%). Foreign investors were net buyers of equities for the month of January of RM0.1bn, the first net inflow in 6 months. Average value traded on Bursa in January was RM2212m slightly lower by 2.58% mom.

OUTLOOK

- ▶ The start of 2020 already marred with geo-political tensions, natural disasters, and a viral outbreak. Uncertainty will likely continue until we see the numbers affected by the virus decline, and the number of deaths peak. Depending on how long this novel Coronavirus outbreak continues, we would expect some impact from muted consumption and manufacturing activities on global growth, given the increased importance of China's economy to global growth.
- ▶ These external headwinds will weigh on the Malaysian equity market, and potentially mean that the expected earnings recovery for Malaysia will be delayed. 2020 GDP growth for Malaysia may be revised down as consumption will be weak in light of the virus concerns, and lower tourist revenue. Commodity prices such as Crude Palm Oil Brent Crude oil prices have declined 10.6% and 18% respectively YTD on reduced demand from China. Lower oil prices is generally negative for Malaysia as we derive about 20% of revenue from oil related activities.
- ▶ However, given the pre-emptive measures taken by many countries to counter this outbreak, we expect markets to eventually recover from this. Nevertheless, we remain cautiously optimistic that as with previous outbreaks, the spread will be contained with drugs developed to combat the contagion together with improved hygiene practices. We remain focused on accumulating fundamentally sound stocks on weakness.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Dec-19	31-Jan-20	+/-	%
FBM KLCI	1588.76	1531.06	-57.70	-3.63%
FBM MES	5226.59	5377.22	150.63	2.88%
FBM 100	11114.55	10703.59	-410.96	-3.70%
FBM 70	14206.81	13651.5	-555.31	-3.91%
FBM SCAP	14164.43	13274.12	-890.31	-6.29%
FBM EMAS	11323.49	10890.12	-433.37	-3.83%
FBM SHA	11947.92	11552.7	-395.22	-3.31%
FBM HIJRAH	13212.58	12816.01	-396.57	-3.00%
MSCI APxJ	552.69	532.15	-20.54	-3.72%

Source: Bloomberg



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