

# MARKET COMMENTARY

## EQUITY MARKET REVIEW AND OUTLOOK

May 2020





## REVIEW

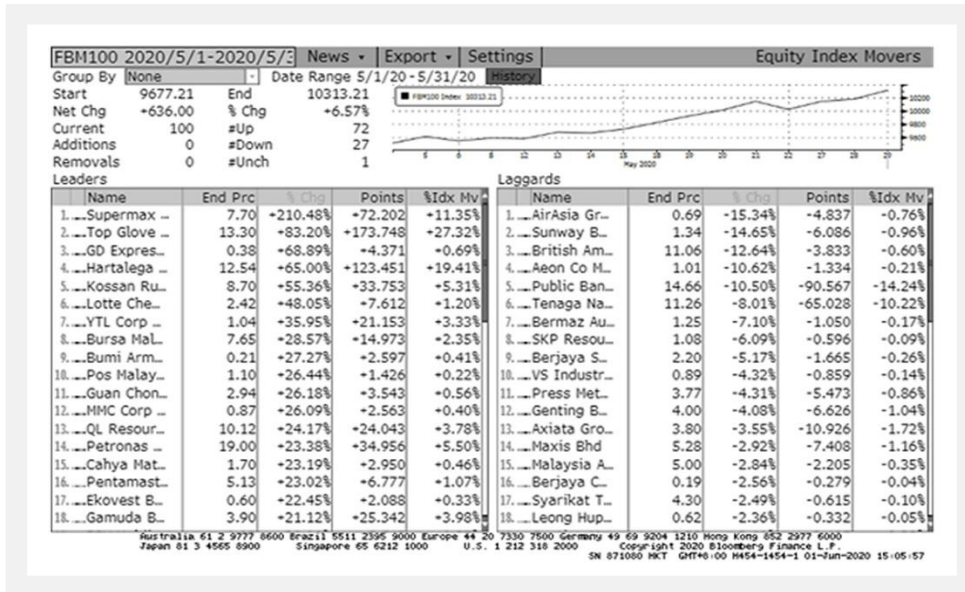
- Malaysia bucked the trend in May registering a gain for the month of 4.65%, whilst the MSCI ex-Japan Index was down 0.56%. Malaysian equities rallied on the back of strong retail investor interest and the strong price performance of the Malaysian glove players, given Malaysian glove players cater to 63% of global glove demand, and is poised to benefit from this COVID-19 pandemic.
- During the month, the Malaysian government announced the Conditional Movement Control Order effective 4 May which saw relaxed movement control rules and extended the CMCO period to 9 June 2020. BNM cut the Overnight Policy Rates by 50 bps to 2% which was expected by the market. Malaysia's positive performance ignored external headwinds in the form of renewed US-China trade tensions. The KLCI gained 65.46 points in May 2020 to close at 1,473.24 points. The FBM Small Cap index gained 8.97% for the month outperforming the KLCI.
- The best performing sectors were Health Care (55.4%) and Transportation (12.7%). The worst performing sectors were Finance (0.08%) and Telecommunication and Media (3.8%). Health care sector rallied due to the rally in the glove stocks. Average value traded on Bursa in May was RM3517m higher by 20% mom.

## OUTLOOK

- We continue to monitor the updates regarding the COVID-19 pandemic and how economies are coping as governments start lifting the restrictions on the lock-down. Globally, this has been further complicated with the resurgence in US-China trade tensions, and more recently the protests in the US. Domestically, focus continues to be on the results season which will drag into the month of June as companies have been given additional grace period to report due to the COVID outbreak.
- 1Q2020 results were mostly below but the 2Q2020 results will be worse given 1Q2020 impact was just 2 weeks from 18 March. Political uncertainty could be on the rise as there were reports that the incumbent government with a current 2-vote majority, is at risk as the opposition coalition is looking to garner MP support to seize back power. We remain cautious as we believe the impact on the economy will be felt over the next few quarters, and the equity market has rallied ahead of fundamentals. In this instance a V-shape recovery doesn't seem likely and it is a matter of how deep a U-shape recovery it will be. Nevertheless, we would look to accumulate fundamentally sound stocks on weakness.



## INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Apr-20	31-May-20	+/-	%
FBM KLCI	1407.78	1473.24	65.46	4.65
FBM MES	4795.1	5619.81	824.71	17.20
FBM 100	9677.21	10313.21	636.00	6.57
FBM 70	11660.23	13195.2	1,534.97	13.16
FBM SCAP	11069.01	12061.84	992.83	8.97
FBM EMAS	9808.58	10463.85	655.27	6.68
FBM SHA	10890.14	12025.22	1,135.08	10.42
FBM HIJRAH	12386.4	13768.76	1,382.36	11.16
MSCI APxJ	478.93	476.26	-2.67	-0.56

Source: Bloomberg



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