

# MARKET COMMENTARY

## EQUITY MARKET REVIEW AND OUTLOOK

March 2019





## REVIEW

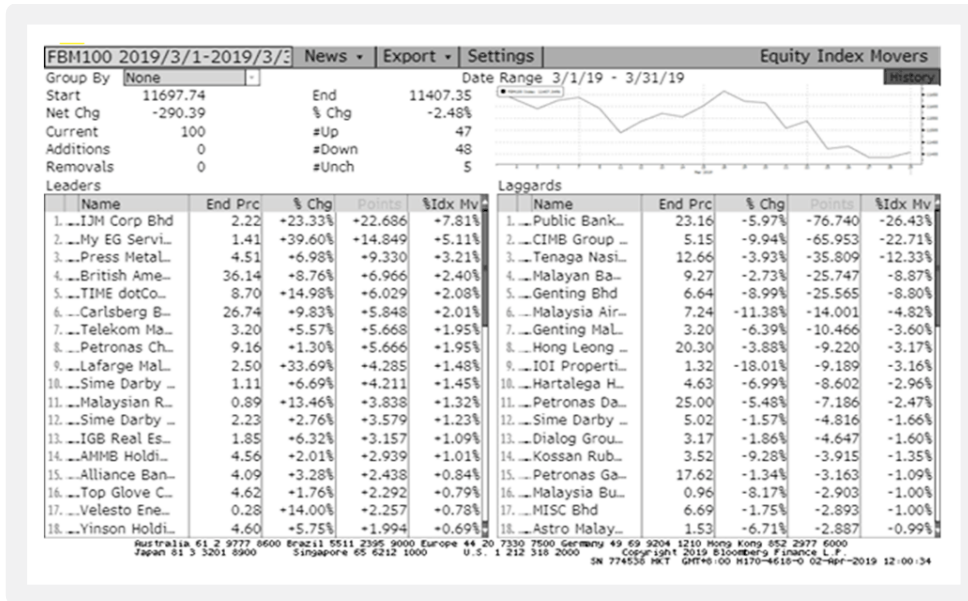
- ▶ Emerging markets generally had a positive month of March, on the back of a more than expected dovish US Federal Reserve, positive news around trade talks and China's fresh stimulus measures. The Malaysian equity market however, was one of the worst performers in the region, with the KLCI declining 3.75% mom in March to close at 1,642.6 points, down 64 points. The market weakness comes after the Invest Malaysia event held on 19-20 March, and amidst the risk to earnings for banks due to a possible rate cut, slower corporate earnings growth prospects and policy uncertainty. Foreign investors were net sellers of equity of RM1.6b in March, bringing 1Q2019 net foreign outflow of RM1.4bn.
- ▶ The FBM Small Cap index gained 1.32% for the month. The best performing sectors were Energy (+7.1%) and Construction (+6.85%). News flow on the revival of the East Coast Rail Line has spurred interest in the construction sector again. The worst performing sectors were Finance (-4.63%) and Transport (-2.2%). Stocks with exposure to Turkey were sold down due to the post elections turmoil which saw the Lira depreciating again. Average value traded on Bursa in March was RM2,995m higher by 55% mom in March (included the crossing of IHH shares between Khazanah and Mitsui & Co.)

## OUTLOOK

- ▶ External headwinds seem to be getting stronger, with a lot of uncertainties likely to prevail and fuel volatility. The US-China trade truce has been extended, and negotiations are still on-going– but still an uncertain outcome. On a positive note, China's Markit Services PMI rose to a 14-month high, matching the improvement in the manufacturing PMI, lifting investor sentiment. A US-China trade deal will apparently give China until 2025 to meet commitments on commodity purchases and allow US companies to wholly own enterprises in China, however enforcement of the agreement will be challenging and potentially problematic. The UK parliament narrowly passed the bill forcing the government to request Article TEU extension, but the risk of snap elections remain high.
- ▶ Domestically, it is challenging to identify positive catalysts that will drive the economy out of this lethargy. Corporates earnings positive surprises will be few, as policy uncertainty will make companies think twice before investing and expanding.
- ▶ Nevertheless, we remain focused on companies that have strong fundamentals and a good track record of thriving even in challenging environments.



## INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	28-Feb-19	31-Mar-19	+/-	%
FBM KLCI	1707.73	1643.63	-64.10	-3.75
FBM MES	4607.1	4832.15	225.05	4.88
FBM 100	11697.74	11407.35	-290.39	-2.48
FBM 70	13944.41	14212.64	268.23	1.92
FBM SCAP	12545.66	12711.3	165.64	1.32
FBM EMAS	11826.7	11553.84	-272.86	-2.31
FBM SHA	11732.11	11688.06	-44.05	-0.38
FBM HIJRAH	13298.01	13164.67	-133.34	-1.00
MSCI APxJ	522.33	529.22	6.89	1.32

Source: Bloomberg



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