

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

August 2020





REVIEW

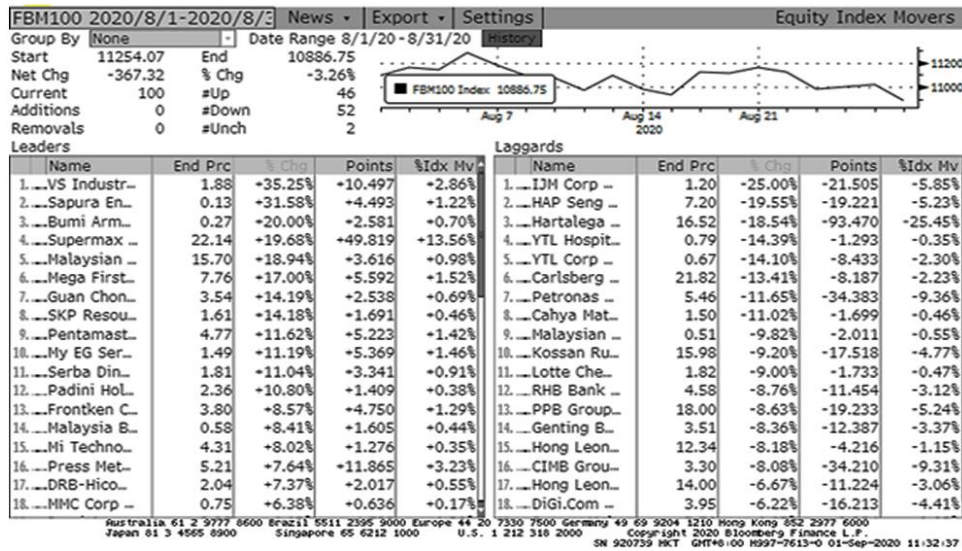
- ▶ Malaysia equity market corrected in the month of August on the back of weaker than expected 2Q20 GDP data and the reporting of results for the period ending June. Hartalega's share price was weak as the results reported in 2Q was below the street's expectations. Banking stocks also declined on higher loan loss provisioning and lower net interest income. In addition, banks with a December financial year end, have withheld their interim dividends. Retail participation continues to grow, pushing the average daily trading volumes and values to 13.77b units and RM6.85b respectively significantly higher by 40.5% and 24.5% mom. Share of retail participation remained high at 40.3% in August, much higher than 2019 average of 25%.
- ▶ Foreign investors however continued to be net sellers in equities of RM1.4b in August for the seventh consecutive month, bringing the year-to-date value of RM19.9b. Both 2019 and 2018 saw net foreign selling of equities of RM10.8b and RM11.6b respectively.
- ▶ The KLCI declined 78.54 points in August to close at 1,525.21 points, down 4.9%. The FBM Small Cap index gained 4.97% for the month outperforming the KLCI. The best performing sectors were Technology (+11.29%) and Health Care (+7.5%). The worst performing sectors were Construction (-4.46%) and Finance (-3.9%).

OUTLOOK

- ▶ Resurgence in new COVID-19 cases globally has resulted in lockdown reinitiated in selective areas. However vaccine trials are in their third phase currently and there is the potential for a commercially available vaccine to be ready by mid 2021. Politics will be a feature in the last few months of the year. Domestically, Sabah's state elections will be held on the 26 Sept 2020, and the result will closely monitored. UMNO's president's court case result will be released in November which could have implications on his party's support for the current Prime Minister. The US will hold their elections in November, where Biden seemingly holding a lead over President Trump in the polls.
- ▶ We remain cautious as liquidity has driven the market to levels exceeding fundamentals. However Malaysia's track record so far in containing the COVID-19 pandemic has been exemplary, and as long as infection numbers remain low, lifting of restrictions will be beneficial for the economy. The recovery may be fragile given the weak global demand and threats of a second wave globally. Nevertheless, we would look to accumulate fundamentally sound stocks on weakness.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Jul-20	31-Aug-20	+/-	%
FBM KLCI	1,603.75	1,525.21	-78.54	-4.90
FBM MES	8,534.88	10,979.27	2,444.39	28.64
FBM 100	11,254.07	10,886.75	-367.32	-3.26
FBM 70	14,495.58	14,747.39	251.81	1.74
FBM SCAP	13,051.28	13,699.70	648.42	4.97
FBM EMAS	11,413.93	11,085.58	-328.35	-2.88
FBM SHA	13,439.53	13,166.65	-272.88	-2.03
FBM HIJRAH	15,620.60	15,027.76	-592.84	-3.80
MSCI APxJ	551.63	571.45	19.81	3.59

Source: Bloomberg



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