

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

December 2021





REVIEW

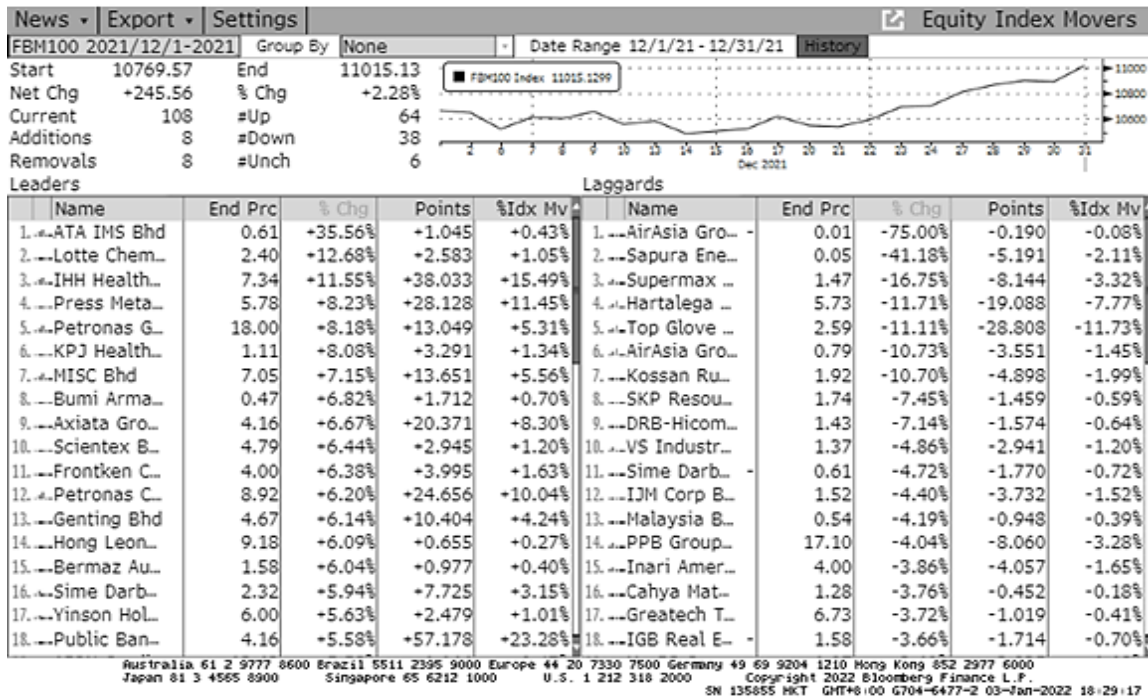
- Malaysian equity markets closed the month of December higher due to year end window dressing with the FBMKLCI gaining 1.5% on the last trading day of the year. Concerns over the emergence of the Omicron variant eased as the variant, whilst seemingly more infectious, resulted in milder symptoms. However new Covid cases globally spiked post mid-December, for some exceeding previous highs in reported daily cases, resulting in governments reintroducing restrictions on social activities, with some governments opting to revert to only allowing essential businesses remain open. Nevertheless, levels of vaccination have improved significantly, Malaysia has reached 78.4% of total population fully vaccinated as at end Dec 2021, with 6.6m booster shots administered so far (almost 20% of population). Malaysia was subject to three days of torrential rain resulting in the worst floods in central Malaysia, not seen for 50 years. So far death toll from the floods is at 46, with an estimated 50k-70k people displaced as a result.
- The severe flooding disrupted factory production and will affect trade activity in December. The KLCI gained 53.55 points in December to close at 1,567.53 points, up 3.54%. The FBM Small Cap index declined 0.69% for the month underperforming the KLCI. The best performing sectors were Finance (+3.5%) and Transport (+1.98%). The worst performing sectors were Healthcare (-4.76%) and Construction (-3.25%). Average value traded on Bursa in December was RM2240m lower by 27% mom.

OUTLOOK

- Malaysia unfortunately lacks positive catalysts to drive the market. Corporate earnings will mostly be hit in assessment year 2022 as a result of the Cukai Makmur announced in Budget 2022, dampening earnings growth for yet another year. Nevertheless, Malaysia's macro outlook should be more positive for 2022, given the high level of Covid vaccination rates amongst adults, and good trends for the adolescent age group. Booster shot rollout has also been very commendable hitting almost 20% of population already. Covid cases reported in Malaysia has drifted lower to between 2500-3000 a day now, despite the discovery of the highly mutated Covid variant, Omicron. Nevertheless, data on this variant so far indicates potentially milder symptoms by those infected, resulting in fewer hospitalization. If this holds, it could be a variant that we move towards endemic. If Covid cases in Malaysia and globally can be contained, reopening plays may continue to perform well. Political tensions may ease until mid-2022 as the PH party had agreed to a "cease-fire" at least until then. However, the likelihood of 15th General Election to be called in 2022 has risen due to the success the BN party and affiliates have had in recent state elections.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price			MoM Changes		YTD Changes	
	31-Dec-20	30-Nov-21	31-Dec-21	+/-	%	+/-	%
FBMKLCI	1,627.21	1,513.98	1,567.53	53.55	3.54%	(59.68)	-3.67%
FBMMES	10,734.69	6,529.94	6,419.60	-110.34	-1.69%	(4,315.09)	-40.20%
FBM100	11,501.99	10,769.57	11,015.13	245.56	2.28%	(486.86)	-4.23%
FBM70	15,142.84	14,441.62	14,209.95	-231.67	-1.60%	(932.89)	-6.16%
FBMSCAP	15,565.49	15,869.81	15,760.35	-109.46	-0.69%	194.86	1.25%
FBMEMAS	11,761.93	11,083.78	11,308.79	225.01	2.03%	(453.14)	-3.85%
FBMSHA	13,159.15	12,128.62	12,263.10	134.48	1.11%	(896.05)	-6.81%
FBMHJRAH	14,340.56	12,608.76	12,835.55	226.79	1.80%	(1,505.01)	-10.49%
FBMSCAPS	14,589.08	14,762.21	14,664.87	-97.34	-0.66%	75.79	0.52%
MSCIAPXJ	662.14	619.08	629.85	10.77	1.74%	(32.29)	-4.88%

Source: Bloomberg



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