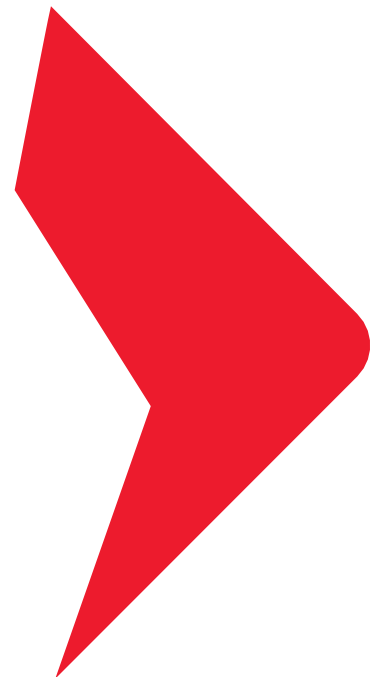


MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

January 2021





REVIEW

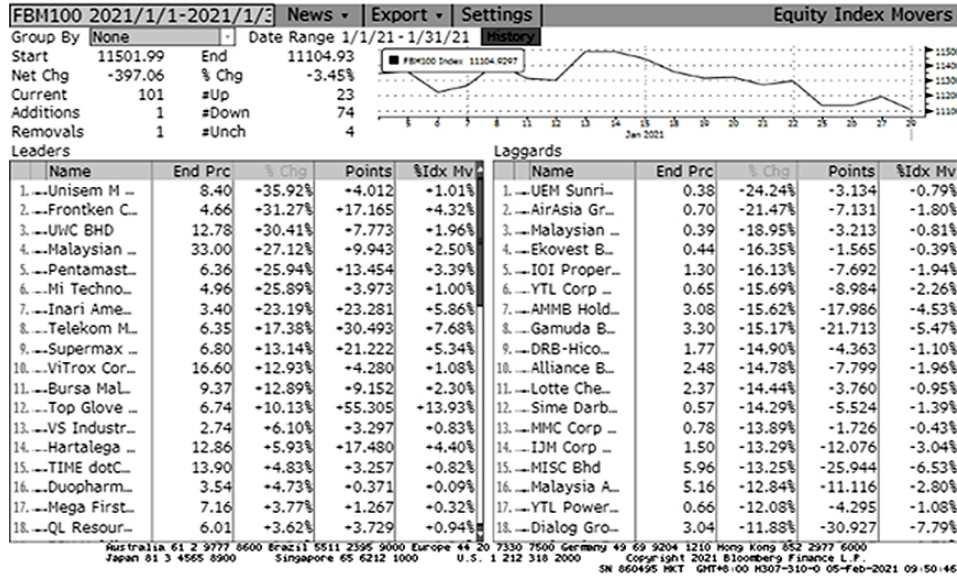
- ▶ Malaysia's equity markets started the year 2021 on a lower note. The spike in confirmed cases of COVID-19 in the country was the main reason behind the State of Emergency being enforced and the reintroduction of the Movement Control Order (MCO) for the second time since the pandemic started early 2020. The State of Emergency suspends Parliament at least until 1 Aug 2021, and by-elections and general elections cannot take place for now. The suspension of Regulated Short Selling (RSS) was lifted effective 1 Jan 2021, after it was imposed from 24th March 2020. Top four short selling positions in January 2021 were glove stocks. Foreign investors continued to be net sellers of equity in Malaysia of RM0.9b, while retailers continued to be net buyers to the tune of RM1.7b for January.
- ▶ The KLCI declined 60.8 points in January to close at 1,566.4 points, down 3.74%. The FBM Small Cap index declined 2.48% for the month outperforming the KLCI. The best performing sectors were Technology (+17.56%) and Health Care (+0.7%). The worst performing sectors were Construction (-13.25%) and Energy (-11.5%). Average value traded on Bursa in January was RM4857m lower by 16.9% mom.

OUTLOOK

- ▶ Economic recovery expectations in 2021 for Malaysia has higher downside risk, as COVID-19 infections remain stubbornly high at above 4000 (7-day average at point of writing is 4685 cases) despite being three weeks into MCO 2.0. The MCO 2.0 scheduled to end 4 Feb 2021, has now been extended to 18 February 2021, with increasing likelihood that it will remain in place for an extended period of time. MoF's GDP forecast for 2021 of +6.5-7.5% now seems optimistic, hence efficient and effective implementation of stimulus measures remains key to soften the MCO and pandemic impact. Other potential speed bumps could include delays in vaccine deliveries and inoculation.
- ▶ Nevertheless, corporate earnings have likely seen their worst in 2Q20 CY, and we expect 2021 earnings to recover close to pre-COVID levels. Despite a potentially fragile recovery globally, we continue to recommend accumulating fundamentally sound stocks on weakness.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Dec-20	31-Jan-21	+/-	%
FBM KLCI	1,627.21	1,566.40	-60.81	-3.74
FBM MES	10,734.69	11,032.94	298.25	2.78
FBM 100	11,501.99	11,104.93	-397.06	-3.45
FBM 70	15,142.84	14,747.34	-395.50	-2.61
FBM SCAP	15,565.49	15,179.33	-386.16	-2.48
FBM EMAS	11,761.93	11,363.81	-398.12	-3.38
FBM SHA	13,159.15	12,870.86	-288.29	-2.19
FBM HIJRAH	14,340.56	13,992.80	-347.76	-2.43
MSCI APxJ	662.14	684.80	22.66	3.42

Source: Bloomberg



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