

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

June 2021





REVIEW

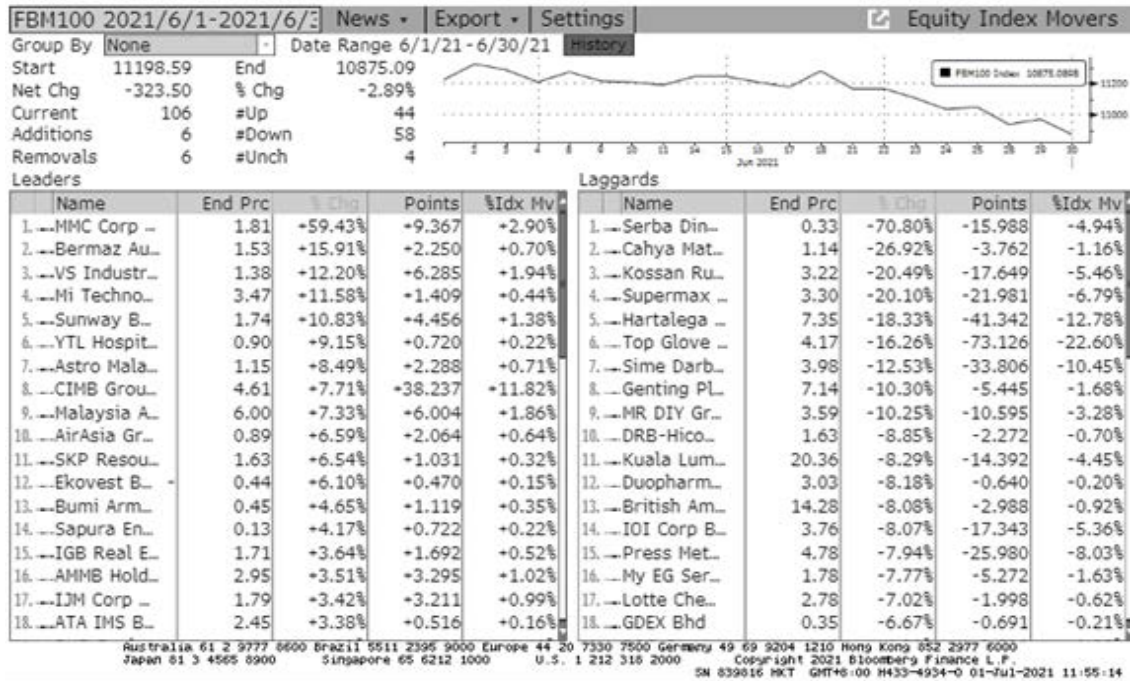
- Malaysian equity markets continued its downtrend in the month of June as Covid-19 cases remain high despite the government imposing stricter lockdown measures. Full MCO that started on the 1st June 2021 was extended for another 2 weeks on 28 June. Based on the National Recovery Plan, Phase1 (Full MCO) would only end if average daily cases declined below 4000 a day, ICU bed utilization was moderate, and 10% of population have been fully vaccinated. As at 30 June 2021, Malaysia's 7-day average Covid cases stood at 5853, and R-Naught was at 1.05. During the month, political uncertainty went up a notch when the King announced that the State of Emergency would not be extended and that Parliament should reconvene as soon as possible. Foreign investors continued to be net sellers of Malaysian equity of RM1.2b, totaling RM4.3b outflow for 2021 YTD. The KLCI declined 50.92 points in June to close at 1,532.63 points, down 3.22%.
- The FBM Small Cap index declined 3.56% for the month performing in tandem with the KLCI. The best performing sectors were Transport (+5.7%) and Finance (+0.59%). The worst performing sectors were Healthcare (-10.6%) and Plantation (-6.99%). Average value traded on Bursa in June was RM3568m down by 0.3% mom.

OUTLOOK

- COVID-19 new cases in Malaysia remain stubbornly high, averaging at 5853 (7-days average) as at end June 2021. With an R-Naught above 1, it seems difficult to envisage that cases would decline to below 4000 by 14th July, and the FMCO may be extended further. Whilst this FMCO may not be as restrictive as MCO 1 (March 2020), consensus expectations for 2021 GDP growth has declined to average between 4-5%, versus the official estimates still at 6-7.5%. The longer-term impact from the inability of containing the infections and the impact from extended lockdowns will likely see continued displacement of people, and unemployment will likely remain at higher levels. July should be a month which should see record levels of the Pfizer Covid vaccine supply delivered to Malaysia. This will bode well to meeting the government's Covid Vaccination targets in Phase 2 of the National Recovery Plan of 10% of population. Events that remain on our radar would include the delivery of vaccines and the inoculation progress in Malaysia. The recent announcement by UMNO President Dato Seri Zahid Hamidi for UMNO to withdraw support for the Perikatan Nasional coalition has thrown Malaysia into political turmoil.
- We are cautious on the market given the new political developments in the midst of rising Covid cases. However, this could present an opportunity to accumulate fundamentally sound stocks on weakness.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price			MoM Changes		YTD Changes	
	31-Dec-20	31-May-21	30-Jun-21	+/-	%	+/-	%
FBM KLCI	1,627.21	1,583.55	1,532.63	-50.92	-3.22%	(94.58)	-5.81%
FBM ME \$	10,734.69	7,681.26	6,949.35	-731.91	-9.53%	(3,785.34)	-35.26%
FBM 100	11,501.99	11,198.59	10,875.09	-323.50	-2.89%	(626.90)	-5.45%
FBM 70	15,142.84	14,762.90	14,478.99	-283.91	-1.92%	(663.85)	-4.38%
FBM \$CAP	15,565.49	15,992.21	15,422.58	-569.63	-3.56%	(142.91)	-0.92%
FBM EMA \$	11,761.93	11,495.81	11,156.22	-339.59	-2.95%	(605.71)	-5.15%
FBM \$HA	13,159.15	12,772.91	12,178.28	-594.63	-4.66%	(980.87)	-7.45%
FBM HIJRAH	14,340.56	13,496.72	12,788.57	-708.15	-5.25%	(1,551.99)	-10.82%
FBM \$CAP \$	14,589.08	14,920.95	14,289.91	-631.04	-4.23%	(299.17)	-2.05%
MSCI APXJ	662.14	704.75	700.79	-3.96	-0.56%	38.65	5.84%

Source: Bloomberg



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