

MARKET COMMENTARY

EQUITY MARKET REVIEW AND OUTLOOK

October 2021





REVIEW

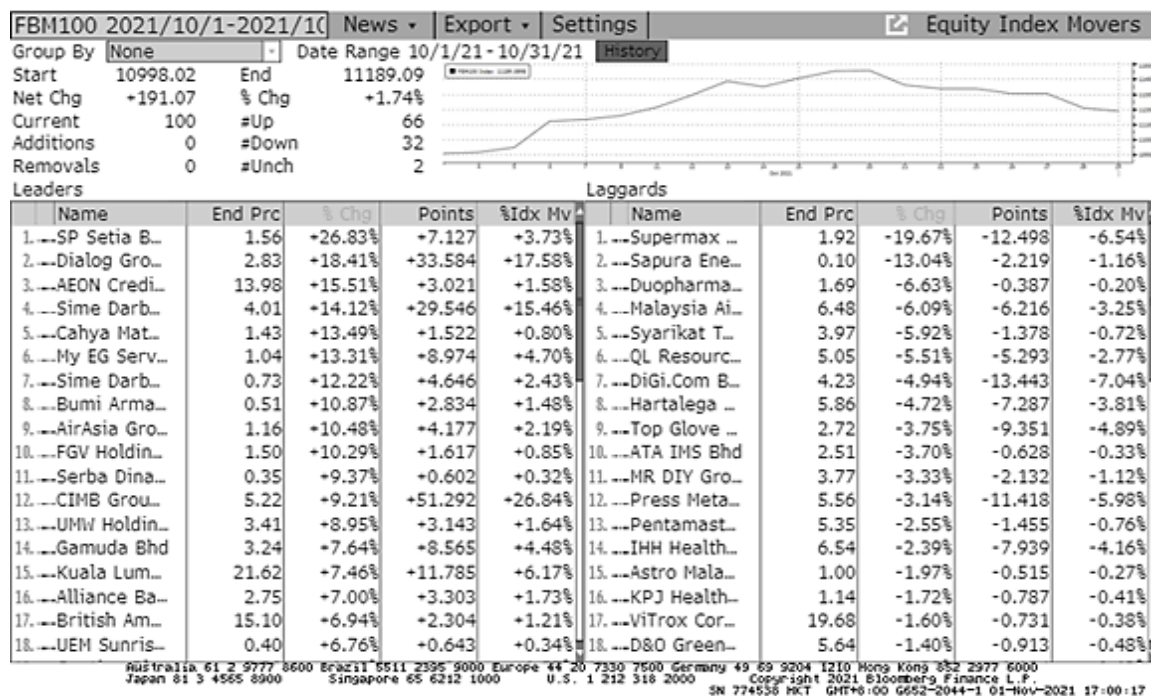
- Malaysian equity markets closed the month of October higher, in tandem with regional markets. Commodity prices surged during the month, which was a boon for energy and plantation stocks. Brent crude oil prices rose 7.75% in October, whilst crude palm oil (CPO) prices rose 12.15% and remained above RM5000/tonne. Malaysia allowed inter-state and international travel effective 10 Oct 2021 for fully vaccinated residents, as Malaysia reached the target of inoculating 90% of its adult population. Budget 2022 was announced on the last Friday of the month, and prior to its unveiling, construction and property stocks rallied on the back of Budget 2022 expectations. Foreign investors were net buyers of Malaysian equities of RM1.6b, the third consecutive month of net buy. YTD 2021, foreign investors are still net sellers of Malaysian equities of RM2.2b.
- The KLCI gained 24.51 points in October to close at 1,562.31 points, up 1.59%. The FBM Small Cap index gained 6.95% for the month outperforming the KLCI. The best performing sectors were Property (+8.7%) and Energy (+7.85%). The worst performing sectors were Health Care (-4.1%) and Utility (+0.27%). Average value traded on Bursa in October was RM3055m lower by 11.3% mom.

OUTLOOK

- Malaysia Budget 2022, themed as “Keluarga Malaysia, Makmur Sejahtera”, was tabled on 29 October 2021. Focusing on the three key pillars of strengthening recovery, building resilience and driving reforms, this is the largest budget to date, with an allocation of RM332.1b (+3.6% YoY). Specifically, the economy is projected to grow 3.0% to 4.0% in 2021 and 5.5% to 6.5% in 2022, underpinned by higher public and private investments, consumer spending and healthy net exports. 2022 will continue to record a fiscal deficit, projected to reduce to 6.0% of GDP compared to 6.5% of GDP in 2021. The unexpected announcement of Cukai Makmur, resulted in a negative knee-jerk reaction for the Malaysian equity market. To recap, companies with chargeable income up to the first RM100 million will be subjected to the income tax rate of 24%, whilst the remaining chargeable income above RM100 million will be subject to the higher income tax rate of 33% for the year of assessment of 2022. With the Cukai Makmur, we expect Malaysia’s corporate earnings recovery to be delayed by another year. Although the prosperity tax is a one-off windfall tax, it also presents the increased policy risk investors will have to face, given Malaysia’s limited scope to broaden their current tax revenue base, coupled with the limited fiscal headroom. Corporate earnings will mostly be hit in assessment year 2022, dampening earnings growth, and Malaysia’s valuations versus our regional peers may not be as attractive.
- 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. If Covid cases continue to trend down, reopening plays may continue to perform well. Political tensions may ease until mid-2022 the PH party had agreed to a “cease-fire” at least until then.



INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price			MoM Changes		YTD Changes	
	31-Dec-20	30-Sep-21	31-Oct-21	+/-	%	+/-	%
FBMKLCI	1,627.21	1,537.80	1,562.31	24.51	1.59%	(64.90)	-3.99%
FBMMES	10,734.69	7,158.90	7,096.17	-62.73	-0.88%	(3,638.52)	-33.89%
FBM100	11,501.99	10,998.02	11,189.09	191.07	1.74%	(312.90)	-2.72%
FBM70	15,142.84	14,980.76	15,302.37	321.61	2.15%	159.53	1.05%
FBMSCAP	15,565.49	15,078.70	17,196.36	1,117.66	6.95%	1,630.87	10.48%
FBMEMAS	11,761.93	11,311.08	11,559.00	247.92	2.19%	(202.93)	-1.73%
FBMSHA	13,159.15	12,359.01	12,591.59	232.58	1.88%	(567.56)	-4.31%
FBMHJRAH	14,340.56	12,769.19	12,914.96	145.77	1.14%	(1,425.60)	-9.94%
FBMSCAPS	14,589.08	14,884.64	16,015.77	1,131.13	7.60%	1,426.69	9.78%
MSCIAPXJ	662.14	636.63	647.46	10.84	1.70%	(14.68)	-2.22%

Source: Bloomberg



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