

MARKET COMMENTARY

# Equity market review and outlook

August 2022



## Review

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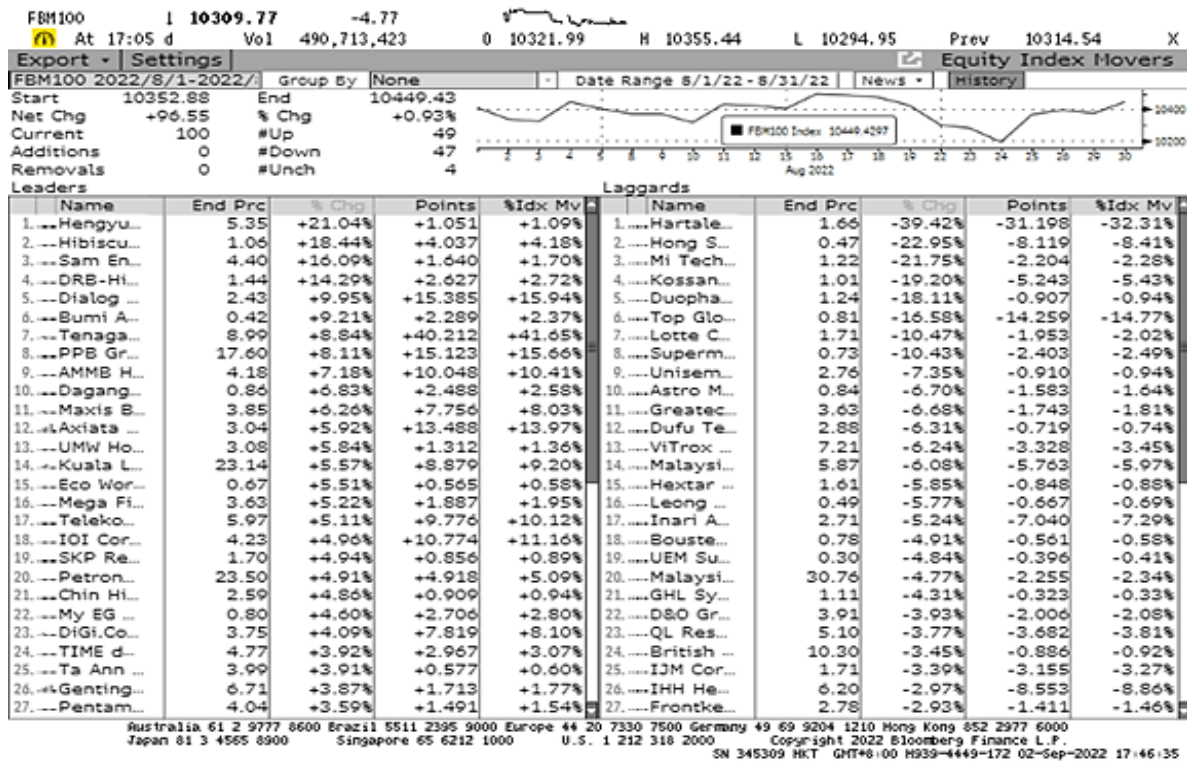
- ▶ Malaysian equity markets managed to close the month of August in positive territory despite global markets correcting as investors turned bearish post the US Federal Chairman's remarks at the annual policy forum. In a forceful speech in Jackson Hole, the Federal Reserve chair said central bank officials will keep raising rates until the economy is under control, acknowledging that by doing so and bringing inflation to normal levels, will slow the economy enough to cause "some pain" for households and businesses and weaken the job market. August was a hallmark month for Malaysia, as a Federal Court upheld ex-Prime Minister Najib Razak's guilty verdict in the SRC International case, and he was sentenced to 12-years jail. Malaysia also reported its 2Q22 GDP which grew by 8.9% yoy, coming in above consensus estimates of 7%. 1H22 GDP growth of +6.9% tracking well vs BNM forecast of 5.3-6.3%. The KLCI closed the month at 1,512.05, up 1.33% mom.
- ▶ The FBM Small Cap index gained 0.51% for the month underperforming the KLCI. The best performing sectors were Energy (+8.5%) and Utility (4.0%). The worst performing sectors were Health Care (-9.71%) and Technology (-3.9%). Average value traded on Bursa in August was RM1999 higher by 42% mom.

## Outlook

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- ▶ More than six months into the Russia/Ukraine conflict, a resolution towards a ceasefire has yet to be achieved. Commodity prices have remained higher for longer in general, although volatility has increased in tandem with changing investor expectations regarding a potential recession due in part of the US hiking interest rates aggressively. Nevertheless, economic data coming out of the US is still relatively healthy with the US Federal Reserve Chairman indicating that the recent hikes have not had enough of an impact to inflation and the US jobs market as yet. Domestically, Malaysia's reopening of the economy has been relatively smooth, with Covid cases remaining relatively low, and consumer spending boosted by the special EPF withdrawals. However inflationary pressures are being felt in the economy, as many producers have had a few rounds of price hikes due to rising input costs. This has been somewhat mitigated by the improved labour market as unemployment rates have declined to 3.8% in June 2022. Budget 2023 will apparently be read three weeks earlier than expected, prompting speculation that Parliament will be dissolved soon after this reading and GE15 will be called. A convincing win by any party will be a positive factor towards a more stable government and policy making. Whilst there are still many potential headwinds on the horizon, any correction in the market would provide a good opportunity to accumulate fundamentally strong stocks.

## Index performance & movers



Source: Bloomberg

Indices	Last Price			MoM Changes		YTD Changes	
	31-Dec-21	31-Jul-22	31-Aug-22	+/-	%	+/-	%
FBMKLCI	1,567.53	1,492.23	1,512.05	19.82	1.33%	(55.48)	-3.54%
FBMME\$	6,419.60	4,848.00	4,910.44	62.44	1.29%	(1,509.16)	-23.51%
FBM100	11,015.13	10,352.88	10,449.43	96.55	0.93%	(665.70)	-5.14%
FBM70	14,209.95	12,758.44	12,712.44	-46.00	-0.36%	(1,497.51)	-10.54%
FBMSCAP	15,760.35	14,307.38	14,380.26	72.88	0.51%	(1,380.09)	-8.76%
FBMEMA\$	11,308.79	10,601.90	10,697.65	95.75	0.90%	(611.14)	-5.40%
FBMSHA	12,263.10	10,734.77	10,813.46	78.69	0.73%	(1,449.64)	-11.82%
FBMHJRAH	12,835.55	11,506.26	11,777.59	271.33	2.36%	(1,057.96)	-8.24%
FBMSCAP\$	14,664.87	13,266.90	13,350.26	83.36	0.63%	(1,314.61)	-8.96%
MSCIAPxJ	629.85	522.31	519.92	-2.39	-0.46%	(109.93)	-17.45%

Source: Bloomberg

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