

MARKET COMMENTARY

Equity market review and outlook

December 2022



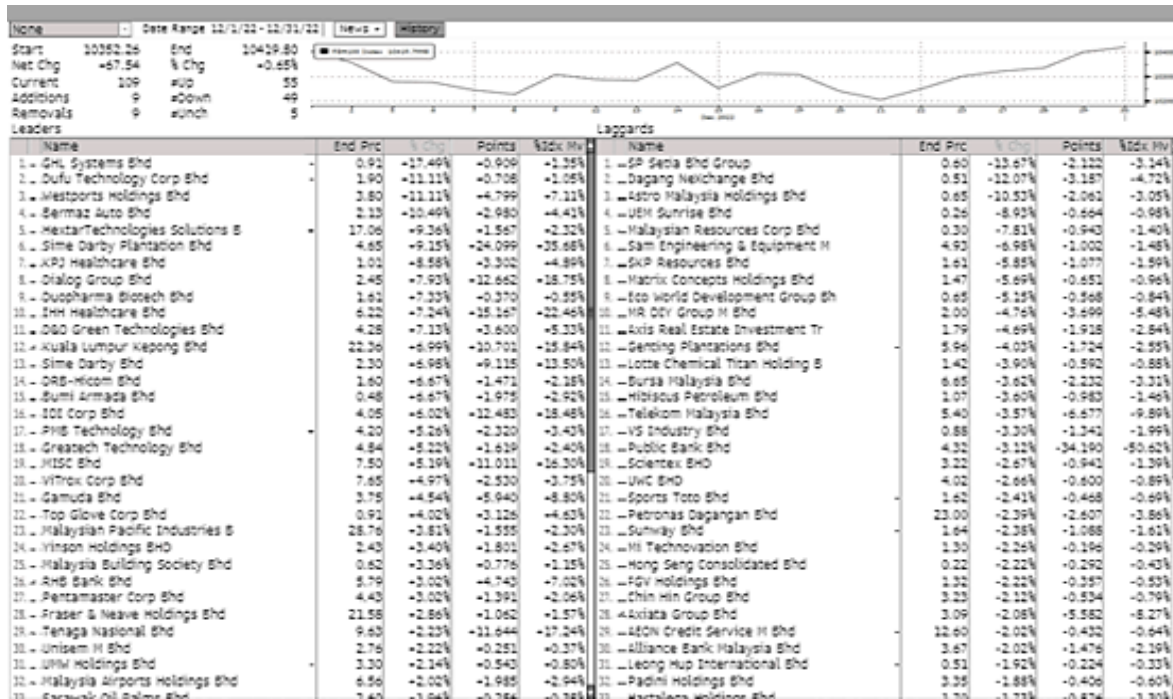
Review

- ▶ Malaysian equity markets closed the month of December flattish. Markets were trading range bound, as trading volumes declined with many investors away on year-end holidays. During the month, the newly sworn in Malaysia's Prime Minister unveiled his new cabinet (28 Ministers and 27 Deputies), with two Deputy PMs. The first parliament sitting for the new administration on 19 Dec 2022, did not see major hiccups, with the vote of confidence in favour of PM Anwar Ibrahim at 148/222. Regionally, in the beginning of December, China started to relax their Zero-Covid Policy after protests against the strict controls of forcing people into quarantine camps or mass quarantining and testing. On 26 December 2022, China unexpectedly announced plans to end quarantine requirements for inbound travellers and a further lifting of testing and tracking of covid cases locally.
- ▶ The KLCI closed the month at 1,495.49, up 0.45% mom. The FBM Small Cap index declined slightly - 0.07% for the month underperforming the KLCI. The best performing sectors for the month were Plantation (+5.3%) and Transport (5.07%). The worst performing sectors were Property (-2.5%) and Construction (-2.28%). Average value traded on Bursa in December was RM2209m lower by 3% mom.

Outlook

- ▶ 10 months into the Russia-Ukraine conflict with no end in sight, geo-political tensions globally have been ratcheting up. The US-China relations have soured as the Biden administration tries to curb China's technology progress and access to US tools/related tech equipment. The US FOMC raised FFR by 50bps at the Dec 2022 meeting as expected, but this was followed by a hawkish shift in the dot plot, showing a terminal rate above 5% in 2023.
- ▶ Domestically, investors will be monitoring the outcome of upcoming events such as UMNO AGM, re-tableting of the Budget 2023 (24 Feb), UMNO Elections and the State elections which need to be held before end of 2Q23. So far, the Unity Government seems to be working well together, although this may be still in the honeymoon stage. The reopening theme may still have legs especially with China opening its borders, and Malaysia may benefit from the increased tourist arrivals but perhaps in 2H2023.
- ▶ We remain cautiously optimistic, as this development is indeed a step in the right direction for Malaysia's political / democratic maturity. We would recommend to accumulate fundamentally sound stocks that can best weather crisis of economic or political nature.

Index performance & movers



Source: Bloomberg

| Indices | Last Price | | | MoM Changes | | YTD Changes | |
|------------|------------|-----------|-----------|-------------|--------|-------------|---------|
| | 31-Dec-21 | 30-Nov-22 | 31-Dec-22 | +/- | % | +/- | % |
| FBM KLCI | 1,567.53 | 1,488.80 | 1,495.49 | 6.69 | 0.45% | (72.04) | -4.60% |
| FBM MEX | 6,419.60 | 5,211.15 | 5,308.33 | 97.18 | 1.86% | (1,111.27) | -17.31% |
| FBM 100 | 11,015.13 | 10,352.26 | 10,419.80 | 67.54 | 0.65% | (595.33) | -5.40% |
| FBM 70 | 14,209.95 | 12,851.09 | 13,015.02 | 163.93 | 1.28% | (1,194.93) | -8.41% |
| FBM SCAP | 15,760.35 | 14,934.34 | 14,924.41 | -9.93 | -0.07% | (835.94) | -5.30% |
| FBM EAS | 11,308.79 | 10,633.70 | 10,701.55 | 67.85 | 0.64% | (607.24) | -5.37% |
| FBM SHA | 12,263.10 | 10,783.09 | 10,938.55 | 155.46 | 1.44% | (1,324.55) | -10.80% |
| FBM HIJRAH | 12,835.55 | 11,660.82 | 11,908.79 | 247.97 | 2.13% | (926.76) | -7.22% |
| FBM SCAP S | 14,664.87 | 13,710.30 | 13,607.15 | -103.15 | -0.75% | (1,057.72) | -7.21% |
| MSCI APXJ | 629.85 | 509.05 | 505.64 | -3.41 | -0.67% | (124.21) | -19.72% |

Source: Bloomberg

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