

MARKET COMMENTARY

Equity market review and outlook

July 2022



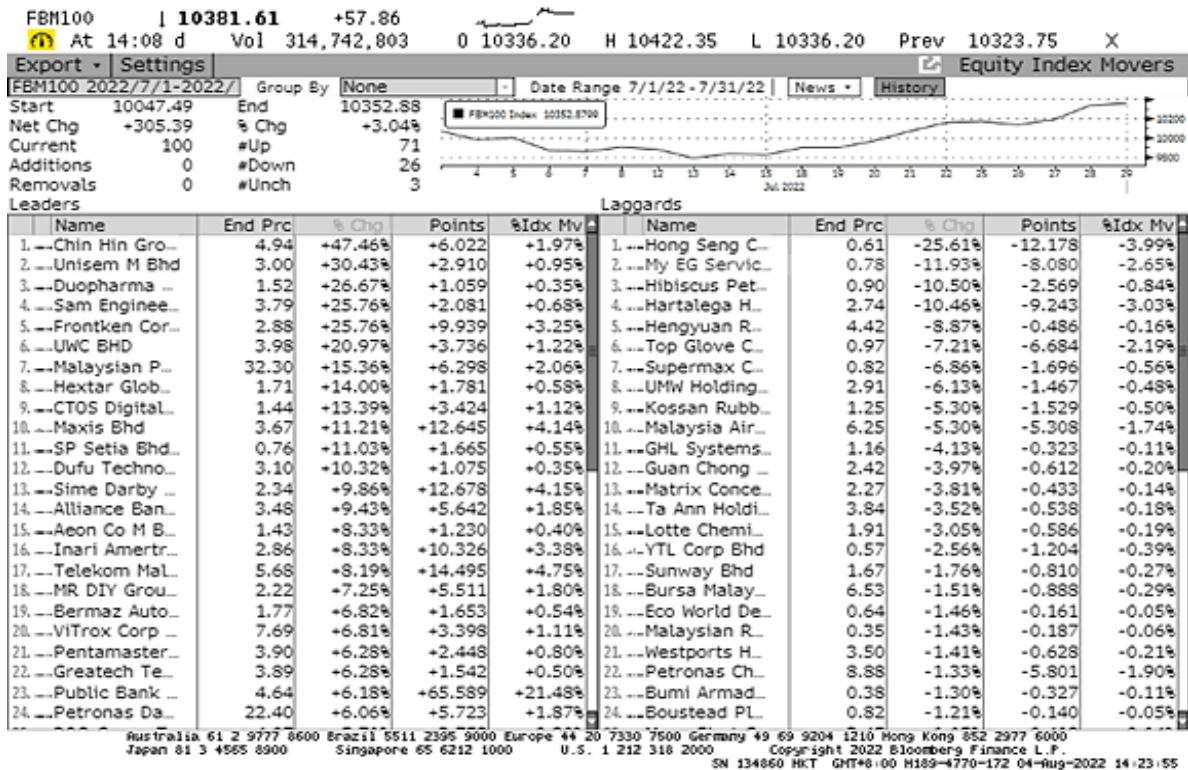
Review

- ▶ Malaysian equity markets rebounded in July in line with global and regional markets after investors were hopeful that the US FOMC's tightening policy may have peaked. The US Federal reserve enacted its second consecutive 75bps interest rate increase, taking its benchmark rate to a range of 2.25-2.5%. Investors cheered when US Fed Chairman Powell indicated that the size of next action will be data dependent, which they took as a dovish signal. Crude palm oil prices continued to correct in July, as Indonesia scrapped its export levy for all palm oil products in a bid to boost their exports and ease inventories. Crude oil prices corrected 4.2% for the month on concerns over a potential recession in US and EU. The KLCI rebounded from its year low of 1411.32 on 13 July 2022 to end the month at 1,492.23, up 3.32% mom.
- ▶ The FBM Small Cap index gained 0.5% for the month underperforming the KLCI. The best performing sectors were Technology (+6.2%) and Telecommunications (4.2%). The worst performing sectors were Energy (-3.21%) and Transport (-0.73%). Average value traded on Bursa in July was RM1407m lower by 32% mom.

Outlook

- ▶ More than five months into the Russia/Ukraine conflict, a resolution towards a ceasefire has yet to be achieved. As such, commodity prices are likely to remain higher for longer. However, as we have witnessed lately, commodity prices are getting more volatile on fears of a potential recession in the developed economies due in part to the US hiking interest rates more aggressively, which has led to USD strength and hence MYR weakness. Domestically, Malaysia's reopening of the economy has been relatively smooth, with Covid cases remaining relatively low, and consumer spending picking up aided by the EPF special withdrawals disbursed before the Raya festivities. However inflationary pressures are starting to rear its ugly head, despite not being reported in the official data, as many staple food items have price ceilings, and petrol is subsidized. This has prompted discussions on fuel subsidy removal and even the Prime Minister indicated that they are reviewing the potential reimplementation of GST. The success of the BN party in the recent Johor State Elections will fuel speculations that GE15 may be called after July 2022. A convincing win by any party will be a positive factor towards a more stable government and policy making. Whilst there are 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	30-Jun-22	31-Jul-22	+/-	%	+/-	%
FBMKLCI	1,567.53	1,444.22	1,492.23	48.01	3.32%	(75.30)	-4.80%
FBMMES	6,419.60	4,751.38	4,848.00	96.62	2.03%	(1,571.60)	-24.48%
FBM100	11,015.13	10,047.49	10,352.88	305.39	3.04%	(662.25)	-6.01%
FBM70	14,209.95	12,493.21	12,758.44	265.23	2.12%	(1,451.51)	-10.21%
FBMSCAP	15,760.35	14,235.91	14,307.38	71.47	0.50%	(1,452.97)	-9.22%
FBMEMAS	11,308.79	10,307.26	10,601.90	294.64	2.86%	(706.89)	-6.25%
FBMSHA	12,263.10	10,503.97	10,734.77	230.80	2.20%	(1,528.33)	-12.46%
FBMHIJRAH	12,835.55	11,221.22	11,506.26	285.04	2.54%	(1,329.29)	-10.36%
FBMSCAPS	14,664.87	13,247.37	13,266.90	19.53	0.15%	(1,397.97)	-9.53%
MSCI APxJ	629.85	524.24	522.31	-1.94	-0.37%	(107.54)	-17.07%

Source: Bloomberg

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