

MARKET COMMENTARY

Equity market review and outlook

May 2022



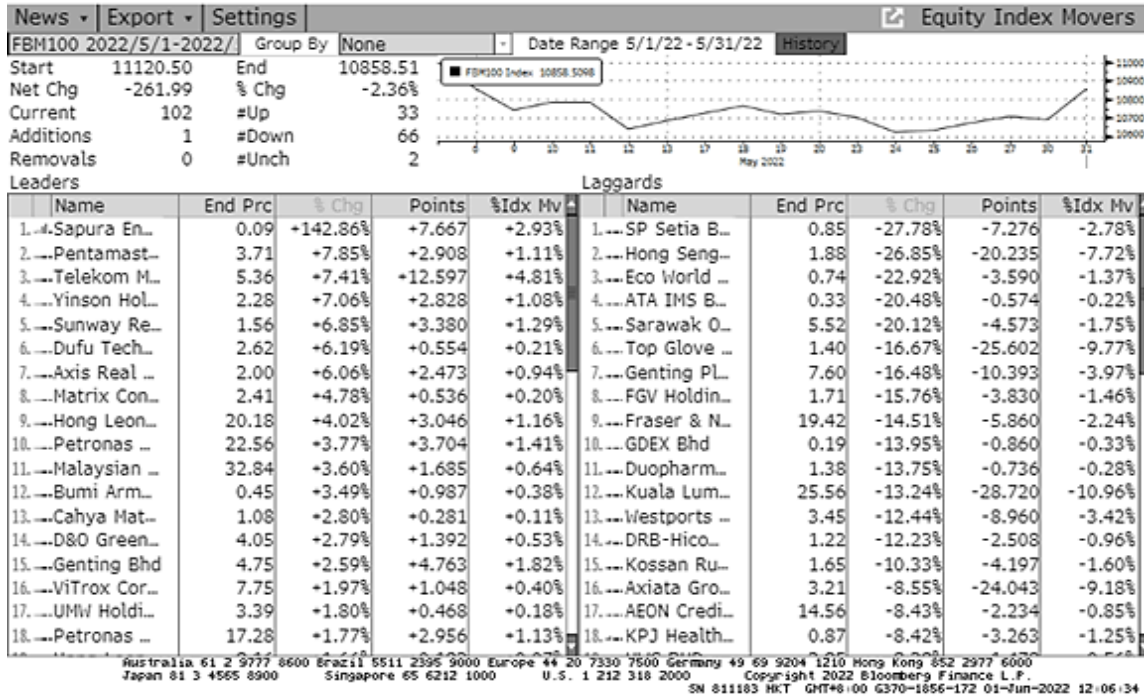
Review

- ▶ Malaysian equity markets closed lower May amid concerns over inflation and potential rate hikes, despite a month end rally driven by the MSCI May Semi Annual Index rebalancing. During the month, BNM surprised the market by raising OPR by 25bps at the May MPC to 2%. BNM indicated that the firmer domestic growth underscored their decision to begin reducing the degree of monetary accommodation, which will be done in a measured and gradual manner, ensuring that monetary policy remains accommodative. 1Q22 GDP growth for Malaysia came in at 5% yoy, supported by the expansion in domestic demand, recovery in the labour market, continued growth in external demand and continued policy support. In May, the rising cost of feed had sent chicken prices soaring resulting in rationing of supply. The Malaysian government responded with a direct subsidy to poultry breeders, so that the ceiling price of RM8.90/kg can be maintained.
- ▶ The KLCI declined 30.33 points in May to close at 1,570.10 points, down 1.9%. The FBM Small Cap index declined 6.96% for the month underperforming the KLCI. The best performing sector were Energy (+7.94%). The worst performing sectors were Plantation (-9.7%) and Healthcare (-6.2%). Average value traded on Bursa in May was RM2211m, lower by 3.7% mom.

Outlook

- ▶ More than three 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. Other global risks to contend with could include higher inflationary pressures resulting in the US Federal Reserve hiking rates faster and more aggressively. 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 subsidised. 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-Apr-22	31-May-22	+/-	%	+/-	%
FBMKLCI	1,567.53	1,600.43	1,570.10	-30.33	-1.90%	2.57	0.16%
FBMMES	6,419.60	5,578.67	5,185.64	-393.03	-7.05%	(1,233.96)	-19.22%
FBM100	11,015.13	11,120.50	10,858.51	-261.99	-2.36%	(156.62)	-1.42%
FBM70	14,209.95	13,772.18	13,239.12	-533.06	-3.87%	(970.83)	-6.83%
FBMSCAP	15,760.35	16,771.84	15,604.39	-1,167.45	-6.96%	(155.96)	-0.99%
FBMEMAS	11,308.79	11,466.08	11,151.90	-314.18	-2.74%	(156.89)	-1.39%
FBMSHA	12,263.10	12,022.28	11,509.63	-512.65	-4.26%	(753.47)	-6.14%
FBMHJRAH	12,835.55	12,741.33	12,304.27	-437.06	-3.43%	(531.28)	-4.14%
FBMSCAPS	14,664.87	15,569.34	14,479.36	-1,089.98	-7.00%	(185.51)	-1.26%
MSCIAPXJ	629.85	559.65	559.06	-0.60	-0.11%	(70.79)	-11.24%

Source: Bloomberg

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