

MARKET COMMENTARY

# Equity market review and outlook

October 2022



## Review

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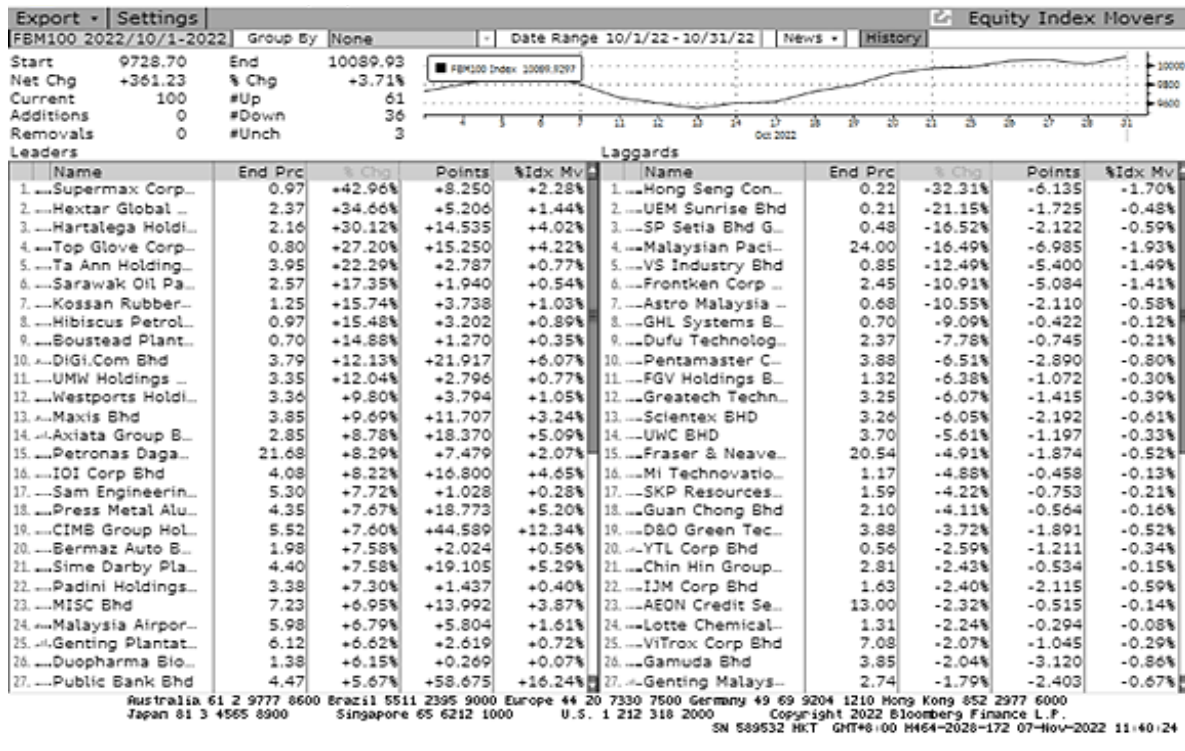
- ▶ Malaysian equities managed to outperform Asia Pacific ex-Japan in October, after the sharp correction in September. Global markets rallied in hopes of a more dovish US Federal Reserve stance on interest rates. Budget 2023 announced on 7 Oct 2022, was indeed a non-event, especially since PM Ismail Sabri (now caretaker PM) then dissolved Parliament on the 10 Oct 2022 (which was somewhat expected given the Budget 2023 date being brought forward). Globally, October was also full of political maneuverings with the UK appointing their 3rd Prime Minister (Rishi Sunak) in 2022, and China saw President Xi Jinping strengthen his position over the Chinese Communist Party. US-China relations took a turn, with the Biden administration publishing a sweeping set of export controls to cut China off from certain semiconductor chips made anywhere in the world with US tools.
- ▶ The KLCI closed the month at 1,460.38, up 4.71% mom. The FBM Small Cap index gained 4.21% for the month slightly underperforming the KLCI. The best performing sectors for the month Healthcare (+15.2%) and Transport (11.9%). The worst performing sectors were Technology (-3.79%) and Construction (-1.2%). Average value traded on Bursa in October was RM1783m, was lower by 15.3% mom.

## Outlook

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- ▶ Eight months into the Russia-Ukraine conflict with no end in sight. Geo-political tensions globally has been slowly 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 mid-term elections will be held 8 Nov 2022 and the low approval ratings for President Biden may add pressure to the overall tensions. The US FOMC Chairman's press conference statement was more hawkish than the policy statement and implied a higher terminal Fed Funds Rate of above 5% after the November FOMC.
- ▶ Domestically, investors have been distracted with politics/ General Elections. GE15 will be held on 19 November 2022, as caretaker PM Ismail Sabri relents to the pressure from his own party to hold elections before the end of 2022, despite the risk of a Monsoon. Earlier political analysis had indicated that a BN win was most likely, however whilst this remains the base case, the nomination of candidates so far indicates that many seats will have multi-corner fights which can have a very unpredictable result. UNDI18 and automatic voter registration which will add more than 6 m new voters may be an additional complication to the outcome.
- ▶ Whilst we believe a convincing win by any political party will be a positive factor towards a more stable government and policy making, the current political situation maybe needed for Malaysia to mature democratically. 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	30-Sep-22	31-Oct-22	+/-	%	+/-	%
FBM KLCI	1,567.53	1,394.63	1,460.38	65.75	4.71%	(107.15)	-6.84%
FBM MES	6,419.60	4,657.87	4,858.93	201.06	4.32%	(1,560.67)	-24.31%
FBM 100	11,015.13	9,728.70	10,089.93	361.23	3.71%	(925.20)	-8.40%
FBM 70	14,209.95	12,201.81	12,266.73	64.92	0.53%	(1,943.22)	-13.68%
FBM SCAP	15,760.35	13,719.10	14,296.72	577.62	4.21%	(1,463.63)	-9.29%
FBMEMA\$	11,308.79	9,976.86	10,350.84	373.98	3.75%	(957.95)	-8.47%
FBM SHA	12,263.10	10,008.03	10,411.11	403.08	4.03%	(1,851.99)	-15.10%
FBMHJRAH	12,835.55	10,848.79	11,334.77	485.98	4.48%	(1,500.78)	-11.69%
FBMSCAPS	14,664.87	12,682.49	13,062.09	379.60	2.99%	(1,602.78)	-10.93%
MSCI AP xJ	629.85	452.76	433.57	-19.19	-4.24%	(196.28)	-31.16%

Source: Bloomberg

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