

MARKET COMMENTARY

Equity market review and outlook

August 2023



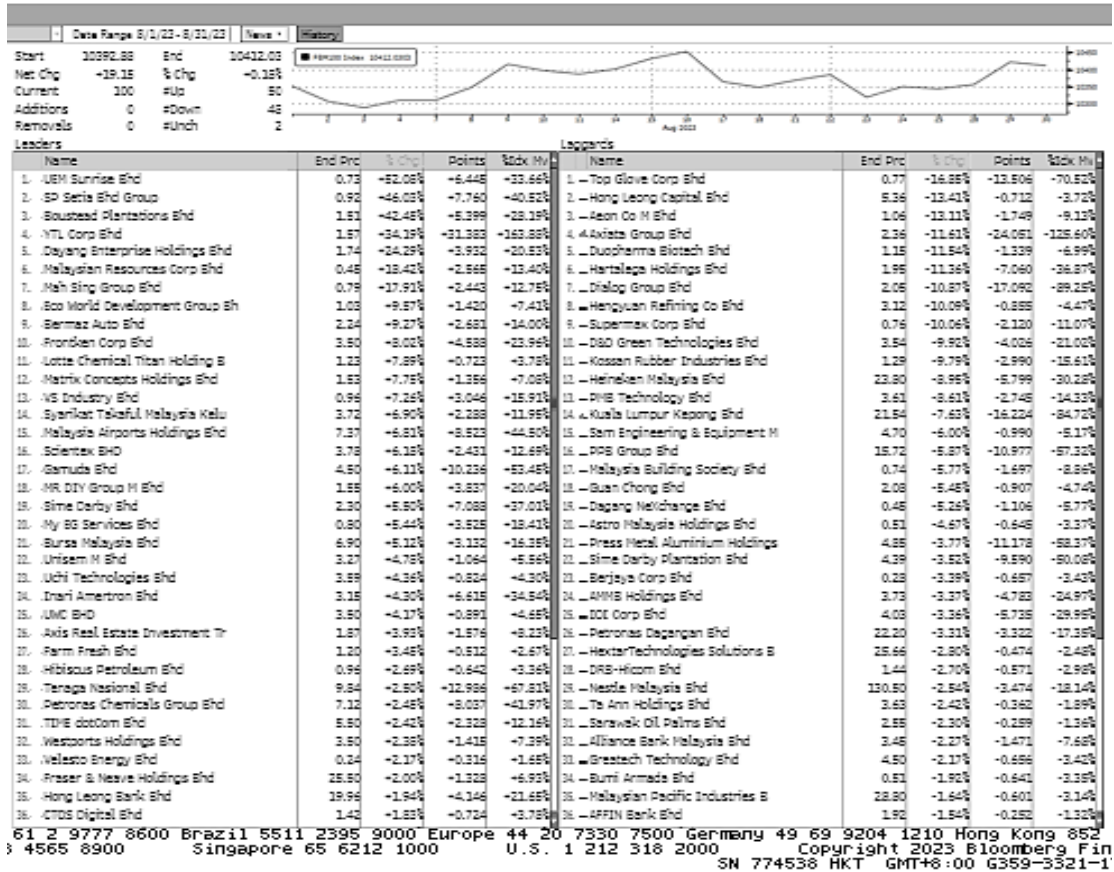
Review

- ▶ Malaysian equity markets outperformed regional markets for the second consecutive month in August. Malaysia had an eventful month where the State Elections were held for 6 states, which resulted in a status quo outcome: PH/BN won 3 states and PN won 3 states as well. The government launched Phase 2 of NETR end of August, providing some details on the energy exchange hub to enable cross border RE trading, with the Prime Minister hinting that the Energy Exchange will hopefully be expedited to ready by end 2023. The surprise for the month was the M&As announced. KLK announced that they will be acquiring a 33% +1 share in Boustead Plantations (with intention to acquire the remaining shares not owned, acting in concert with LTAT), and Sime Darby is proposing to take over UMW. The Malaysian Ringgit depreciated 3.1%, after hitting a low of RM4.507/USD on 31 July 2023, and foreign investors were net buyers of Malaysian equities of RM0.2b, second consecutive month of inflows.
- ▶ The KLCI closed the month at 1,451.94, down 0.5% mom. The FBM Small Cap index rose by 3.11% for the month, outperforming the KLCI. The best performing sectors were Property (+12.32%) and Utility (+10.76%). The worst performing sectors were Healthcare (-6.2%) and Plantation (-3.5%). Average value traded on Bursa in August was RM2470m higher by 18.8% mom.

Outlook

- ▶ Global political issues continue to fester, without any resolution on the Russia-Ukraine conflict, and US-China relations remain tense. There are still some diverging views on the risk of a recession, but for now economic data from the US still points to resilience, and inflation expectations have been tempered, although this remains fluid with continued volatility in commodities such as grains and oil. Domestically, equity markets was resilient in August with a lot of news flow from the government and corporate M&As announced. We have 2 by-elections which will again provide further signal for the incumbent government on sentiment towards them. Nevertheless, expect the Federal Unity government to continue their administration. The recent reforms announced by the government is setting the macro framework for Malaysia which is a step in the right direction, but more details are required. We are cautiously optimistic on the outlook, but continue to monitor the external environment.

Index performance & movers



Source: Bloomberg

Indices	Last Price			MoM Changes		YTD Changes	
	31-Dec-22	31-Jul-23	31-Aug-23	+/-	%	+/-	%
FBMKLCI	1,495.49	1,459.43	1,451.94	-7.49	-0.51%	(43.55)	-2.91%
FBMMES	5,308.33	5,330.13	5,217.97	-112.16	-2.10%	(90.36)	-1.70%
FBM100	10,419.80	10,392.88	10,412.03	19.15	0.18%	(7.77)	-0.07%
FBM70	13,015.02	13,949.59	14,283.07	333.48	2.39%	1,268.05	9.74%
FBMSCAP	14,924.41	15,588.35	16,072.89	484.54	3.11%	1,148.48	7.70%
FBMEMAS	10,701.55	10,703.28	10,740.70	37.42	0.35%	39.15	0.37%
FBMSHA	10,938.55	10,952.72	10,920.64	-32.08	-0.29%	(17.91)	-0.16%
FBMHJRAH	11,908.79	11,779.60	11,624.66	-154.94	-1.32%	(284.13)	-2.39%
FBMSCAPS	13,607.15	14,186.32	14,720.93	534.61	3.77%	1,113.78	8.19%
MSCI APxJ	505.64	541.70	507.21	-34.49	-6.37%	1.57	0.31%

Source: Bloomberg

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