

MARKET COMMENTARY

# Equity market review and outlook

February 2023



## Review

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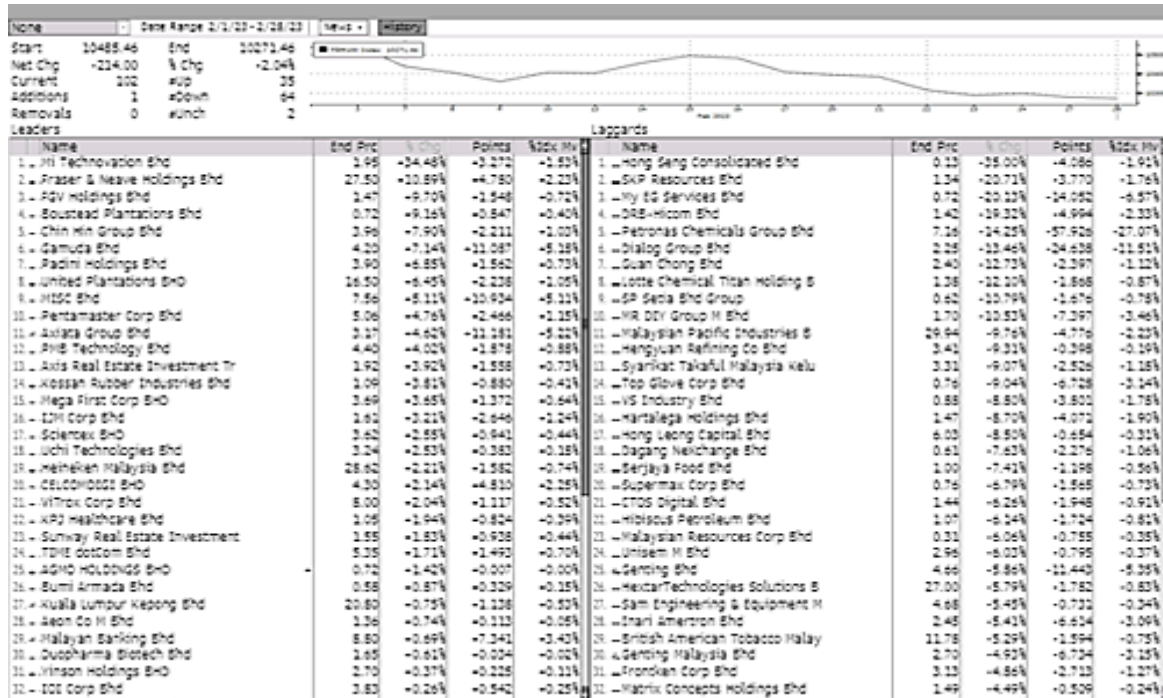
- ▶ Malaysian equity markets corrected in line with global and regional markets. Investors were cautious ahead of Budget 2023 which was read on 24 Feb 2023, which failed to provide any positive catalysts for the market. The economy and cost of living issues remain a priority in Budget 2023, the government announced lower taxes for the M40 while the T20 would see higher taxes and there was also an announcement for a tax on luxury goods (details to released later).
- ▶ US Dollar strength rebounded in February as the US Federal Reserve pivot narrative was rapidly quashed by robust data and hawkish rhetoric from policymakers.
- ▶ The KLCI closed the month at 1,454.19, down 2.11% mom. The FBM Small Cap index declined 4.49% for the month underperforming the KLCI. The worst performing sectors for the month were Technology (+5.32%) and Energy (-4.9%). The best performing sectors were Construction (+0.9%) and Property (+0.02%). Average value traded on Bursa in February was RM2293 up by 14.5% mom.

## Outlook

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- ▶ More than one year has passed and the Russian-Ukraine conflict has not ceased, and geo-political issues have been ratcheting up. The US-China relation continues to be sour, and increasing political polarization globally remains something investors need to monitor. The bright spot currently is that China-reopening their borders have been relatively orderly and Covid cases may have peaked in China. Pre-Covid, China was a significant source of tourist for many Asian countries and hence the pent-up travel demand theme will continue into 2023.
- ▶ Domestically, investors will be monitoring the UMNO Elections to be held 11 March, and the State elections will need to be held before end of 2Q23. So far, the Unity Government seems to be working well together. Whilst Budget 2023 did not provide much positive catalysts, we would be expecting the government to initiate measures outside of this Budget, and the real test for the new government will be Budget 2024. 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, and would recommend to accumulate fundamentally sound stocks on weakness.

## Index performance & movers



Source: Bloomberg

Indices	Last Price			MoM Changes		YTD Changes	
	31-Dec-22	31-Jan-23	28-Feb-23	+/-	%	+/-	%
FBM KLCI	1,495.49	1,485.50	1,454.19	-31.31	-2.11%	(41.30)	-2.76%
FBM MES	5,308.33	5,711.46	5,358.27	-353.19	-6.18%	49.94	0.94%
FBM100	10,419.80	10,485.46	10,271.46	-214.00	-2.04%	(148.34)	-1.42%
FBM70	13,015.02	13,686.00	13,436.63	-249.37	-1.82%	4,216.1	3.24%
FBM SCAP	14,924.41	16,160.94	15,435.18	-725.76	-4.49%	510.77	3.42%
FBMEMA S	10,701.55	10,816.27	10,579.13	-237.14	-2.19%	(122.42)	-1.14%
FBM SHA	10,938.55	11,076.20	10,797.67	-278.53	-2.51%	(140.88)	-1.29%
FBMHJRAH	11,908.79	11,849.61	11,535.15	-314.46	-2.65%	(373.64)	-3.14%
FBM SCAP S	13,607.15	14,750.39	14,147.34	-603.05	-4.09%	540.19	3.97%
MSCI APXJ	505.64	549.14	511.39	-37.75	-6.87%	5.75	1.14%

Source: Bloomberg

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