

Equity Market Review & Outlook

REVIEW

- Global markets succumbed to renewed concerns over the European debt crisis in May, driven by uncertainties stemming from the election results in Greece and France. Greek parliamentary elections delivered a fragmented result that highlighted growing public opposition to austerity, and renewed speculation of a “Grexit” (Greece exiting the Euro). Françoise Hollande, the Socialist Party candidate, was elected President of the French Republic, has publicly stated the need for more of a growth agenda in the Euro area.
- Domestically, the major results reporting season in May did not surprise on the upside, and investors stayed on the sidelines on expectations that the general elections would be called soon. The annual Invest Malaysia conference was held end of May, and seemingly gave the local indices a boost. MSCI also rebalanced their constituents for MSCI Malaysia Index which saw a flurry of trades on the last day of the month.
- The KLCI ended the month higher by 10.1 points or 0.64% to close at 1580.7 points. The broader market underperformed the KLCI, with the FBM Emas Index declining 0.2% in May. The FBM Small Cap Index underperformed the KLCI, declining 4.38% for the month. Average value traded on Bursa in May contracted 4% mom to RM1.48bn per day.
- The sector indices on the local bourse closed mixed for May, with the best performing sectors being Property (+1.06%) and Finance (+0.58%). The worst performing sectors were Technology (-3.17%) and Plantation (-3.17%).

OUTLOOK

- We continue to expect volatility to persist. In the short term we are faced with the uncertainty of how the second Greek elections would fare (second elections on the 17th June), and its fate in the Euro. Greece exit may trigger a global credit crunch, hence the Euro leaders need to come up with a credible plan to contain and resolve, rather than the “band-aid” solutions so far. Any clarity on the extension of fiscal and monetary easing policies in the US which are due to expire in mid-2012 may provide some direction for the markets. Closer to home, China’s slowing economy continues to be a source of concern for investors. Markets react sharply to intermittent news of whether there will be policy loosening or not, and not as much on fundamental news.
- Domestically, the Malaysian economy remains resilient, with the government ensuring consumer demand strength with targeted cash handouts to lower income groups. The Felda Global Ventures Holdings (FGVH) IPO was launched on the 31 May 2012. We see strong demand from foreign and local investors. After FGVH’s listing on 28 June 2012, Khazanah’s healthcare unit, IHH will be slated for listing in July. The general election may well be delayed until 3Q12, although the window for holding the elections is getting slimmer with the deadline being March 2013. Other upcoming domestic events to monitor include the 2013 Budget scheduled to be announced on 28 September 2012.
- We remain cautious on Malaysian equities given the high potential for the Malaysian general elections to be called in the next 6 months. This event in itself is unfortunately creating a drag on the market. Global issues that seemed calmer earlier in the year, has now resurfaced. However these events create opportunities for outperformance over the longer term, and as such we would accumulate fundamentally sound stocks on market weakness.

NEWS HIGHLIGHTS

- ▶ PM Datuk Seri Najib Tun Razak announced a windfall of RM15,000 for each settlers, involving a total of RM1.69bn to be distributed to 112,635 settlers throughout the country in conjunction with the listing of Felda Global Ventures Holdings (FGVH) on Bursa Saham.
- ▶ The Employees Provident Fund (EPF) is joining Johor Corporation (JCorp) as shareholders of Massive Equity Sdn Bhd (MESB). MESB is a special purpose vehicle formed to buy QSR Brands Bhd and KFC Holdings (M) Bhd.
- ▶ RHB Capital Bhd and OSK Holdings Bhd have received approval from Malaysia's Securities Commission (SC) to merge RHB's banking group with OSK's investment bank.
- ▶ The book-building process of Felda Global Ventures Holdings' (FGVH) over US\$3bn listing will begin on May 31 and end on June 15.

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INDEX PERFORMANCE & MOVERS

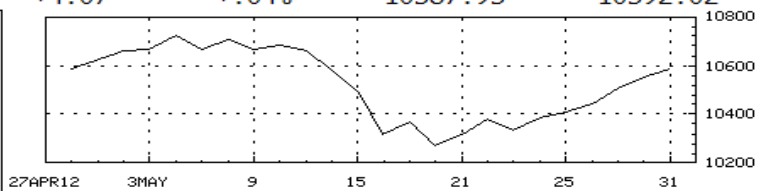
RPT

Historical Equity Index Movers

PAGE 1/ 4

FBM100 Change +4.07 Pct Chg +.04% Start Price 10587.95 End Price 10592.02
 FTSE BURSA MALAY TOP 100

Index Member Information
 Additions: 2 Up: 37
 Deletions: 2 Down: 57
 Current: 100 Unch: 8
 Sort: Index Points
 Order: Descending
 5/2/2012 - 5/31/2012



LEADING MOVERS

LAGGING MOVERS

Security	End Price	Change	Index Pts	Security	End Price	Change	Index Pts
YTL MK	1.84	+0.22	+18.202	GENT MK	10.00	-0.34	-16.057
TNB MK	6.67	+0.24	+16.583	KLK MK	22.36	-1.28	-11.654
MAY MK	8.75	+0.12	+11.721	GENM MK	3.69	-0.15	-7.501
MPU MK	3.19	+0.51	+9.372	IJM MK	5.19	-0.29	-6.790
PICHEM MK	6.70	+0.17	+9.274	GAM MK	3.39	-0.17	-5.983
CIMB MK	7.50	+0.09	+8.558	BURSA MK	5.91	-0.84	-5.705
PETD MK	20.70	+1.34	+6.806	MPR MK	2.27	-0.28	-5.064
AIRA MK	3.52	+0.19	+6.697	SIME MK	9.68	-0.06	-4.595
AXIATA MK	5.37	+0.06	+6.477	PKS MK	4.75	-0.46	-4.286
PTG MK	17.20	+0.42	+5.665	DIGI MK	4.00	-0.04	-3.971

+ Added during range, - Removed during range, * Added/Removed multiple times
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 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P.
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Indices	Last Price		MoM Changes	
	30-Apr-12	31-May-12	+/-	%
FBMKLCI	1570.6	1580.7	10.1	0.64%
FBMMES	4517.2	4255.2	-262.1	-5.80%
FBM100	10588.0	10592.0	4.1	0.04%
FBM70	11916.1	11629.2	-286.9	-2.41%
FBMSCAP	12300.1	11761.1	-539.0	-4.38%
FBMEMAS	10783.8	10762.7	-21.1	-0.20%
FBMFLG	9356.0	9112.7	-243.3	-2.60%
FBMSHA	10721.4	10716.7	-4.7	-0.04%
FBMHJRAH	11522.7	11547.9	25.3	0.22%
MSCI APxJ	441.2	393.0	-48.2	-10.92%