

REVIEW

- ▶ December was a mixed month for global markets as equity markets initially rejoiced on the back of the US Federal Reserve extending their asset purchases of treasury securities together with the MBS, of US\$85bn a month providing the market with the expectation of continued ample liquidity. In addition, the Japanese elections saw the Liberal Democratic Party together with their coalition partner, winning more than the two-thirds threshold, hence potentially giving the next government more freedom in policymaking. Newly elected Shinzo Abe had indicated looser monetary policies during his election campaign, and it appears that the BoJ has given some consideration to his statements in their recent monetary policy meeting and announced expanded asset purchase programs ahead of the new cabinet being inaugurated. Towards the end of the month, equity markets were relatively subdued due to the festivities, and concerns surrounding the US fiscal cliff increased resulting in tempered market performances.
- ▶ December was good month for equity markets in Malaysia, as the KLCI surged to a new all-time high of 1,688.95, rising 78 points, or higher by 4.8%. Many stocks that were sold down in November staged a rebound, such as the telecommunications stocks, and other defensive stocks. The broader market underperformed the KLCI, with the FBM Emas Index rising by a smaller 4.2% in December. The KLCI outperformed FBM Small Cap Index which only gained by 0.1%. Average value traded on Bursa in December decreased 19% mom to RM1.36bn per day.
- ▶ The sector indices on the local bourse closed mostly up for January, with the best performing sectors being Industrial (+5.24%) and Plantation (+5.14%). The worst performing sectors were the technology (-3.21%), and Construction (+0.07%).

OUTLOOK

- ▶ The US markets saw some respite, relieved that a deal had been struck as expected at the eleventh hour, and risk appetite should improve given the fiscal cliff was averted, but the issue now is the “fiscal ceiling” that will need to be agreed upon by February/ March 2013. Economists generally believe there will be some fiscal drag in 2013 as a result of the announced changes in taxation, but not likely enough to drive the world’s largest economy into a recession. Nevertheless we expect global markets to take the cue from the US and remain fairly buoyant, with ample liquidity in the system and global economies expected to see some improvement in growth. However, this does not mean that we will not revisit issues surrounding the Euro Debt crisis again, which is already in its 4th year. Some potential obstacles we will face during the year will include parliamentary elections for countries like Israel, Italy, Egypt, Pakistan, Iran, Germany, Australia, and Malaysia.
- ▶ Domestically, we remain cautious overall on equities in 1H13, but we believe there is a small window of opportunity for the market to remain fairly active and provide trading opportunities leading to the Chinese New Year. We think that the 13th Malaysian General Elections is likely to be called end 1Q13 or early 2Q13. We expect market to be very volatile with downside risk during this period. Assuming a relative status quo in terms of election results, we expect that the Malaysian markets to move in tandem with the global markets thereafter. With the expectation of global economic recovery in 2H13, the global equity markets may move higher when investors have higher risk appetite for equities.

Equity Market Review & Outlook

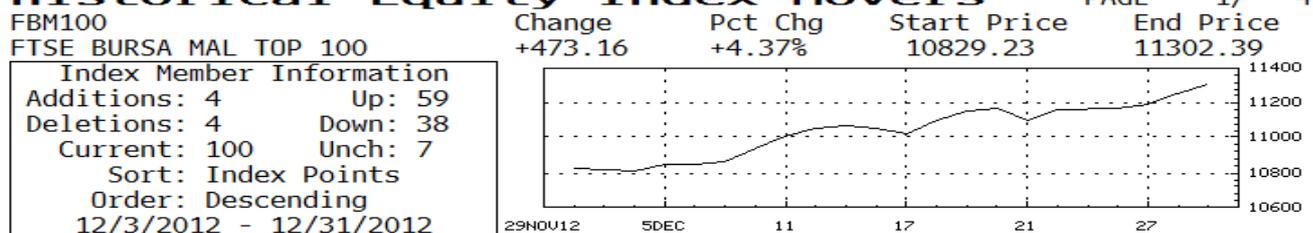
NEWS HIGHLIGHTS

- ▶ The Malaysian Communications and Multimedia Commission (MCMC) has allowed 8 companies to access the 2,600MHz spectrum band, enabling them to offer 4G broadband services at the speed in excess of 100mbps. The companies are Celcom, DiGi, Maxis, P1, Puncak Semangat, REDtone, U Mobile and YTL Communication.
- ▶ Time dotCom (TdC) has proposed a dividend-in-specie of up to 137.5m shares in DiGi, which will leave TDC with 1.75% post exercise, leaving the possibility of further distributions in the future.
- ▶ UMW Holdings plans to list its oil and gas unit next year, according to the Asian Wall Street Journal. The IPO would raise at least US\$500m. UMW's oil and gas division is expected to continue contributing positively to the group, especially with its NAGA-1 oil rig commencing operations in December.

INDEX PERFORMANCE & MOVERS

RPT

Historical Equity Index Movers PAGE 1/ 4



LEADING MOVERS				LAGGING MOVERS			
Security	End Price	Change	Index Pts	Security	End Price	Change	Index Pts
AXIATA MK	6.59	+0.67	+71.582	IHH MK	3.37	-0.11	-4.435
DIGI MK	5.29	+0.46	+45.142	MPU MK	3.49	-0.24	-4.365
PBK MK	16.28	+0.76	+45.051	PEP MK	11.60	-0.40	-4.059
SIME MK	9.52	+0.55	+41.547	AIRA MK	2.74	-0.11	-3.957
KLK MK	24.00	+3.36	+29.943	MAS MK	.71	-0.155	-2.619
T MK	6.04	+0.57	+25.715	MSGB MK	2.07	-0.23	-2.414
PICHEM MK	6.40	+0.45	+24.128	MMC MK	2.63	-0.06	-1.247
ROTH MK	62.00	+8.80	+21.048	MRC MK	1.55	-0.07	-1.225
UMWH MK	11.94	+1.32	+19.384	DLG MK	2.40	-0.04	-1.208
AMM MK	6.80	+0.42	+15.895	IGB MK	2.30	-0.06	-1.110

+ Added during range, - Removed during range, * Added/Removed multiple times
 Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P.
 SN 147088 HKT GMT+8:00 6734-4737-0 03-Jan-2013 09:29:43

Indices	Last Price		MoM Changes	
	30-Nov-12	31-Dec-12	+/-	%
FBMKLCI	1610.8	1689.0	78.1	4.85%
FBMMES	4174.2	4214.2	40.0	0.96%
FBM100	10829.2	11302.4	473.2	4.37%
FBM70	12054.1	12334.1	280.0	2.32%
FBMSCAP	11465.5	11480.2	14.7	0.13%
FBMEMAS	10979.5	11438.1	458.7	4.18%
FBMFLG	9194.7	9264.3	69.6	0.76%
FBMSHA	10957.3	11520.7	563.5	5.14%
FBMHJRAH	11956.6	12674.9	718.4	6.01%
MSCI APxJ	452.4	466.0	13.6	3.01%