

## Equity Market Review & Outlook

### REVIEW

- ▶ February was a flattish month for Malaysia and other global markets. The US spent most of the month contending with the fiscal policies affected by the 1 March deadline for US\$85bn in spending cuts (the sequester) for Fiscal Year 2013 to go into effect. The US markets were also reassured by the Bernanke's statements that the Fed's longer-term asset purchase programme continue to outweigh the costs and improvement in the labor markets remains unsatisfactory. In the Euro area, Italy's reforms were complicated with an election result that may result in a hung parliament, as no political coalition/party managed to win a majority in the Senate.
- ▶ Equity markets in Malaysia were also relatively flattish for the month, partly due to the Chinese New Year holiday mid-month and the fact that investors remained jittery over the expectation of the Prime Minister dissolving parliament. Corporate results released during the month were generally disappointing but unfortunately relatively within expectations. The KLCI gained 0.62% mom in February to close at 1,637.6 points. The broader market outperformed the KLCI slightly, with the FBM Emas Index gaining 0.65% in February. The KLCI outperformed FBM Small Cap Index which declined by 0.13%. Average value traded on Bursa in February declined 9% mom to RM1.59bn per day.
- ▶ The sector indices on the local bourse closed mostly up for February, with the best performing sectors being Industrial (+2.43%) and Property (+2.28%). The worst performing sectors were the Technology (-7.96%), and Plantation (-1.60%).

### OUTLOOK

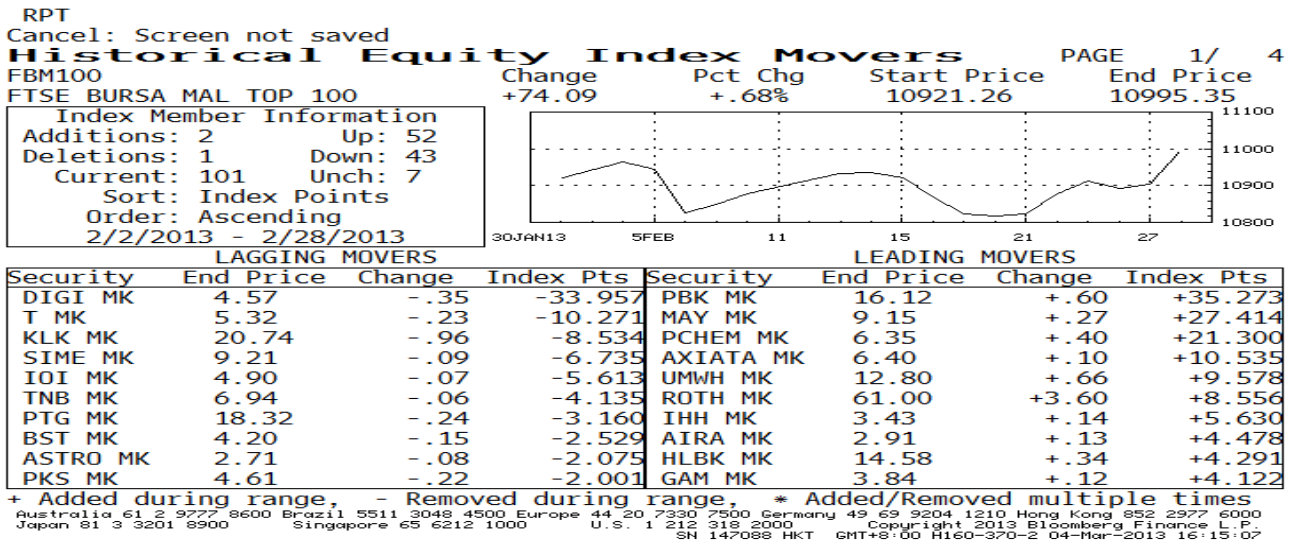
- ▶ With the US sequester automatically in place due to the US politicians inability to come to an agreement, the US economy is already facing a weak 1Q13 growth. The longer it takes to come to an agreement, the longer the negative impact it will have on the US economy which was just showing signs of improvement. The recent confusion over who will form the coalition government post the Italian elections will have a negative impact in the euro zone restructuring process. The Euro zone debt crisis will likely grind on without much significant developments until after the German General Elections due in September/early October. The Asian regional markets will take some cue from China's upcoming National People's Congress which will mark the formal beginning of President Xi Jinping's administration, and will set the tone and agenda for his first year in power.
- ▶ Domestically, we remain cautious overall on equities in 1H13. We think that the 13<sup>th</sup> Malaysian General Elections is likely to be held 1H13, and expect markets 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 a global economic recovery in 2H13, the global equity markets may move higher when investors have higher risk appetite for equities.

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### NEWS HIGHLIGHTS

- ▶ Stand-alone investment bank Hwang-DBS (M) Bhd has become the subject of a takeover bid, with strong interest coming from the likes of CIMB Bank Bhd, AMMB Holdings Bhd, Affin Holdings Bhd and K&N Kenanga Holdings Bhd, sources told StarBizWeek.
- ▶ The Prime Ministers of Malaysia and Singapore have agreed to build a High Speed Rail link between Kuala Lumpur and Singapore, which is expected to be completed by 2020. The Land Public Transport Commission (SPAD) says it expects to call for tenders for the high-speed rail (HSR) link between Kuala Lumpur and Singapore in 4Q13.
- ▶ The Selangor government has made a RM9.65bn offer to take over all four water concessionaires in the state. This is the second offer from the state, but it is higher than the first offer made in Feb 2009.

### INDEX PERFORMANCE & MOVERS



Indices	Last Price		MoM Changes	
	31-Jan-13	28-Feb-13	+/-	%
<b>FBMKLCI</b>	<b>1627.6</b>	<b>1637.6</b>	<b>10.1</b>	<b>0.62%</b>
<b>FBMMES</b>	<b>4114.8</b>	<b>3955.9</b>	<b>-158.9</b>	<b>-3.86%</b>
<b>FBM100</b>	<b>10921.3</b>	<b>10995.4</b>	<b>74.1</b>	<b>0.68%</b>
<b>FBM70</b>	<b>12054.5</b>	<b>12165.9</b>	<b>111.4</b>	<b>0.92%</b>
<b>FBMSCAP</b>	<b>11462.0</b>	<b>11447.3</b>	<b>-14.7</b>	<b>-0.13%</b>
<b>FBMEMAS</b>	<b>11067.6</b>	<b>11139.0</b>	<b>71.5</b>	<b>0.65%</b>
<b>FBMFLG</b>	<b>9129.4</b>	<b>9049.1</b>	<b>-80.3</b>	<b>-0.88%</b>
<b>FBMSHA</b>	<b>11113.0</b>	<b>11105.7</b>	<b>-7.2</b>	<b>-0.07%</b>
<b>FBMHJRAH</b>	<b>12183.1</b>	<b>12125.8</b>	<b>-57.3</b>	<b>-0.47%</b>
<b>MSCI APxJ</b>	<b>478.2</b>	<b>481.3</b>	<b>3.2</b>	<b>0.67%</b>