

Equity Market Review & Outlook

REVIEW

- ▶ Global markets started the month on a positive note, driven by strong liquidity on the back of loose monetary policies from the US and Japan. However, towards the end of May, investors became jittery when the Nikkei declined 7% in one day on profit taking, having surged strongly in May. US Fed's Bernanke comments and the FOMC minutes released raised the risk of an earlier than expected Fed QE "taper", and China's HSBC flash PMI for May of 49.6 (falling below 50 for the first time in seven months) spooked the markets.
- ▶ With the 13th General Elections out of the way, a key overhang was removed from the market and KLCI hit all time highs of 1788.43 during the month. The results indicated a comfortable win by the incumbent which would imply continuity of policies, particularly the implementation of ETP projects. May was also the month where many corporates announced their results, which came in mostly in-line with expectations but few surprised on the upside. The KLCI ended the month at 1769.2 points, gaining 3% mom or 51.6 points. The broader market outperformed the KLCI as the FBM Emas gained 5.83% mom. FBM Small Cap index sharply outperformed the KLCI gaining 24.13% during the month. Average value traded on Bursa in May increased 55% higher mom to RM2.87bn.
- ▶ The sector indices on the local bourse closed up for May, with the best performing sectors being Property (+25.75%) and Technology (+17.92%). The worst performing sectors were the Plantation (+0.61%), and Finance (+5.4%).

OUTLOOK

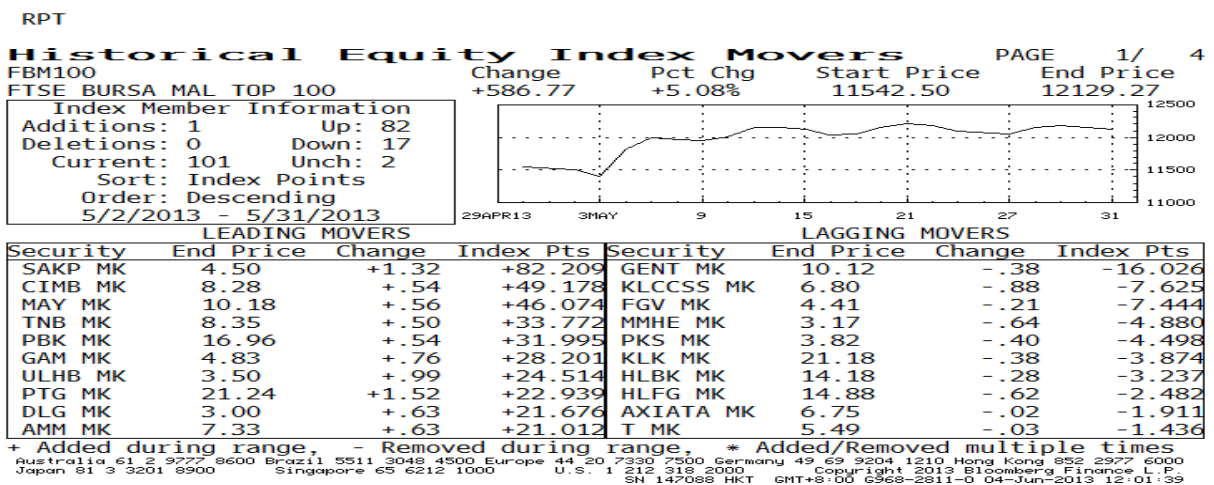
- ▶ Globally, investors will need to be mindful of upcoming events including the US debt ceiling issues which will need to be decided over the next couple of months, and Germany's Federal elections in September. Over in Asia, investors will continue to monitor the data coming from China given recent concerns over slower than expected growth. Nevertheless, overall macro risk outlook for 2013 appears lower at this point in time given the abundant liquidity, which will have positive implications for the Malaysian equity market.
- ▶ Although Malaysia has gotten the general elections out of the way, the next event to monitor will be the UMNO General Assembly which is likely to be held towards the end of 2013. Fiscal reforms such as subsidy removal and GST implementation may be delayed as the government is likely to continue with populist policies at least until 2014.
- ▶ We have turned more positive on the Malaysian equity market post the election results, and we will continue to accumulate fundamentally strong stocks selectively.

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NEWS HIGHLIGHTS

- ▶ The Barisan Nasional won 133 parliamentary seats at the 13th General Elections, a margin of 60% versus 63% won in 2008, but they managed to wrestle control of Kedah from Pakatan Rakyat.
- ▶ Petronas has made a deepwater gas discovery at Block CA-2 off the coast of Brunei. Its JV partner, Murphy Oil, said this could lead to a potential feedstock project for an existing liquefied natural gas facility, also in Brunei. The owners of Block CA-2 are Petronas, Petroleum Brunei and Murphy.
- ▶ IOI Properties, which is set to demerge from parent IOI Corp, will seek relisting on the main market of Bursa Malaysia to become one of the biggest listed property companies in the country with total assets of RM15bn, (but potential market cap of RM8.2bn). Listing expected to be by year end.
- ▶ CEO-in-waiting Johan Dannelind will not be joining Maxis "owing to recent personal family circumstances which have made it necessary for him to reside closer to family in Sweden."

INDEX PERFORMANCE & MOVERS



Indices	Last Price		MoM Changes	
	30-Apr-13	31-May-13	+/-	%
FBMKLCI	1717.7	1769.2	51.6	3.00%
FBMMES	3953.1	4713.0	759.9	19.22%
FBM100	11542.5	12129.3	586.8	5.08%
FBM70	12841.7	14478.9	1637.3	12.75%
FBMSCAP	12060.8	14971.1	2910.4	24.13%
FBMEMAS	11696.0	12377.8	681.8	5.83%
FBMFLG	9247.1	10770.4	1523.3	16.47%
FBMSHA	11663.2	12403.8	740.6	6.35%
FBMHIJRAH	12762.7	13432.1	669.4	5.25%
MSCI APxJ	484.2	461.4	-22.9	-4.72%