

## Equity Market Review & Outlook

### REVIEW

- ▶ Global markets rebounded as concerns about the US Federal Reserves tapering of QE subsided and policy makers managed to soothe fears. Investors were a little more comforted by China's Premier Li Keqiang statements recently that reiterated a 7.5% growth target for 2013 and reassured that 7.0% growth is an important floor to be defended.
- ▶ Malaysian equity markets benefited from the global rebound for most of the month, with the KLCI scaling all new highs on many occasions. However, by the end of the month, selling pressure set in when Fitch Rating revised its outlook on Malaysia to "negative" from "stable", on the back of worsening public finance outlook since the Government's "weak showing in the May 2013 general elections". The KLCI ended the month at 1,772.6 points, declining 0.05% mom or 0.9 points. The broader market outperformed the KLCI as the FBM Emas gained 26.5 point or 0.22% mom. FBM Small Cap index outperformed the KLCI gaining 4.06% during the month. Average value traded on Bursa in July declined 17% mom to RM2.04bn.
- ▶ The sector indices on the local bourse closed up for July, with the best performing sectors being Technology (+2.94%) and Construction (+2.18%). The worst performing sectors were the Property (-1.59%), and Plantation (-0.54%).

### OUTLOOK

- ▶ Global concerns regarding the "tapering" of QE will likely continue going forward (September is the next FOMC meeting), which will weigh on regional markets, and the rebound may be short lived. Malaysia's weak currency and rising bond yields continue to spook investors and we may see more volatility given the high levels of foreign ownership of MGS (the highest in ASEAN). With the latest Fitch Rating outlook on Malaysia at negative, the government will be under pressure to address potential fiscal deficit issues with increased efforts at addressing subsidy rationalization. Economists are also highlighting growing concerns over weaker current account balance which is currently in a surplus position, but has reduced from 17% of GDP in 2008, to 6.1% in 2012. Besides the macro concerns, investors will also be mindful of the upcoming UMNO General Assembly date set for the 5<sup>th</sup> October 2013, and thereafter the 2014 Budget slated for 25<sup>th</sup> October 2013. We are expecting a stronger stance to be taken in reducing subsidies.
- ▶ We remain relatively cautious on the Malaysian equity market largely due to the global macro concerns, but view any correction in the market as an opportunity to accumulate fundamentally strong stocks.

### NEWS HIGHLIGHTS

- ▶ Bank Negara Malaysia is implementing a set of measures, effective immediately, to curb the rising trend of household indebtedness and to reinforce responsible lending practices by key credit providers. The measures effective immediately include: maximum tenure of 10 years for financing extended for personal use, maximum tenure of 35 years for financing granted for the purchase of residential and non-residential properties, and prohibition of the offering of pre-approved personal financing products.
- ▶ Maxis announce the appointment of Morten Lundal as its new CEO. Mr Lundal who will take office on 1 Oct is currently Vodafone's group chief commercial officer.
- ▶ Standard & Poor's Rating Services (S&P) on 26 July affirmed sovereign credit ratings on Malaysia with a stable outlook, which reflects the country's strong external liquidity position, open and competitive middle-income economy, and considerable monetary flexibility.

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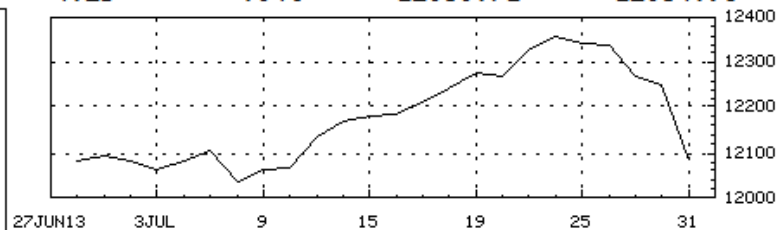
### INDEX PERFORMANCE & MOVERS

RPT

#### Historical Equity Index Movers PAGE 1/ 4

FBM100 Change Pct Chg Start Price End Price  
 FTSE BURSA MAL TOP 100 +4.25 +.04% 12080.71 12084.96

Index Member Information  
 Additions: 1 Up: 47  
 Deletions: 1 Down: 51  
 Current: 100 Unch: 3  
 Sort: Index Points  
 Order: Descending  
 7/1/2013 - 7/31/2013



#### LEADING MOVERS

Security	End Price	Change	Index Pts
TNB MK	8.89	+.60	+35.532
PBK MK	17.26	+.32	+17.084
AMM MK	7.83	+.49	+16.188
GENM MK	4.16	+.27	+15.141
AXIATA MK	6.79	+.16	+15.064
MAXIS MK	7.11	+.24	+11.903
MISC MK	5.44	+.34	+9.464
PETD MK	26.80	+1.50	+8.449
PEP MK	14.90	+.74	+8.288
MMHE MK	4.23	+.79	+5.972

#### LAGGING MOVERS

Security	End Price	Change	Index Pts
CIMB MK	7.87	-.41	-37.764
GENT MK	9.83	-.61	-25.556
SAKP MK	3.86	-.23	-15.888
UEMS MK	2.68	-.44	-12.581
MAY MK	10.26	-.14	-11.388
UMWH MK	13.86	-.74	-9.264
DIGI MK	4.65	-.11	-7.760
T MK	5.27	-.13	-6.239
SIME MK	9.48	-.10	-5.896
KLK MK	21.20	-.52	-5.251

+ 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 2013 Bloomberg Finance L.P.  
 SN 147088 HKT GMT+8:00 6735-5178-3 01-Aug-2013 11:35:51

Indices	Last Price		MoM Changes	
	30-Jun-13	31-Jul-13	+/-	%
FBM KLCI	1773.5	1772.6	-0.9	-0.05%
FBM MES	4684.5	4999.0	314.5	6.71%
FBM 100	12080.7	12085.0	4.3	0.04%
FBM 70	14108.5	14157.0	48.5	0.34%
FBM SCAP	14299.6	14880.1	580.5	4.06%
FBM EMAS	12304.9	12331.4	26.5	0.22%
FBM FLG	10545.9	10905.2	359.3	3.41%
FBM SHA	12294.5	12373.7	79.2	0.64%
FBM HIJRAH	13357.3	13437.7	80.4	0.60%
MSCI APxJ	432.2	440.1	7.9	1.84%

Source: Bloomberg