

Equity Market Review & Outlook

REVIEW

- ▶ The United States Federal Government entered a shutdown from 1 October 2013 – 16 October 2013, curtailing most routine government operations after Congress failed to enact legislation appropriating funds for fiscal year 2014. However, an interim appropriations bill was signed into law and government operations resumed on 17 October 2013. A deal to overcome the US debt ceiling was reached but is a temporary fix as it allows the government to be funded until 15 Jan 2014. As a result, the US equities consolidated early in the month, as investors were uncertain how long this shutdown would last, given the last shutdown was in 1995-1996, before rebounding during the second half of the month. Asia seemed to shrug off the US uncertainties and rallied during the month of October generally, following the strong rebound in the previous month, as investors now speculated that tapering of Quantitative Easing measures would likely be delayed to 2014.
- ▶ Malaysia also rebounded by mid month, with the KLCI reaching new highs during the month. The UMNO elections saw the two top posts uncontested, with Datuk Seri Najib Tun Razak retaining his post as president while Tan Sri Muhyiddin Yassin maintained his post as deputy president. Investors speculated that the government would implement measures such as the GST and subsidy rationalization measures to address the budget deficit and narrowing current account concerns. The Budget 2014 announced that the GST would be effective 1 April 2015, and that sugar subsidies would be removed completely. To curb property speculation, the government raised the real property gains tax substantially, abolished the developers' interest bearing scheme and raised the minimum price of property that foreigners can purchase from RM500k to RM1mil. The KLCI closed at 1,806.9 gaining 38.2 points or 2.16% mom. The broader market outperformed the KLCI slightly as the FBM Emas gained 278.8 points or 2.27% mom. FBM Small Cap index outperformed the KLCI gaining 3.50% during the month. Average value traded on Bursa in October decreased 9% mom to RM1.74bn.
- ▶ The sector indices on the local bourse closed generally higher for October, with the best performing sectors being Industrial Production (4.85%) and Technology (4.65%). The worst performing sectors were the Properties (-1.74%), and Financials (1.24%).

OUTLOOK

- ▶ Investors received a reprieve of sorts with the temporary resolution to the fiscal and debt ceiling issues over the United States. Over the longer term, markets will continue to second guess when the US Federal Reserve would start tapering their QE – and whilst the delay brought some respite to emerging markets, the delay in tapering also means the US economy is still not strong enough for the start of a withdrawal of monetary stimulus.
- ▶ Now with the two big milestones removed: UMNO elections and Budget 2014 announcement; we expect the market to refocus back on the economy and corporate earnings. Whilst the government seems to have the political will to tackle the country's fiscal issues, there needs to be strong follow through to ensure the fiscal position is addressed in more meaningful ways in the near term as the GST is still a good 16 months away. Staying true to the fiscal consolidation path should deter rating agencies from downgrading Malaysia's sovereign rating. With recent developments, we have turned slightly more positive on the Malaysian equity market, at least for the next few months. Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

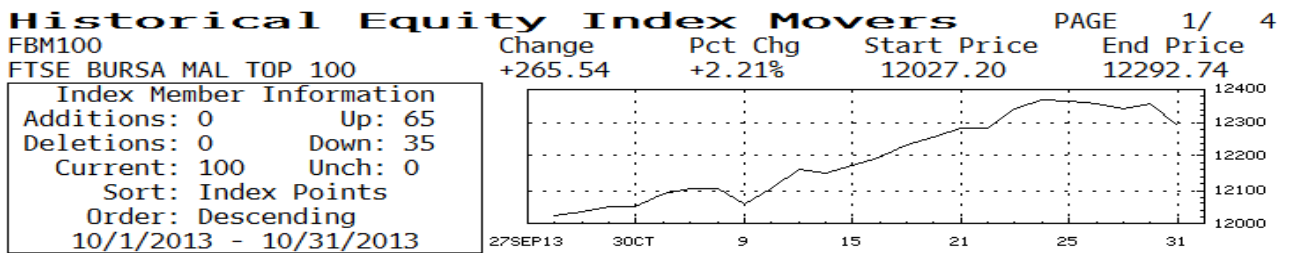
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NEWS HIGHLIGHTS

- ▶ IOI Corporation has launched a RM1bn takeover of Unico-Desa Plantations at RM1.17 a share, after its unit IOI Plantations had acquired 339m Unico shares or 39.55% for a RM396.63m cash consideration.
- ▶ UMW Oil & Gas Corp Bhd's (UMW O&G) initial public offering of about 843m shares has attracted 21 cornerstone investors including Permodalan Nasional Bhd (PNB), who together have taken up 399m shares or 18.45% of the enlarged issued and paid up share capital of the company. The listing date was set for 1 Nov 2013.
- ▶ SapuraKencana has signed an agreement to purchase 100% equity interest in Newfield Malaysia Holdings for US\$898m (RM2.8bn) cash. Subject to approval from Petronas, the deal is expected to close in early 2014.

INDEX PERFORMANCE & MOVERS

RPT



LEADING MOVERS				LAGGING MOVERS			
Security	End Price	Change	Index Pts	Security	End Price	Change	Index Pts
PTG MK	24.52	+2.52	+37.705	MAY MK	9.76	-.08	-6.511
PBK MK	18.30	+.56	+29.906	UEMS MK	2.34	-.21	-6.006
TNB MK	9.43	+.40	+23.698	SWB MK	2.79	-.42	-4.651
SAKP MK	4.00	+.31	+21.418	CIMB MK	7.47	-.05	-4.605
PCHM MK	7.11	+.26	+14.156	TOPG MK	5.71	-.58	-4.446
UMWH MK	12.80	+.98	+12.273	SPSB MK	3.07	-.26	-3.021
YTL MK	1.65	+.11	+11.165	BC MK	.54	-.045	-2.317
FGV MK	4.49	+.29	+10.200	DRB MK	2.54	-.12	-1.973
GAM MK	4.87	+.27	+10.126	ROTH MK	63.50	-.70	-1.888
DIGI MK	5.00	+.14	+9.874	HART MK	7.23	-.25	-1.512

+ 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 2013 Bloomberg Finance L.P.
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Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Sep-13	31-Oct-13	+/-	%
FBMKLCI	1768.6	1806.9	38.2	2.16%
FBMMES	5537.2	5695.8	158.6	2.86%
FBM100	12027.2	12292.7	265.5	2.21%
FBM70	13963.5	14294.5	331.1	2.37%
FBMSCAP	15255.5	15788.9	533.4	3.50%
FBMEMAS	12289.7	12568.5	278.8	2.27%
FBMSHA	12364.9	12742.2	377.3	3.05%
FBMHJRAH	13401.8	13799.6	397.8	2.97%
MSCI APxJ	459.3	480.6	21.3	4.64%

Source: Bloomberg