

Equity Market Review & Outlook

REVIEW

- ▶ Global markets rebounded in February as fears over the weakness of emerging markets' currencies dissipated. Markets were also comforted by the statement from US Federal Reserve Chairperson, Janet Yellen, which indicated that markets should expect a great deal of continuity from the FOMC in the months ahead, and conditioned on continued recovery, measured tapering is likely at coming meeting.
- ▶ Domestically, the Malaysian equity market also rebounded in tandem with the regional markets, but gains were capped as the February reporting season was not very encouraging, as there were more companies that reported results inline or below expectations compared to above expectations. The KLCI ended the month at 1,835.7 points, gaining 1.75% mom or 31.6 points. The broader market underperformed the KLCI slightly as the FBM Emas Index gained 213.2 points or 1.71% mom. FBM Small Cap index outperformed the KLCI gaining 5.26% during the month. Average value traded on Bursa in February increased 15% mom to RM2.29bn.
- ▶ The sector indices on the local bourse closed generally higher for February, with the best performing sectors being Property (4.41%) and Plantation (3.92%). The worst performing sectors were the Construction (0.38%) and Finance (1.20%).

OUTLOOK

- ▶ 1Q14 growth numbers will likely be a bit weak globally, with harsh winters experienced in the US and Japan that kept many indoors. In addition, tensions from Russia over Ukraine has made investors jittery again, resulting in more risk-off trades.
- ▶ On the domestic front, post the recent results, consensus earnings for 2014 have been cut by about 2%-4%, but generally consensus is expecting a growth in 2014 earnings of about 10-12% yoy. There will be a by-election in Kajang, Selangor on 23 March 2014, which will be an event scrutinized by the media given that Datuk Seri Anwar Ibrahim has announced his intention to contest the seat. Hence expect politics to steal much of the limelight for the month March. Over the next few months, cost of living pressures will still be a focus point but the payment of BR1M in 1H14 should help alleviate this somewhat. Staying true to the fiscal consolidation path should deter rating agencies from downgrading Malaysia's sovereign rating, and improve Malaysia's balance sheet strength.
- ▶ Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

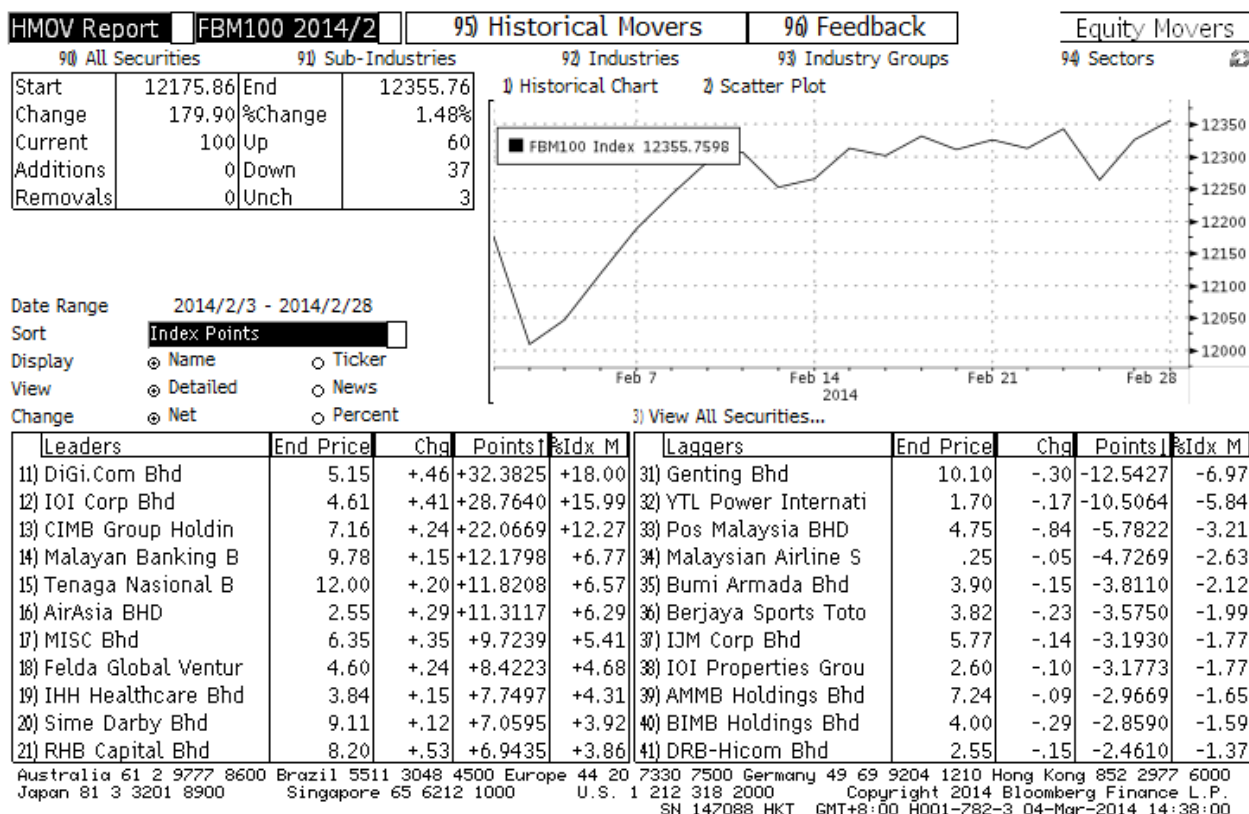
NEWS HIGHLIGHTS

- ▶ Site inspection found that 65% of KLIA2's main terminal building did not comply with fire and safety standards. Indah Water Konsortium Sdn Bhd, the Sepang Municipal Council and the Fire and Rescue Department inspected the building in the last week of January and found that nearly two-thirds of the main terminal did not comply, leading to speculation that the opening of KLIA2 may be delayed again.
- ▶ The Government has implemented a measure to control bulk sales of property to try and curb the proliferation of "property clubs".
- ▶ The Federal Government and Selangor state government had inked an MoU to restructure the water industry in Selangor. The details of the MoU includes Selangor's approval of building the Langat 2 water treatment plant.

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INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Jan-14	28-Feb-14	+/-	%
FBMKLCI	1804.0	1835.7	31.6	1.75%
FBMMES	5901.3	6443.9	542.5	9.19%
FBM100	12175.9	12355.8	179.9	1.48%
FBM70	13761.1	13833.7	72.7	0.53%
FBMSCAP	15696.7	16521.6	824.9	5.26%
FBMEMAS	12456.3	12669.5	213.2	1.71%
FBMSHA	12604.0	12895.6	291.6	2.31%
FBMHJRAH	13823.3	14139.3	315.9	2.29%
MSCI APxJ	444.0	462.8	18.8	4.24%

Source: Bloomberg