

Equity Market Review & Outlook

REVIEW

- ▶ The US equity market ended the month of May at all time highs, supported by generally favorable economic data. The April FOMC minutes acknowledged that economic activity was picking up since the slowdown in 1Q which was affected by harsh weather, however they continue to monitor the risks associated with the housing sector, further slowing of growth in China and geopolitical tensions in the Ukraine.
- ▶ The month of May was quite volatile, as the KLCI hit new highs during the month, but gains were given back by month end. Results released during the month were not inspiring, with many coming in below expectations in the Automotive and Oil and Gas sectors. The KLCI ended the month at 1,873.4 points, marginally gaining 0.1% mom or 1.9 points. The broader market underperformed the KLCI slightly as the FBM Emas Index gained 4.8 points or 0.04% mom. FBM Small Cap index outperformed the KLCI gaining 0.15% during the month. Average value traded on Bursa in May declined 5% mom to RM2.26bn.
- ▶ The sector indices on the local bourse closed lower for May, with the best performing sectors being Technology (4.45%) and Finance (1.39%). The worst performing sectors were the Property (-2.43%) and Construction (-0.54%).

OUTLOOK

- ▶ Global markets will likely take their cue from the expected improvement in economic data from the US, following the harsh winter in 1Q. China's targeted fiscal stimulus should help prop up their economy. Concerns surrounding the Ukraine crisis seems to be easing somewhat, although it remains a perceived risk to markets. However, the economy in the Euro area seems to be gaining traction, which may benefit overall investor sentiment.
- ▶ On the domestic front, the month of June may be fairly uneventful, as investors digest the weaker than expected earnings reported, and get distracted with the upcoming 2014 FIFA World Cup starting 12th June 2014. Malaysia has benefited from the political turmoil of their neighbor, Thailand. Recent media reports of a new system for the sale of subsidized diesel and petrol indicate the government's commitment to continued subsidy rationalization. However, the finer details of this new system has yet to be released, and implementation of a system using quotas tagged to identity cards can be very cumbersome and subject to exploitation. We expect the focus on cost of living issues to continue to remain in the limelight as the government prepares for Budget 2015, scheduled to be tabled on 10 Oct 2014, with the theme: Accelerating growth, Ensuring Fiscal Sustainability, and Prospering the Rakyat.
- ▶ Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

NEWS HIGHLIGHTS

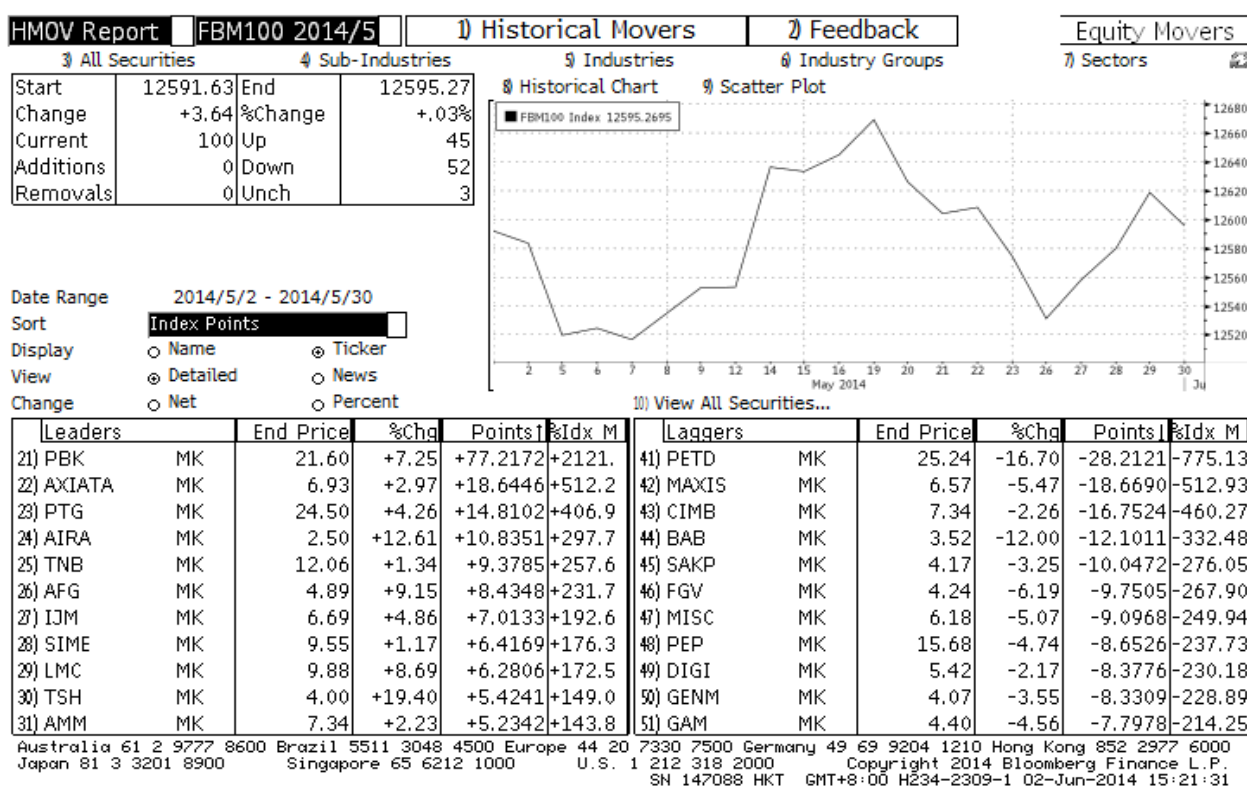
- ▶ Efforts to reduce the cost of living and aspects of subsidy rationalisation will continue to be the government's main focus in preparing Budget 2015 which is expected to be tabled in Parliament on 10 Oct 2014.
- ▶ The water impasse has taken a new twist with the Economic Council (EC), part of the Prime Minister's Department, stepping in to try to end the stalemate affecting the consolidation of Selangor's water sector.

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- Reuters news agency, quoting unnamed sources, reported that 1MDB had to seek an extension to pay the bridging loan provided by Maybank Investment Bhd because of a delay in its plan to list its power assets which was supposed to raise US\$2bn.

INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Apr-14	31-May-14	+/-	%
FBMKLCI	1871.5	1873.4	1.9	0.10%
FBMMES	6583.7	6581.3	-2.3	-0.04%
FBM100	12591.6	12595.3	3.6	0.03%
FBM70	14075.8	14045.2	-30.5	-0.22%
FBMSCAP	17426.5	17452.3	25.8	0.15%
FBMEMAS	12941.0	12945.8	4.8	0.04%
FBMSHA	13214.5	13136.0	-78.5	-0.59%
FBMHJRAH	14510.9	14446.1	-64.8	-0.45%
MSCI APxJ	474.3	487.5	13.2	2.77%

Source: Bloomberg