

Equity Market Review & Outlook

REVIEW

- ▶ October was a very volatile month as global markets were weighed down by concerns over many issues such as the economic weakness in Europe and Japan, continued conflict in Iraq and Ukraine, and the Ebola health scare. Wall Street led the sharp correction until mid month when the US market rebounded just as sharply on the back of improved sentiment given the better than expected US corporate earnings and improving economic data coming out of the euro zone.
- ▶ The Malaysian equity market fell in tandem with global markets, and the KLCI dipped below the 1,800 pt psychological support level for the second time this year, but managed to recoup its losses by month end. For the month of October, the KLCI ended marginally higher up 8.8pts or 0.48% closing at 1,855.2pts. The broader market underperformed the KLCI slightly with the FBM Emas Index declining 0.32% mom. The KLCI outperformed FBM Small Cap Index which declined by 5.2%. Average value traded on Bursa in October declined 1.9% mom to RM2.1bn per day.
- ▶ The sector indices on the local bourse closed mostly down for October, with the best performing sectors being Industrial (+2.48%) and Plantation (+2.30%). The worst performing sectors were the Technology (-4.82%), and Financial (-2.34%).

OUTLOOK

- ▶ Global markets may be volatile over the next few months given the uncertainty over the timing of rate increases in the US, and the impact of the stronger US dollar as a currency. Growth momentum in Europe and China will likely continue to be a source of concern for investors but Japan's Bank of Japan recent easing measures was a surprise as the move was proactive to take pre-emptive measures to reduce the risk of prices undershooting.
- ▶ Domestically, the remaining months of 2014 will likely see softening of consumer demand, given the lagged impacts from the hike in interest rates in July by 25bps, and the more recent hike in RON95 petrol and diesel by 20 sens/litre. We are likely to see follow through impact from the fuel hike in general prices of goods and services, in particular transportation and possibly in prices of food. With consumer spending expected to remain relatively weak going into next year, this may have implications on the timing of the next OPR hike. As such the ringgit may continue to remain relatively weak against the US dollar.
- ▶ Whilst we have turned relatively cautious, we believe the difficult steps the government is taking towards fiscal consolidation is a necessary one, and does not preclude the fact that there are still interesting investment ideas in Malaysia. Any corrections in the market would serve as an opportunity to accumulate selective fundamentally strong stocks with attractive valuations.

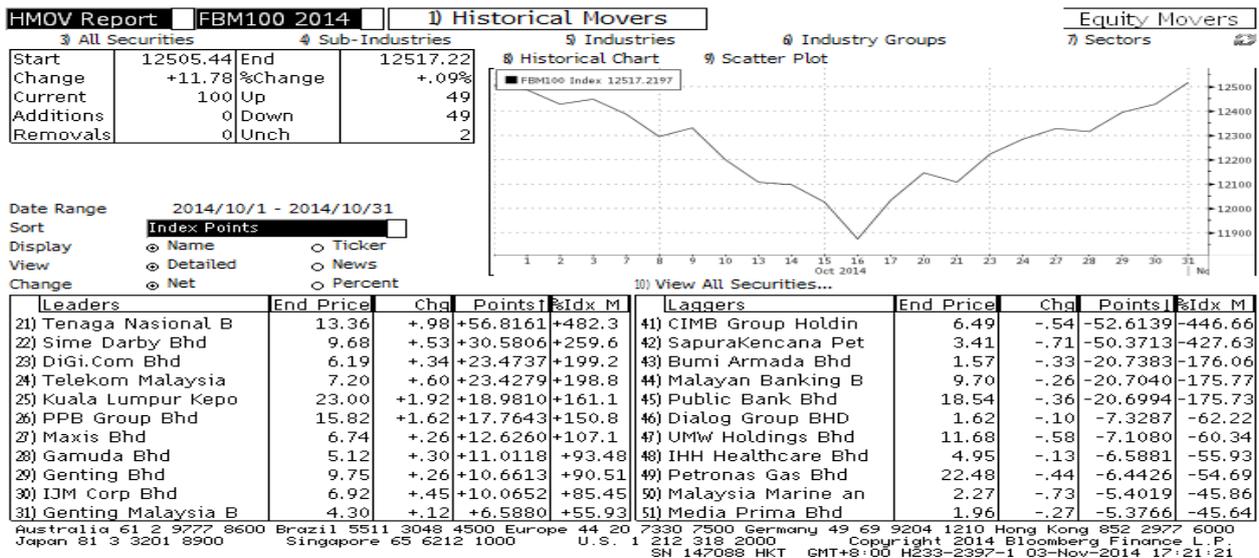
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NEWS HIGHLIGHTS

- Budget 2015, unveiled by Prime Minister Datuk Seri Najib Tun Razak, continued to be business and investor-friendly as well as inclusive, taking into account the concerns of the rakyat by emphasising on the needs of the middle and lower income group.
- Malaysia Airports has exercised its right of first refusal to acquire the remaining 40% stakes in Istanbul Sabiha Gokcen Uluslararası Havalimani Yatırım, Yapım ve İşletme A.S. (ISG) and LGM Havalimani İşletmeleri Ticaret ve Turizm A.S. which is currently owned by Limak Group for RM1.18bn.
- Gamuda announced that it received a letter from MRT Corp citing MMC-Gamuda JV (50:50) as the project development partner (PDP) for MRT line 2 (MRT 2: Sungai Buloh-Serdang-Putrajaya).

INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Sep-14	31-Oct-14	+/-	%
FBMKLCI	1846.3	1855.2	8.8	0.48%
FBMMES	7278.9	6586.0	-692.9	-9.52%
FBM100	12505.4	12517.2	11.8	0.09%
FBM70	14301.5	14133.0	-168.5	-1.18%
FBMSCAP	18665.6	17694.8	-970.8	-5.20%
FBMEMAS	12924.7	12882.9	-41.8	-0.32%
FBMSHA	13185.9	13346.4	160.5	1.22%
FBMHJRAH	14460.6	14923.9	463.4	3.20%
MSCI APxJ	472.9	485.7	12.8	2.70%

Source: Bloomberg