

Equity Market Review & Outlook

REVIEW

- ▶ December was a very volatile month globally where investors witnessed sharp declines in crude oil prices on the back of OPEC's decision to maintain their output levels, and the strength of the US Dollar against most other currencies. Domestically, Malaysia suffered as we are viewed as a net beneficiary from higher oil prices, hence with the drastic decline in crude oil prices, concerns were raised over the impact to the potential cutbacks in oil and gas related capital expenditure, Malaysia's fiscal deficit and future development expenditure, and may potentially be negative for Malaysia's current account. All these negatives saw the Ringgit depreciate against the US Dollar by 3.37% within one month, amid a decline of almost 20% in crude oil prices in the month of December. Floods that affected the northern and east coast states of peninsular Malaysia unfortunately highlighted how unprepared authorities were in handling the annual monsoon risk, displacing many people disrupting crude palm oil production. Finally, the tragedy of Air Asia flight QZ8501 from Surabaya, Indonesia to Singapore weighed on the local market, as this was the third Malaysian related aviation tragedy in one year.
- ▶ The Malaysian equity market underperformed its regional peers, with the KLCI closing at 1,761.3 pts, lower by 59.6 pts or 3.28% mom. The broader market underperformed the KLCI with the FBM Emas Index declining 3.77% mom. The KLCI outperformed FBM Small Cap Index which declined by 8.56%. Average value traded on Bursa in December declined 4.6% mom to RM1.89bn per day.
- ▶ The sector indices on the local bourse closed down for December, with the better performing sectors being Financials (-3.51%) and Industrial (-4.58%). The worst performing sectors were the Property (-8.08%), and Construction (-7.80%).

OUTLOOK

- ▶ Global markets may continue to be volatile in 2015 with less predictable monetary policy decisions, continued weaker commodity prices, and increased geo-political risks. However, the US economic data of late has been stronger than expected, and other major economies seem to show tentative signs of turning around.
- ▶ Domestically, 2015 will likely see continued softening of consumer demand, as consumers become more cautious on spending with the weaker currency, and the impending GST implementation. However, the lower crude oil prices whilst may not be beneficial for the Malaysian government's topline, should provide some reprieve to the cost of living for the man on the street as petrol and diesel are now pegged to market prices. We remain concerned over the weakness of the Ringgit and how long crude oil prices will remain below USD60/bbl.
- ▶ As such we maintain our cautious stance, and look for opportunities to accumulate fundamentally strong stocks on weakness, when valuations are more attractive.

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NEWS HIGHLIGHTS

- ▶ Palm oil inventories in Malaysia climbed for a fifth month to the highest level since February 2013. Reserves rose 5.2% to 2.28m metric tonnes in November from a month earlier.
- ▶ Bursa Malaysia Securities Bhd has upheld an earlier decision by its listing committee to disallow the Employee's Provident Fund from voting in the mega merger planned between RHB Capital Bhd, Malaysia Building Society Bhd (MBSB) and CIMB Group Holdings Bhd.
- ▶ IOI Properties Group plans to buy a 37.17% stake in Taipei Financial Center Corporation (TFCC), which owns iconic property Taipei 101, for RM2.74bn, however there is some opposition from certain parties of the Taiwanese government that opposed the foreign control of their iconic building.

INDEX PERFORMANCE & MOVERS

