

## Equity Market Review & Outlook

### REVIEW

- ▶ January was a positive month for regional markets and Malaysia as oil prices seemed to have stabilized. US equity markets were quite volatile during the month on the back of uncertainty regarding global growth. The European Central Bank (ECB) finally embarked upon a large-scale asset purchase program, announcing a combined €60bn per month broad-based asset purchase program, to be carried out until September 2016, with the aim of achieving inflation rates of about 2% over the medium term.
- ▶ January was also a positive month for Malaysia, after a weak start. The Malaysian government announced a revised 2015 Budget in light of the sharply lower oil prices and the weaker ringgit against the USD. The 2015 fiscal deficit target has been revised to 3.2% of GDP from 3%, and development expenditure is not expected to be cut. To stem the foreign capital outflows, government linked companies (GLCs) and government linked investment companies (GLICs) have been discouraged from making new foreign investments – all part of the measures to ensure Malaysia does not record a twin deficit (fiscal deficit and current account deficit).
- ▶ The KLCI closed the month at 1,781.26 pts, higher by 20.1 pts or 1.14% mom. The broader market outperformed the KLCI with the FBM Emas Index gaining 1.70% mom. The KLCI underperformed FBM Small Cap Index which gained by 5.57%. Average value traded on Bursa in December increased 16% mom to RM2.2bn per day.
- ▶ The sector indices on the local bourse closed higher for January, with the better performing sectors being Technology (16.53%) and Construction (4.50%). The worst performing sectors were the Finance (-1.29%), and Property (0.68%).

### 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. The US economic data of late has continued to show strength, and other major economies seem to show tentative signs of turning around. The size and pace of the ECB asset purchase program surprised on the upside, and will likely have some positive follow through for the market. However uncertainty surrounding Greek politics and the threat to leave the Euro may temper this sentiment.
- ▶ Domestically, consumers continue to be impacted by the stickiness of prices despite the lower petrol prices (which are now based on market movements). We expect consumer spending to remain relatively soft in the current environment of a weaker ringgit, and in light of the upcoming GST implementation. We remain concerned as to how long crude oil prices will remain below USD60/bbl and the implications on LNG prices when contracts are renegotiated.
- ▶ As such we maintain our cautious stance, but 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. In the short term, we expect equity markets to remain volatile and any correction would serve as an opportunity to accumulate fundamentally strong stocks on weakness.

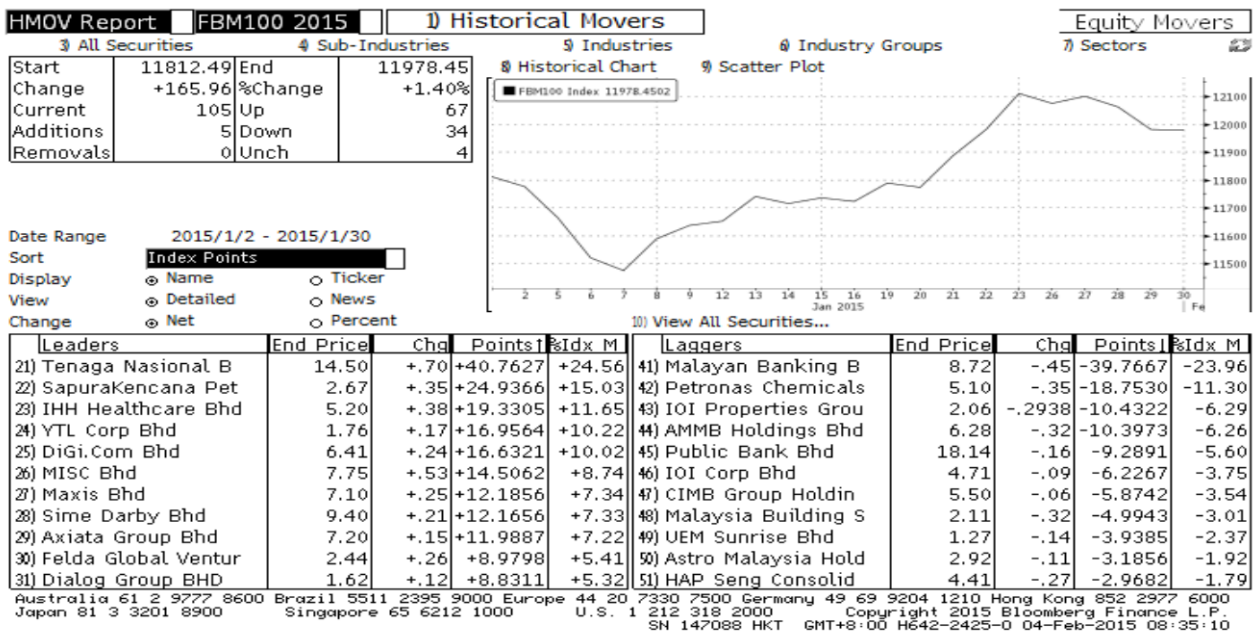
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### NEWS HIGHLIGHTS

- ▶ According to media reports, 1MDB has failed for a second time to pay a RM2bn loan to local lenders due on Dec 31, 2014. It is said that 1MDB has now been given until Jan 30, 2015 to settle the debt that was originally due on Nov 30, 2014. Maybank and RHB are the lead lenders.
- ▶ Ambank Malaysia has confirmed the resignation of its MD, Ashok Ramamurthy.
- ▶ CIMB Group, RHB Capital and Malaysia Building Society Bhd (MBSB) announced that they have ceased discussions on the proposed merger and creation of a mega Islamic bank in light of the current economic conditions.

### INDEX PERFORMANCE & MOVERS

<HELP> for explanation.



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Dec-14	31-Jan-15	+/-	%
FBMKLCI	1,761.25	1,781.26	20.01	1.14%
FBMMES	5,653.39	6,556.90	903.51	15.98%
FBM100	11,812.49	11,978.45	165.96	1.40%
FBM70	13,065.08	13,371.65	306.57	2.35%
FBMSCAP	15,035.53	15,872.42	836.89	5.57%
FBMEMAS	12,066.28	12,271.94	205.66	1.70%
FBMSHA	12,507.03	12,851.97	344.94	2.76%
FBMHJRAH	14,468.70	14,937.28	468.58	3.24%
MSCIAPxJ	467.23	474.13	6.90	1.48%

Source: Bloomberg