

## Equity Market Review & Outlook

### REVIEW

- ▶ December was a volatile month for regional markets as the first two weeks saw equity markets in Asia correct on the back of weak economic data from China, and poor investor sentiment as a result of sharply lower oil prices. The Organization of the Petroleum Exporting Countries (OPEC) meeting held in the first week of December 2015 failed to agree on a production ceiling for the first time in decades, with Iran and Iraq promising to ramp up output and exports in 2016. As expected, the US FOMC policy statement announced the long awaited Lift-off, with the FOMC unanimously voting to increase the target range for the Fed Funds rate by 25bps (to 0.25%-0.5%), after staying unchanged since 16 December 2008. Towards the end of the month, global equity markets generally rebounded.
- ▶ Domestically, the Malaysian equity market corrected sharply in the first half of December, on the back of weak data from China and sharply lower oil prices. However, given the US rate hike was widely anticipated, there was little impact post the Lift-off announcement on the KLCI and ringgit. The KLCI closed the month at 1,692.51 points, higher by 20.35 points or 1.22% mom. The broader market outperformed the KLCI with the FBM Emas Index gaining 1.44% mom. The KLCI underperformed the FBM Small Cap Index which gained 1.88%. Average value traded on Bursa in December was down 17% mom at RM1.91bn per day due to the holiday season.
- ▶ The sector indices on the local bourse closed higher for December with the best performing sectors being Technology (4.99%), and Industrial Production (5.96%), and the sectors that performed the worst were Industrial (-0.53%), and Plantation (0.30%).

### OUTLOOK

- ▶ We are expecting global monetary policy to remain in focus in 2016, and markets are likely to remain volatile with investors second guessing the timing of policy events as they did for most of 2015. With consensus expecting a gradual pace for the US rate hike for 2016, and firming US economy, the US Dollar should remain relatively strong, putting pressure on emerging market currencies. As seen in the first day of trading for 2016, China's weaker economic data although expected will continue to unnerve investors. Commodity prices, in particular oil is also expected to remain weak, as demand will take a while to catch up with the growing supply, given the moderate global economic growth outlook, unless geo-political tensions escalate or severe weather disruptions create supply shocks.
- ▶ On a macro level for Malaysia, we are relatively cautious as we expect a challenging environment for the Malaysian economy in 2016. Lower oil prices for a longer period will increase the risk of the government achieving their fiscal targets for 2016 and 2017, despite the lower reliance on oil related revenues. The Malaysian ringgit is also likely to remain relatively weak putting pressure on imported inflation, and adding to the increasing cost of living concerns the "rakyat" is facing now. The ringgit could face further downward pressure if the Chinese Yuan continues to weaken against the US Dollar. Corporate earnings forecasts for 2016 appear too optimistic with consensus expecting earnings to grow by 7.4% yoy, despite weaker consumer demand, increased risk of rising non-performing loans, ongoing price pressures, potential profit margin and cash flow squeeze. The event risk that we are foreseeing for Malaysia in the 1Q16, is the handling of the succession of the Bank Negara Governor, who is due to retire in April 2016, from her post which she held for 16 years.
- ▶ Despite the lack of macro catalysts, any correction in the market would serve as an opportunity to accumulate fundamentally strong stocks on weakness.

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### INDEX PERFORMANCE & MOVERS

HMOV Report
FBM100 2015/12/
1) History 2) Refresh
Equity Index Movers

3) All Securities 4) Sub-Industries 5) Industries 6) Industry Groups 7) Sectors
8) Historical Chart 9) Scatter Plot

Start	11312.24	End	11470.57
Change	+158.33	%Change	+1.40%
Current	101 Up		47
Additions	4 Down		53
Removals	3 Unch		4

Date Range: 2015/12/1 - 2015/12/31

Sort: Index Points

Display:  Name  Ticker

View:  Detailed  News

Change:  Net  Percent

10) View All Securities...

Leaders	End Price	Chg	Points	%Idx M	Laggers	End Price	Chg	Points	%Idx M
21) Top Glove Corp Bh	13.58	+3.87	+28.0971	+17.75	41) Sime Darby Bhd	7.75	-0.16	-9.2928	-5.87
22) Petronas Chemicals	7.27	+0.53	+26.9628	+17.03	42) SapuraKencana Pet	2.02	-0.12	-8.3013	-5.24
23) DiGi.Com Bhd	5.40	+0.40	+26.3324	+16.63	43) Pos Malaysia BHD	2.78	-0.79	-5.1130	-3.23
24) Axiata Group Bhd	6.41	+0.28	+22.1939	+14.02	44) British American T	56.08	-1.78	-4.5312	-2.86
25) My EG Services Bh	4.32	+0.91	+11.7930	+7.45	45) Westports Holdings	4.12	-0.18	-3.4024	-2.15
26) IHH Healthcare Bhd	6.58	+0.24	+11.7794	+7.44	46) YTL Power Internati	1.48	-0.07	-3.3640	-2.12
27) Maxis Bhd	6.80	+0.24	+11.0824	+7.00	47) Astro Malaysia Hold	2.76	-0.09	-3.2907	-2.08
28) Telekom Malaysia	6.78	+0.27	+10.5341	+6.65	48) Petronas Gas Bhd	22.70	-0.22	-3.1505	-1.99
29) Public Bank Bhd	18.52	+0.14	+7.6267	+4.82	49) AirAsia Bhd	1.29	-0.07	-2.7704	-1.75
30) Malayan Banking B	8.40	+0.08	+7.6106	+4.81	50) Tenaga Nasional B	13.32	-0.04	-2.6701	-1.69
31) Kossan Rubber Ind	9.30	+1.30	+7.3566	+4.65	51) Media Prima Bhd	1.27	-0.13	-2.2782	-1.44

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2016 Bloomberg Finance L.P.  
 SN 147088 HKT GMT+8:00 H642-4607-0 04-Jan-2016 19:06:41

Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Nov-15	31-Dec-15	+/-	%
<b>FBM KLCI</b>	<b>1,672.16</b>	<b>1,692.51</b>	<b>20.35</b>	<b>1.22%</b>
<b>FBM MES</b>	<b>6,543.39</b>	<b>6,389.24</b>	<b>-154.15</b>	<b>-2.36%</b>
<b>FBM 100</b>	<b>11,312.24</b>	<b>11,470.57</b>	<b>158.33</b>	<b>1.40%</b>
<b>FBM 70</b>	<b>12,877.74</b>	<b>13,135.15</b>	<b>257.41</b>	<b>2.00%</b>
<b>FBM SCAP</b>	<b>15,650.21</b>	<b>15,944.13</b>	<b>293.92</b>	<b>1.88%</b>
<b>FBM EMAS</b>	<b>11,625.97</b>	<b>11,793.65</b>	<b>167.68</b>	<b>1.44%</b>
<b>FBM SHA</b>	<b>12,506.87</b>	<b>12,800.65</b>	<b>293.78</b>	<b>2.35%</b>
<b>FBM HIJRAH</b>	<b>14,142.90</b>	<b>14,332.58</b>	<b>189.68</b>	<b>1.34%</b>
<b>MSCI APxJ</b>	<b>410.97</b>	<b>411.31</b>	<b>0.34</b>	<b>0.08%</b>

Source: Bloomberg