

## Equity Market Review &amp; Outlook

## REVIEW

- ▶ After a positive 1Q 2016, which saw a rebound in emerging market equities and fixed income flows. Despite a disappointing OPEC meeting mid April where Iran failed to participate, and the status quo of freezing output was maintained, crude oil prices continued to climb gaining 20% during the month, as production out of the US was substantially lower. Regional currencies remained in focus after the strength against the USD in March. Singapore's Monetary Authority (MAS) set the rate of the Singapore dollar's appreciation to zero (neutral stance), from a modest and gradual appreciation of the Singapore dollar Nominal Effective Exchange Rate (S\$NEER), in a move to support economic growth. The last time this stance was taken was in 2008. This surprise easing sent other Asian currencies lower. Bank of Japan also surprised the market by holding off further additional monetary easing, which saw the Japanese Yen strengthen markedly against the US dollar, and the Nikkei 225 Index closing the month in negative territory. US corporate results reporting continued to be weak, on track to register a fourth straight quarterly decline. Apple Inc., Microsoft Corp., and Alphabet Inc., expect sales in coming periods to come in below analysts' estimates.
- ▶ The annual Invest Malaysia conference was held on the 12<sup>th</sup> and 13<sup>th</sup> April 2016 but unlike previous years where the Prime Minister would use this platform to announce a new measure towards the liberalization of the capital markets, this year was an exception. Despite the continued strength in crude oil prices and relatively firm ringgit versus the US dollar, the Malaysian equity markets corrected towards the end of the month as investors fretted over a technical default by 1MDB on an US\$50m payment for an outstanding US\$1.75bn bond issue, and the potential cross default on two other notes worth US\$1.9bn. Even the announcement of Datuk Muhammad Ibrahim, who was the BNM deputy governor, as the new governor of BNM failed to excite the market. The KLCI ended the month lower at 1672.72, down 2.61%. The broader market outperformed the KLCI as the FBM Emas Index declined by 2.37%. The FBM Small Cap Index declined by 1.17%. Foreign institutional investors which were net buyers in March of RM6.1bn, recorded a slower net buy for equities of RM0.5bn in April, with the buying momentum slowing. Average value traded on Bursa in April declined 3% mom to RM2.09bn.
- ▶ The sector indices on the local bourse closed lower for April with the worst performing sectors being Technology (-8.87%) as Apple downgraded their sales outlook, Industrial (-3.14%), and Plantation (-2.0%). British American Tobacco which is a constituent of Industrials corrected sharply by 15% during the month after the release of very weak results for 1Q16.

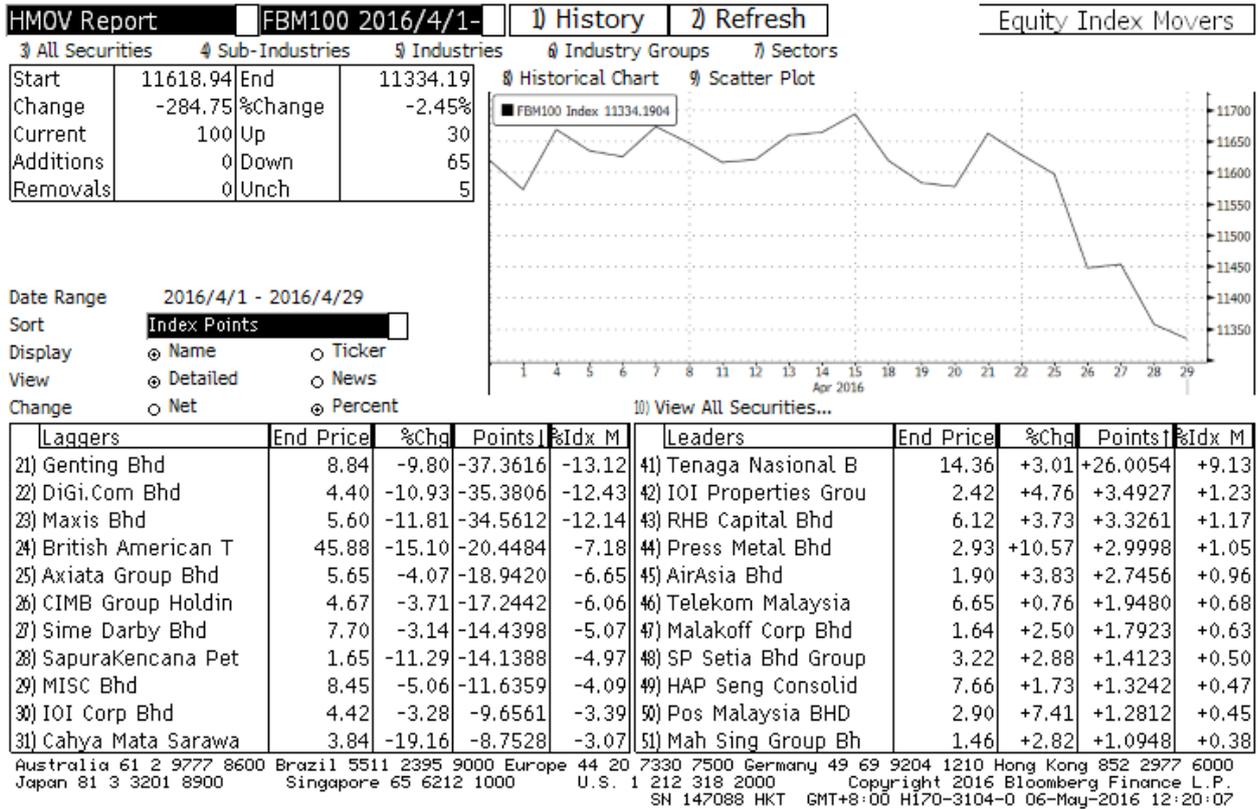
## OUTLOOK

- ▶ 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. Expectations for the US rate hike in 2016 have been tampered down to either 1-2 hikes in 2H 2016 from initially 4 hikes. This could be further complicated by the UK's referendum in June on the whether to leave the European Union or not, which polls seem to indicate it is fairly divided. The US Presidential race thus far has surprised investors given Trump's popularity which may have implications on whether the TPPA will be ratified should he be elected President. The robust supply of oil indicates that the recent rally cannot last, but we may have seen the bottom already. Crude palm oil prices have also been boosted due to the El Nino phenomenon's impact on production.
- ▶ On a macro level for Malaysia, we remain relatively cautious as we continue to expect a challenging environment for the Malaysian economy in 2016. The strength in the MYR may continue in the short term, but may not be as sustainable with the supply of oil still abundant, and the US still likely to hike rates in the 2H 2016. Expect the continued negative international media coverage on Malaysia and 1MDB, together with the public dispute between 1MDB and IPIC will affect investors' sentiment. Malaysian corporate results reporting is underway and looks likely to disappoint again, with more downgrades.

## Equity Market Review & Outlook

- Despite the potential headwinds and lack of macro catalysts, as usual we would be utilising any correction in the market as an opportunity to accumulate fundamentally strong stocks on weakness.

## INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Mar-16	30-Apr-16	+/-	%
<b>FBM KLCI</b>	<b>1,717.58</b>	<b>1,672.72</b>	<b>-44.86</b>	<b>-2.61%</b>
<b>FBM MES</b>	<b>5,636.98</b>	<b>5,617.09</b>	<b>-19.89</b>	<b>-0.35%</b>
<b>FBM 100</b>	<b>11,618.94</b>	<b>11,334.19</b>	<b>-284.75</b>	<b>-2.45%</b>
<b>FBM 70</b>	<b>13,227.78</b>	<b>12,970.66</b>	<b>-257.12</b>	<b>-1.94%</b>
<b>FBM SCAP</b>	<b>15,609.69</b>	<b>15,426.91</b>	<b>-182.78</b>	<b>-1.17%</b>
<b>FBM EMAS</b>	<b>11,920.78</b>	<b>11,638.02</b>	<b>-282.76</b>	<b>-2.37%</b>
<b>FBM SHA</b>	<b>12,498.31</b>	<b>12,208.99</b>	<b>-289.32</b>	<b>-2.31%</b>
<b>FBM HIJRAH</b>	<b>13,989.33</b>	<b>13,683.89</b>	<b>-305.44</b>	<b>-2.18%</b>
<b>MSCI APxJ</b>	<b>417.11</b>	<b>416.42</b>	<b>-0.69</b>	<b>-0.17%</b>

Source: Bloomberg