

## Equity Market Review & Outlook

### REVIEW

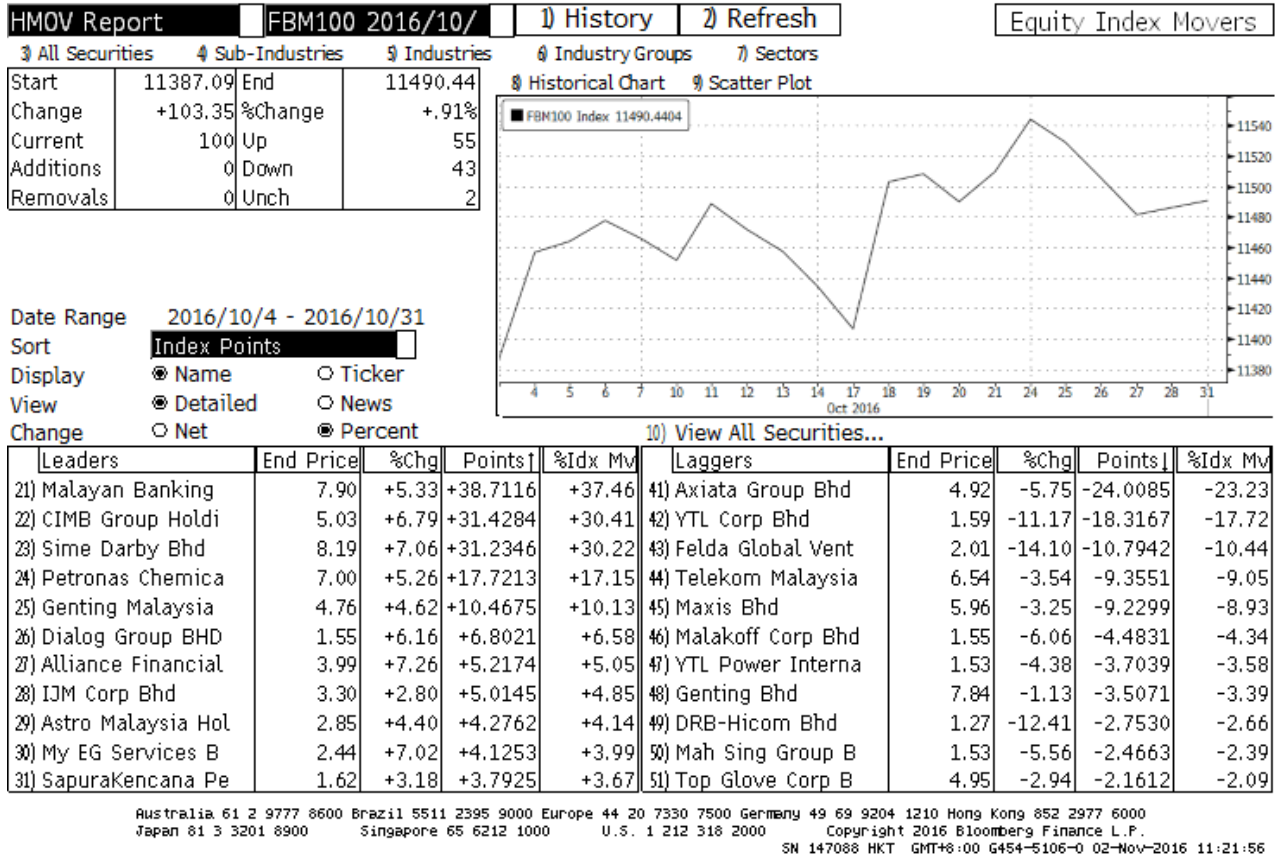
- ▶ Global markets continued to be volatile in October, with the few weeks leading to the US Presidential Elections, and the call between a Trump or a Hillary win often too close to call. UK's parliament debated on their exit from the EU, as the Sterling fell to a low against the US dollar and Euro on the 7th Oct. Asia was not immune to the volatility. South Korea's equity markets corrected as South Korean prosecutors raided President Park's compound, in an investigation into influence-peddling scandal. In Thailand, the country was in mourning after King Bhumipol Adulyadej passed away on 13 Oct 2016.
- ▶ Malaysian equities performed relatively well during the month. Concerns over meeting the budget fiscal deficit were reduced as government revenue collection increased in the months of July and August. The Prime Minister unveiled Budget 2017 on 21<sup>st</sup> October to spur consumption as a continued driver of economic growth. The Malaysian ringgit remained weak as the probability of a Hillary win in the US spiked and hence the chance of a December interest rate hike in the US, despite talks about OPEC freezing oil production. The KLCI gained 1.28% mom in October to close at 1,672.46 points. The broader market gained 0.84% underperforming the KLCI. The best performing sectors were Finance (+2.99%) and Construction (+2.18%), whilst the worst performing sectors were Property (-0.39%), and Plantation (-0.13%). The FBM Small Cap Index declined by 0.32%. Average value traded on Bursa in October was down 1.3% mom to RM1.956bn.

### OUTLOOK

- ▶ Investors remain on the edge of their seats as the US Presidential Election to be held 8 November is still too close to call. Currently a Trump win generally implies that future global economic growth may slow as the US adopts a more protectionist policy towards global trade, and would likely result in the Trans-Pacific Partnership Agreement (TPPA) not ratified by the US Congress at the end of the year. Hillary win in general should be viewed as positive for equity markets, she does intend to hike taxes and is not in full support of the TPPA.
- ▶ Malaysia's blossoming relationship with China will likely have a bigger influence on the construction and property sector in the months to come. With a consumption focused Budget 2017, expectations of an earlier than required General Elections remains. We expect the equity markets to hold up well, with ample liquidity in the system. Budget 2017 measures included a focus on sponsored small-mid cap stocks research, together with GLC linked funds investing RM3bn in such stocks. This could continue to spur demand for the small cap space.
- ▶ We expect markets will remain volatile, compounded by the other risks we mentioned above. We remain cautious on Malaysian equities, but any correction in the market would serve as an opportunity to accumulate fundamentally strong stocks on weakness.

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### INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Sep-16	31-Oct-16	+/-	%
<b>FBM KLCI</b>	<b>1,652.55</b>	<b>1,672.46</b>	<b>19.91</b>	<b>1.20%</b>
<b>FBM MES</b>	<b>5,219.91</b>	<b>5,021.98</b>	<b>-197.93</b>	<b>-3.79%</b>
<b>FBM 100</b>	<b>11,387.09</b>	<b>11,490.44</b>	<b>103.35</b>	<b>0.91%</b>
<b>FBM 70</b>	<b>13,722.13</b>	<b>13,724.56</b>	<b>2.43</b>	<b>0.02%</b>
<b>FBM SCAP</b>	<b>15,394.33</b>	<b>15,345.71</b>	<b>-48.62</b>	<b>-0.32%</b>
<b>FBM EMAS</b>	<b>11,687.58</b>	<b>11,785.47</b>	<b>97.89</b>	<b>0.84%</b>
<b>FBM SHA</b>	<b>12,348.18</b>	<b>12,384.01</b>	<b>35.83</b>	<b>0.29%</b>
<b>FBM HIJRAH</b>	<b>13,740.53</b>	<b>13,814.78</b>	<b>74.25</b>	<b>0.54%</b>
<b>MSCI APxJ</b>	<b>450.90</b>	<b>443.28</b>	<b>-7.61</b>	<b>-1.69%</b>

Source: Bloomberg