

## Equity Market Review & Outlook

### REVIEW

- ▶ US equity markets rallied on the back of optimistic expectations of the President-Elect's potential fiscal stimulus, and saw the Dow Jones at all-time highs again, just shy of the 20,000 points. Asia Pacific equity markets continued to be volatile faced with the strong US Dollar, higher US bond yields, and emerging market forex weakness. Fears of trade conflicts post Trump's win continued to plague the emerging markets. During the month, the US Federal Reserve raised the target range for the Federal Funds Rate at 0.5-0.75% as expected, and the FOMC gave indications of more interest rate hikes to come given the strength of the economy. China's equity market corrected driven by the restrictions on insurance companies' purchase of A-shares, tight liquidity as onshore bond market yields moved up, and renewed fears of CNY devaluation and capital outflows. Oil prices rallied as non-OPEC members agreed to reduce output by 558k bpd with Russia being the major contributor, on top of the output cut agreed by OPEC members of 1.2mbpd. However, for non-OPEC members details on enforcement is still lacking.
- ▶ Malaysian equities ended the month on a higher footing, but saw the ringgit remain at very weak levels ending the month at RM4.4862/USD at month end. The continued weakness of the ringgit saw Bank Negara (BNM) come out with measures early in the month to restrict exporters from apparent hoarding of US Dollars, as BNM explained that despite being an export oriented nation, our reserves did not benefit from this activity due to the lack of conversion of proceeds by the exporters. This measure unfortunately unnerved foreign investors with concerns of the risk of potential capital controls in the future – however the Prime Minister and the BNM Governor has reiterated this is not the path they intend to take. The KLCI constituents saw some changes with IJM replacing Sapura Kencana effective 1 December 2016. The KLCI ended the month higher at 1.4% mom to close at 1,641.73 points. The broader market gained 0.98% underperforming the KLCI. Most sectors registered positive performances during the month, with the best performing sector being Industrial (+2.23%) and Financials (+1.32%). The worst performing sector was Property (-0.15%). The FBM Small Cap Index gained 2.68%. Average value traded on Bursa in December was down 20% mom to RM1.75bn after the flurry of trades post Trump's win in November.

### OUTLOOK

- ▶ 2017 will likely be another year of volatility. Mr Trump's inauguration will be held on 20 January 2017, just before the Chinese New Year holidays, and many will be watching his inauguration to indicate his potential stance on trade, security, etc and other policies. 2017 is slated to witness many elections some of the key ones to monitor include: Hong Kong's Chief Executive Election, France's Presidential Election, Iran's Presidential Election, and Germany's Election. Malaysia may also opt for an early general election as well, with the deadline end April/early May 2018. UK may still invoke Article 50 in March 2017, and potential changes in ruling political parties in coming European elections will add uncertainty to the mix.
- ▶ Malaysia's blossoming relationship with China will likely have a bigger influence on the construction and property sector in the months to come – although the ultimate multiplier effect on the Malaysian economy has yet to be determined. The finer details as to which portions will be farmed out to local contractors have yet to be unveiled. Consumption should hold up, going into 2017 with higher BR1M payments to more recipients. The higher crude oil prices will help provide some relief to the government's fiscal balance, as well as improved agriculture output as El Nino should be behind us. However with consumer the resilient driver of growth, a sharply weaker ringgit will have a negative impact on disposable incomes as much of our food and beverage items are imported, and dampen consumer confidence in general.
- ▶ We remain relatively cautious, looking for opportunity to accumulate fundamentally sound stocks on weakness.

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### INDEX PERFORMANCE & MOVERS

HMOV report 829 has completed

HMOV Report
FBM100 2016/12/
1) History
2) Refresh

3) All Securities
4) Sub-Industries
5) Industries
6) Industry Groups
7) Sectors

Start	11092.02	End	11189.09
Change	+97.07	%Change	+0.88%
Current	100	Up	51
Additions	4	Down	50
Removals	4	Unch	3

8) Historical Chart
9) Scatter Plot

Date Range: 2016/12/1 - 2016/12/30

Sort: Index Points

Display:  Name  Ticker

View:  Detailed  News

Change:  Net  Percent

Leaders					Laggers				
	End Price	%Chg	Points	%Idx Mv		End Price	%Chg	Points	%Idx Mv
21) Axiata Group Bhd	4.72	+12.65	+42.4247	+43.71	41) AirAsia Bhd	2.29	-17.03	-18.4885	-19.05
22) Malayan Banking	8.20	+5.53	+42.1805	+43.45	42) IHH Healthcare Bh	6.35	-3.79	-12.2810	-12.65
23) SapuraKencana Pe	1.62	+12.50	+13.6486	+14.06	43) Tenaga Nasional	13.90	-1.00	-8.6412	-8.90
24) YTL Corp Bhd	1.55	+7.64	+10.1344	+10.44	44) Telekom Malaysia	5.95	-3.57	-8.5748	-8.83
25) Sime Darby Bhd	8.10	+1.76	+8.1286	+8.37	45) UMW Holdings Bhd	4.57	-11.09	-6.6508	-6.85
26) HAP Seng Consoli	8.86	+11.59	+8.1192	+8.36	46) CIMB Group Holdi	4.51	-1.31	-6.0705	-6.25
27) Public Bank Bhd	19.72	+0.72	+7.6314	+7.86	47) Malaysia Airports	6.06	-4.57	-4.5799	-4.72
28) Petronas Chemica	6.98	+2.20	+7.6213	+7.85	48) Genting Malaysia	4.58	-1.93	-4.5103	-4.65
29) Bumi Armada Bhd	0.605	+18.63	+5.6731	+5.84	49) Dialog Group BHD	1.54	-3.75	-4.5040	-4.64
30) KLCCP Stapled Gro	8.30	+8.92	+5.4115	+5.57	50) RHB Bank Bhd	4.71	-3.88	-3.7470	-3.86
31) Petronas Gas Bhd	21.30	+1.53	+4.4604	+4.60	51) Hong Leong Finan	14.22	-5.20	-3.1562	-3.25

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 2017 Bloomberg Finance L.P.  
 SN 147088 HKT GMT+8:00 6735-3404-3 06-Jan-2017 14:53:12

Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Nov-16	31-Dec-16	+/-	%
<b>FBM KLCI</b>	<b>1,619.12</b>	<b>1,641.73</b>	<b>22.61</b>	<b>1.40%</b>
<b>FBM MES</b>	<b>4,713.25</b>	<b>4,780.71</b>	<b>67.46</b>	<b>1.43%</b>
<b>FBM 100</b>	<b>11,092.02</b>	<b>11,189.09</b>	<b>97.07</b>	<b>0.88%</b>
<b>FBM 70</b>	<b>13,133.29</b>	<b>13,035.11</b>	<b>-98.18</b>	<b>-0.75%</b>
<b>FBM SCAP</b>	<b>14,331.50</b>	<b>14,715.51</b>	<b>384.01</b>	<b>2.68%</b>
<b>FBM EMAS</b>	<b>11,355.80</b>	<b>11,466.54</b>	<b>110.74</b>	<b>0.98%</b>
<b>FBM SHA</b>	<b>11,901.19</b>	<b>12,014.42</b>	<b>113.23</b>	<b>0.95%</b>
<b>FBM HIJRAH</b>	<b>13,331.26</b>	<b>13,427.77</b>	<b>96.51</b>	<b>0.72%</b>
<b>MSCI APxJ</b>	<b>432.51</b>	<b>426.67</b>	<b>-5.83</b>	<b>-1.35%</b>

Source: Bloomberg