

## Equity Market Review & Outlook

### REVIEW

- ▶ Global markets rallied in the month of February as the positive sentiment from January carried forward. US corporates reporting 4Q 2016 results in February generally surprised the market with a higher percentage of companies beating consensus earnings expectations for their 4Q results, in particular the Technology related companies and Health care. China's central bank raised overnight interest rates for its standing lending facility (SLF) loans to 3.1% from 2.75%, post the one-week Lunar New Year holiday break, which saw the Chinese Yuan (CNY) firmer against the US Dollar.
- ▶ Malaysian equities also had a positive month in tandem with regional markets. Corporate results reporting season for the 4Q 2016 came in mostly inline or slightly above expectations, as compared to previous quarters. The upside surprise came from gaming, plantation, aviation and selected consumer related stocks, some disappointments from the banking and telco stocks. The KLCI ended the month higher at 1.33% mom to close at 1,693.77 points. The broader market gained 1.78% outperforming the KLCI. All sectors registered positive performances during the month, with the best performing sector being Technology (+6.9%), benefiting from the strong US dollar sales, and Property (+4.76%). The worst performing sector was Industrial (+0.9%) and Consumer (+1.41%). The FBM Small Cap Index gained 2.18%. Average value traded on Bursa in February was up 18.2% mom to RM2.280bn despite being a shorter trading month

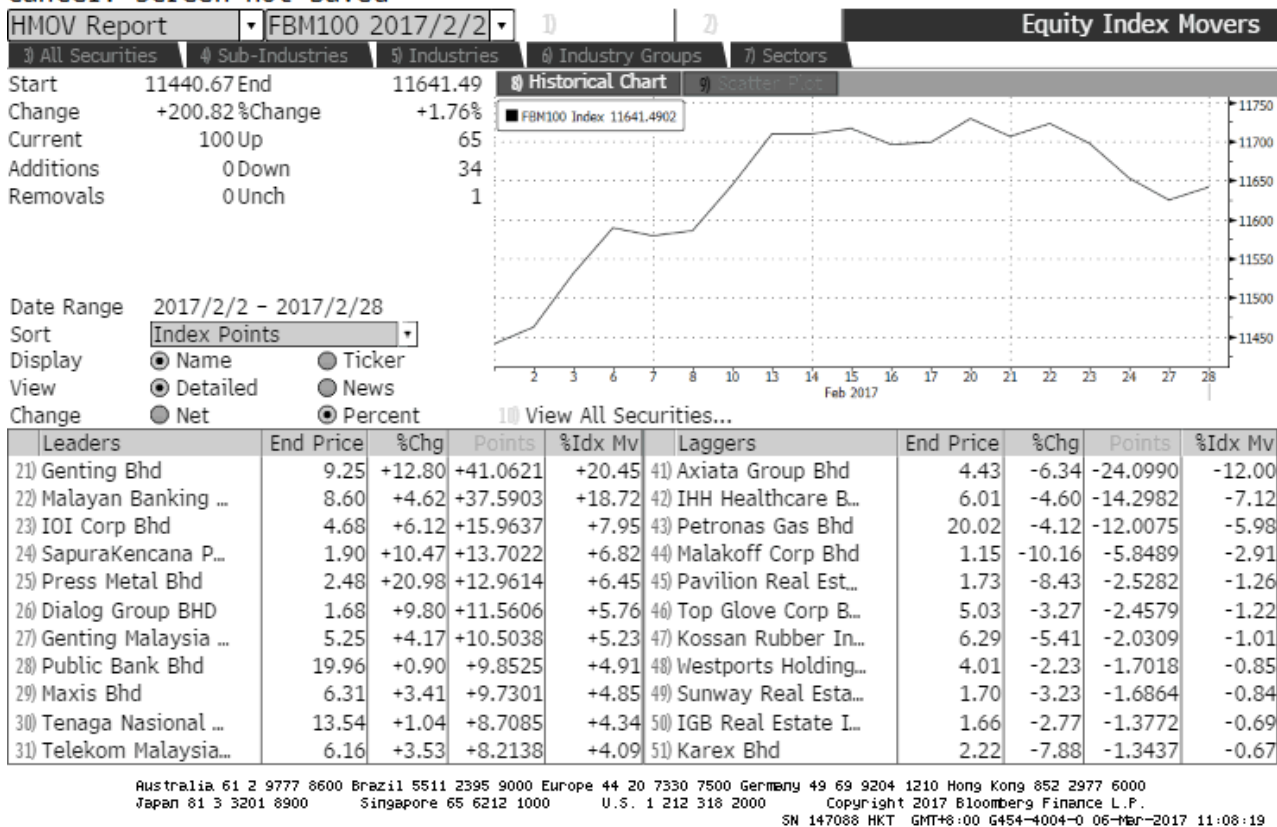
### OUTLOOK

- ▶ Investors focused on US President's address to Congress, for some direction of what the US President intends to push in terms of policy measures to address trade, immigration, tax reform, business regulation, defense and security. However, the speech lacked specifics which leave commentators and investors guessing. Nevertheless, what became clear was the growing strength of the US economy, with US Federal Reserve Chair Yellen stated that for the coming March FOMC, should employment and inflation continue to evolve within expectations, a further adjustment of the federal funds rate would likely be appropriate. This was the strongest signal from Chair Yellen that the first rate hike could be as early as March, leading the expectations of three hikes for the year more likely. In addition, the ongoing election process in France sees the risk of a right-wing populist political party winning, and raises the risk of a "Frexit". European politics can potentially be source of volatility should anti-European Union sentiment spread.
- ▶ Domestically, after successfully wooing investment from China, Malaysia secured a coup with Saudi Arabia's state oil company, Saudi Aramco investing US\$7bn into an oil refinery and petrochemical project in RAPID, Pengerang Johor. Together with China spear heading major rail projects in Malaysia, these significant investments should have a positive impact on the economy – although the ultimate multiplier effect on the Malaysian economy has yet to be determined. The finer details of the investment and amount of local content specified have yet to be unveiled. Nevertheless, the Malaysian economy remains resilient in the face of strengthening crude oil prices, and higher palm product prices and production. Whilst consumer spending remains the resilient driver of growth, the weaker ringgit has a negative impact on disposable incomes with much of our day to day consumption imported.
- ▶ We are maintaining a more positive outlook on the market, as restructuring efforts amongst government linked companies will help spur much needed interest in our market, supported by the expectation that the Malaysian ringgit has limited downside and benefiting from a resilient economy.

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### INDEX PERFORMANCE & MOVERS

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Source: Bloomberg

Indices	Last Price		MoM Changes	
	31-Jan-17	28-Feb-17	+/-	%
<b>FBM KLCI</b>	<b>1,671.54</b>	<b>1,693.77</b>	<b>22.23</b>	<b>1.33%</b>
<b>FBM MES</b>	<b>4,941.78</b>	<b>5,246.42</b>	<b>304.64</b>	<b>6.16%</b>
<b>FBM 100</b>	<b>11,440.67</b>	<b>11,641.49</b>	<b>200.82</b>	<b>1.76%</b>
<b>FBM 70</b>	<b>13,513.45</b>	<b>13,936.09</b>	<b>422.64</b>	<b>3.13%</b>
<b>FBM SCAP</b>	<b>15,428.28</b>	<b>15,763.92</b>	<b>335.64</b>	<b>2.18%</b>
<b>FBM EMAS</b>	<b>11,741.29</b>	<b>11,950.28</b>	<b>208.99</b>	<b>1.78%</b>
<b>FBM SHA</b>	<b>12,227.59</b>	<b>12,387.75</b>	<b>160.16</b>	<b>1.31%</b>
<b>FBM HIJRAH</b>	<b>13,606.82</b>	<b>13,686.62</b>	<b>79.80</b>	<b>0.59%</b>
<b>MSCI APxJ</b>	<b>451.38</b>	<b>466.06</b>	<b>14.68</b>	<b>3.25%</b>

Source: Bloomberg