

Equity Market Review & Outlook

REVIEW

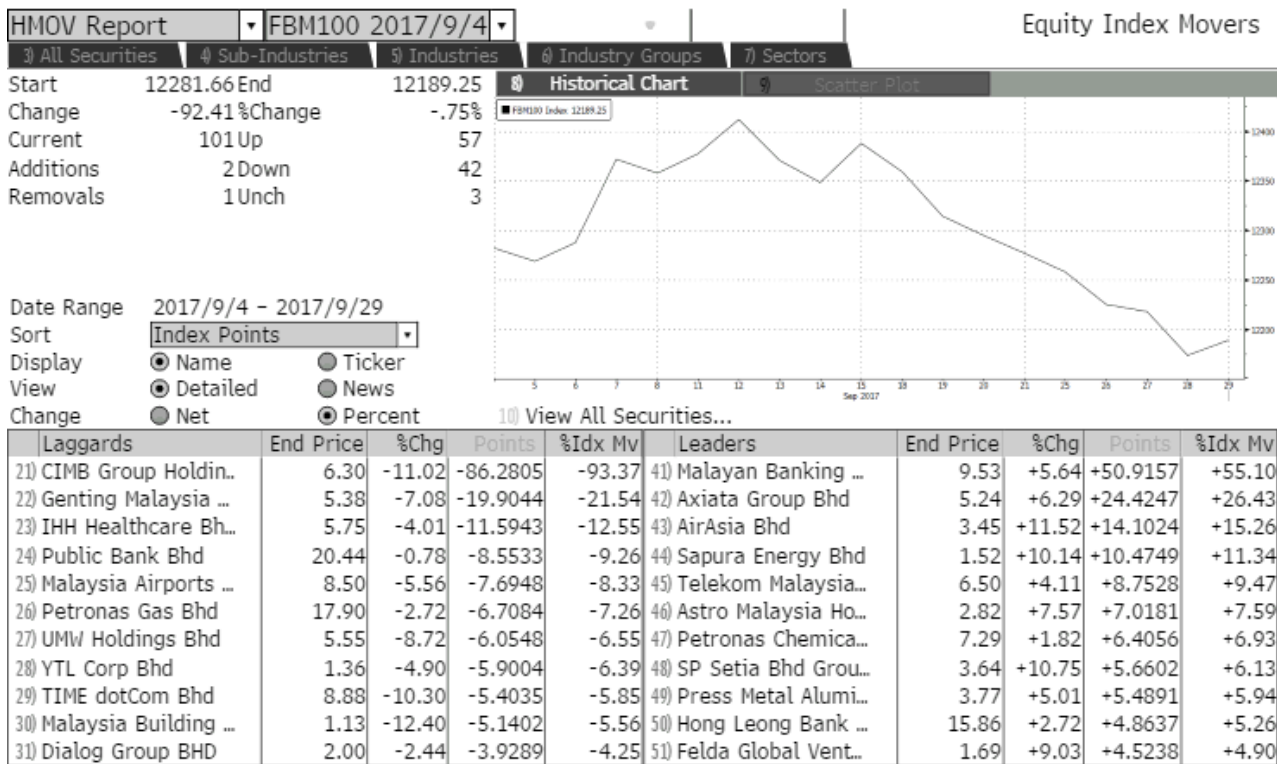
- ▶ The Malaysian equity market rebounded early in the month, but succumbed to selling pressure after mid-month, when the Federal Reserve signaled one more rate hike towards the year end. The US markets were hampered by the Hurricane Irma, which hit the east coast of United States so soon after the devastating effects of Hurricane Harvey. The launch of Apple's Iphone X and Iphone 8 was a little disappointing given the minimal obvious differences between the Iphone 7 and Iphone 8, and the high price point of the Iphone X. September saw another month of net foreign outflows of RM0.8bn, compared to RM0.24bn outflows in August.
- ▶ The KLCI ended the month lower at -0.99% mom to close at 1,755.58 points. The broader market declined by 0.62%, outperforming the KLCI. The best performing sectors were Industrial Production (+1.78%) and Property (+0.7%), whilst the worst performing sectors were Technology (-2.14%) and Finance (-1.98%). Technology stocks tumbled on the disappointment from the iPhone launch and Finance stocks were affected by the sale of CIMB stake by Tokyo-Mitsubishi UFJ. The FBM Small Cap Index gained 1.22%. Average value traded on Bursa in September was RM2.5b slightly higher than RM2.148m in August.

OUTLOOK

- ▶ Global growth continues to be resilient, and US President Donald Trump's tax plan to roll out a framework for a tax overhaul is now up for consideration by the panel considering the legislation. If passed can potentially the stimulus long awaited, however and would be a significant win given the previous failure to repeal Obamacare. Details on how to fund it will be closely watched. The other uncertainty to keep an eye on would be who the US President will be nominating as the US Federal Reserve's Chairman to potentially replace Janet Yellen. China will see the start of the 19th National Congress of the Communist Party starting 18th October, this will be closely monitored to determine what changes there will be to personnel at the top level, and only after its conclusion, will the reform policies become clearer.
- ▶ Malaysia's 2018 Budget will be announced on the 27th October 2017 which is expected to be people friendly budget targeting the B40 (bottom 40%) group. Given the apparently under-spending on development expenditure, infrastructure progress may speed up towards the end of the year as ministries strive to use up what has been budgeted for 2017. With oil prices recovering it has provided some breathing room to ensure we meet our fiscal deficit targets.
- ▶ Equity markets have had a good rally year to date, and whilst fundamentals of the economy remain relatively positive, we are concerned that there seems to be some disconnect between the reported robust economic growth for Malaysia in 1H2017 and reported corporate earnings for the same period. Nevertheless, any market corrections serve as an opportunity to accumulate fundamentally strong stocks on weakness.

Equity Market Review & Outlook

INDEX PERFORMANCE & MOVERS



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 G454-3553-1 02-Oct-2017 17:03:02

Source: Bloomberg

Indices	Last Price		M o M Changes	
	31-Aug-17	30-Sep-17	+/-	%
FBM KLCI	1,773.16	1,755.58	-17.58	-0.99%
FBM MES	6,612.74	6,568.86	-43.88	-0.66%
FBM 100	12,281.66	12,189.25	-92.41	-0.75%
FBM 70	15,059.84	15,057.13	-2.71	-0.02%
FBM SCAP	16,747.36	16,950.99	203.63	1.22%
FBM EMAS	12,610.07	12,531.29	-78.78	-0.62%
FBM SHA	12,749.09	12,797.37	48.28	0.38%
FBM HIJRAH	13,950.65	13,995.76	45.11	0.32%
M S C I A P x J	532.53	529.75	-2.78	-0.52%

Source: Bloomberg