

Equity Market Review & Outlook

REVIEW

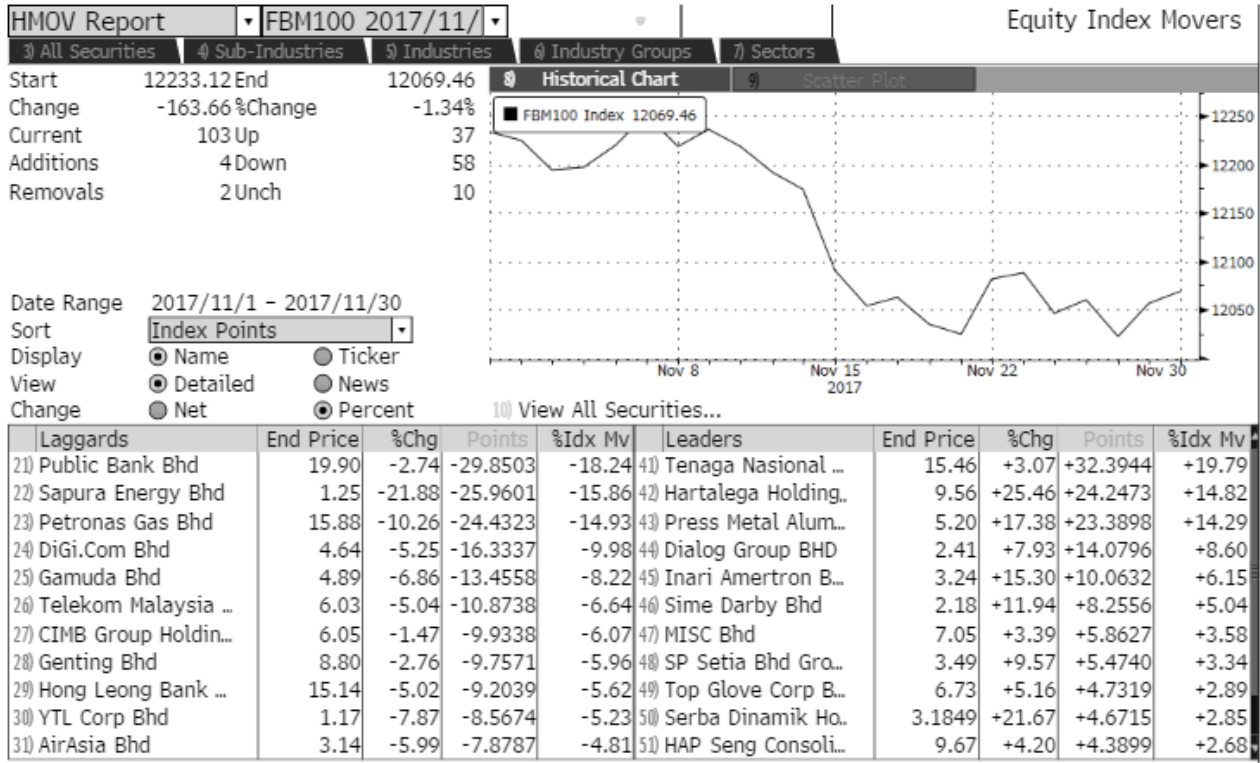
- ▶ The Malaysian equity market closed lower in November, despite the stronger than expected 3Q2017 GDP growth data, and growing expectations of Bank Negara potentially hiking Overnight Policy Rate in 2018. Economic data points generally were positive for Malaysia with the ringgit strengthening during the month by 3.5% against the US Dollar and crude oil prices rising 3.6% mom to USD64/bbl. Regionally, Asian equity markets corrected triggered by profit-taking activities in the tech sector. US President Trump's visit to China on trade issues ended on a positive note with the usual trade deals lined up between the two countries, but most of the deals were still very preliminary. US markets continue its uptrend spurred by the unveiling of the US tax reform plan proposal. Towards the end of the month, OPEC announced their decision to extend its production cutting deal for another nine-months, provided support for oil prices.
- ▶ The KLCI ended the month lower at -1.72% mom to close at 1,717.86 points. The broader market declined by 1.5%, marginally outperforming the KLCI. The best performing sectors were Technology (+0.81%) and Consumer (+0.14%), whilst the worst performing sectors were Construction (-4.89%) and Finance (-2.1%). The FBM Small Cap Index declined 3.7%. Average value traded on Bursa in Nov was RM3.01b vs Oct's RM2.6b, coinciding with the expected changes to the MSCI Malaysia index weighting and changes to the Securities Commission's shariah compliant list of stocks.

OUTLOOK

- ▶ A synchronized global recovery seems to be gaining momentum spurred by continued efforts by US president Trump to push through tax reform proposals and major central banks continue to ease out of accommodative monetary policy. Crude oil prices remain at higher levels although consensus still expect prices to remain range bound given the expectations that higher oil prices would spur shale producers to turn the taps, and any weakness is likely to be contained with Saudi's potential listing of Aramco for 2018 still on the agenda.
- ▶ Higher oil prices is generally positive for a commodity export nation such as Malaysia, one of the few countries in Asia that benefits from higher oil prices. Whilst fundamentals of the Malaysian economy remain relatively positive, we are concerned that there seems to be some disconnect between the reported robust economic growth for Malaysia in 9M2017 and reported corporate earnings for the same period. Typically we would expect such growth to be accompanied by growing wealth effect, increasing spending power and improving corporate margins. Nevertheless, any market corrections serve as an opportunity to accumulate fundamentally strong stocks on weakness.

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Source: Bloomberg

Indices	Last Price		M o M Changes	
	31-Oct-17	30-Nov-17	+/-	%
FBM KLCI	1747.92	1717.86	-30.06	-1.72%
FBM MES	6940.17	6311.63	-628.54	-9.06%
FBM 100	12233.12	12069.46	-163.66	-1.34%
FBM 70	15474.1	15440.48	-33.62	-0.22%
FBM SCAP	17433.83	16787.88	-645.95	-3.71%
FBM EMAS	12597.27	12408.31	-188.96	-1.50%
FBM SHA	13082.72	12920.15	-162.57	-1.24%
FBM HIJRAH	14273.57	14049.2	-224.37	-1.57%
M S C I A P x J	551.11	553.55	2.44	0.44%

Source: Bloomberg