

Equity Market Review & Outlook

REVIEW

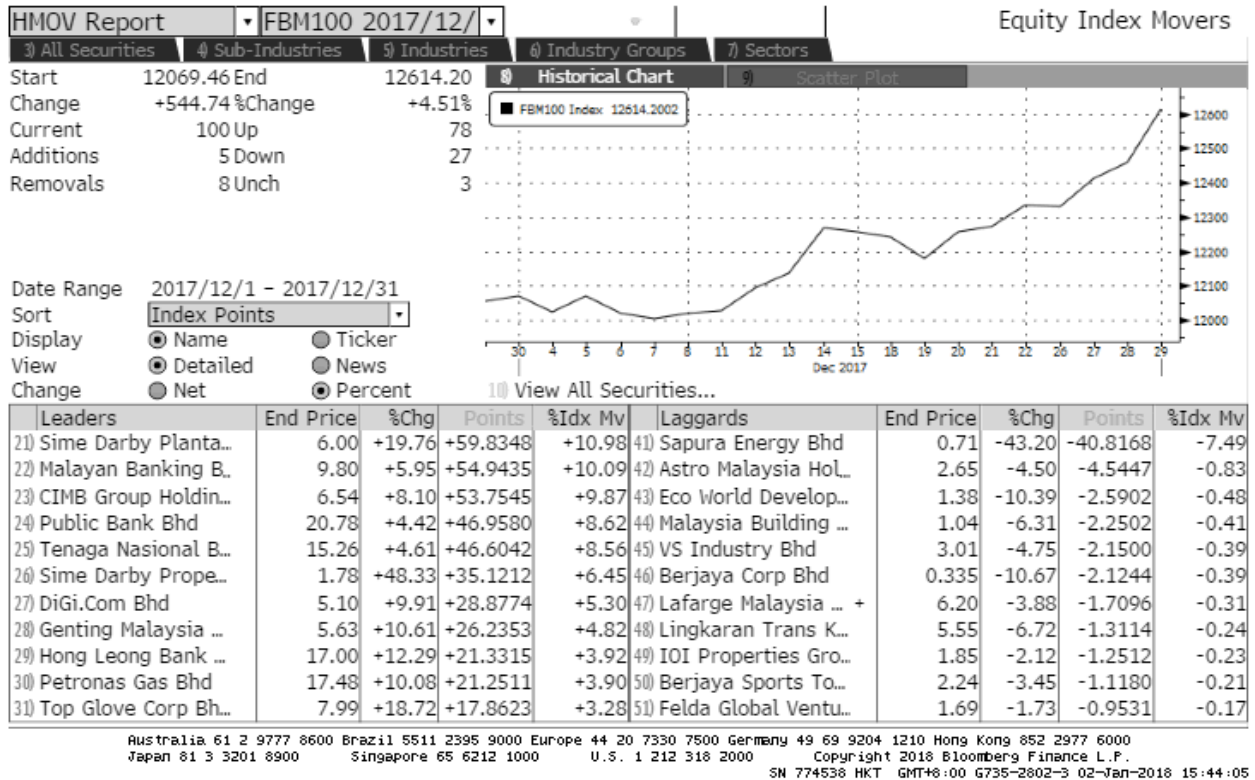
- ▶ Malaysian equities saw a slow start to the month, as the market lacked catalysts. However, after the US Federal Reserve announced the widely expected 25bps rate hike on 13 Dec, together with growing expectations of US President Trump being able to push through his tax reform, gave global market a boost. Commodity prices continued their upward trend with Brent crude oil prices hitting USD66.8/bbl by the end of the month, levels not seen since May 2015, on the back of extended production cuts by OPEC and improving demand outlook as global growth recovery continues to be underway.
- ▶ KLCI ended the month on a new high on the last day of the month due to window dressing activities and foreign investors were net buy for the month of December of RM0.9bn. During the month, there were changes to the constituents of the KLCI with the addition of Nestle, Press Metal, Sime Darby Plantations, whilst Westport, Sime Darby Property, IJM and BAT were removed. The KLCI closed the month higher at 4.6%% mom to close at 1,796.81 points. The broader market gained by 4.31%, marginally underperforming the KLCI. The best performing sectors were Finance (+5.87%) and Technology (+5.26%), whilst the worst performing sectors were Construction (-0.02%) and Plantation (0.12%). The FBM Small Cap Index gained 1.57%. Average value traded on Bursa in Dec was RM2.65bn lower by 3% mom from Nov.

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. The stronger ringgit and the expectation of it to retain its strength amid improving economic data for Malaysia may provide the much needed wealth effect to boost corporate earnings.
- ▶ In 2017 thus far, GDP growth had exceeded expectations but corporate earnings did not provide similar positive surprises. Nevertheless, much effort is being made by the government domestically to boost disposable income and ensure consumer spending resilience. The positive momentum is likely to continue for at least the 1H 2018, even with the prospect of a rate hike in Malaysia and General Elections likely to be called. We are generally positive on the market however given the recent rally we remain selective preferring to focus on stocks with strong fundamentals and prospects but with reasonable valuations

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INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		MoM Changes	
	30-Nov-17	31-Dec-17	+/-	%
FBM KLCI	1717.86	1796.81	78.95	4.60%
FBM MES	6311.63	6603.55	291.92	4.63%
FBM 100	12069.46	12614.2	544.74	4.51%
FBM 70	15440.48	16085.54	645.06	4.18%
FBM SCAP	16787.88	17050.87	262.99	1.57%
FBM EMAS	12408.31	12942.57	534.26	4.31%
FBM SHA	12920.15	13302.92	382.77	2.96%
FBM HIJRAH	14049.2	14528.19	478.99	3.41%
MSCI APxJ	553.55	569.62	16.07	2.90%

Source: Bloomberg