

Equity Market Review & Outlook

REVIEW

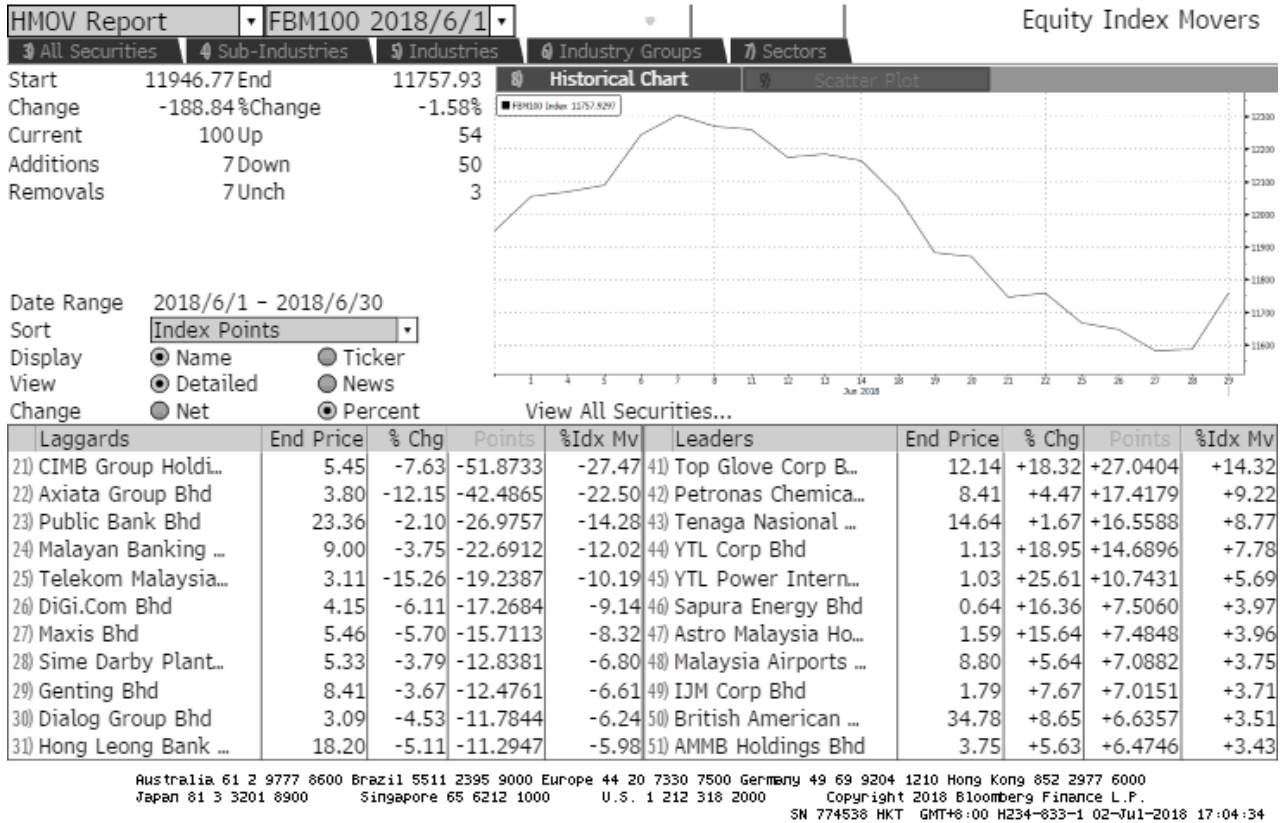
- ▶ June started off relatively well for Malaysian equities but corrected as investors priced in policy risk, compounded by the ongoing trade tensions between the US and China. Emerging Markets Asia performed poorly during the month as investors became more risk off faced with trade war concerns, hawkish US Fed statements, and weaker China economic data together with a weakening yuan. Malaysia experienced significant net selling of RM4.9bn, bringing 6M2018 foreign net selling to RM6.8b. The ringgit depreciated 1.3% mom, however, so has other emerging market currencies.
- ▶ During the month, the new Pakatan Harapan government announced the remaining cabinet line-up, a new Attorney General, and appointed a new BNM Governor. 1 June 2018 was when GST was set at zero, with the Sales and services tax prepared to roll out on 1 September. The KLCI closed the month at 1691.5 points, down 2.8% mom. The worst performing sectors were Finance (-3.89%) and Plantation (-3.06%). The best performing sectors were Construction (+2.60%) and Industrial Production (+0.98%). Average value traded on Bursa in June was RM2636m from RM3,350m, a decrease of 21% compared to May.

OUTLOOK

- ▶ We are coming to the second month post GE14 and domestic investors continue to be distracted with the new government announcements in regards to appointments and policies. In addition, the former Prime Minister has been charged with criminal breach of trust and abuse of power and the trial is slated to begin in August. The first parliament sitting is on 16th July, with the mid-term Malaysia Plan review on 18 October 2018, before the Budget 2019 in November. However, we must not get too distracted with the domestic news, and need to monitor the on-again, off-again trade war between the US and China. On 6th July the US started to impose tariffs on USD34bn of Chinese products, with China's retaliatory tariffs beginning at the same time. The US list of 818 goods focuses on industrial products that contribute to or benefit from the "Made in China (MIC) 2025" industrial policy, while China's list of 545 goods concentrates on cars, as well as agricultural and aquatic products. This trade tension introduces another layer of volatility for emerging markets that are export oriented. Nevertheless, whilst we are cautiously optimistic for the long term outlook, the short term view remains challenging. We remain focused on fundamentally strong companies, and we believe any correction will be a good opportunity to accumulate.

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INDEX PERFORMANCE & MOVERS



Source: Bloomberg

Indices	Last Price		M o M Changes	
	31-May-18	30-Jun-18	+/-	%
FBM KLCI	1740.62	1691.5	-49.12	-2.82%
FBM MES	4998.96	5127.53	128.57	2.57%
FBM 100	11946.77	11757.93	-188.84	-1.58%
FBM 70	14316.99	14627.06	310.07	2.17%
FBM SCAP	13800.69	14012.5	211.81	1.53%
FBM EMAS	12128.94	11960.93	-168.01	-1.39%
FBM SHA	12175.97	12092.55	-83.42	-0.69%
FBM HIJRAH	13730.66	13594.48	-136.18	-0.99%
MSCI APxJ	562.22	539.08	-23.14	-4.12%

Source: Bloomberg