UOB Asset Management

Market Commentary

December 2018

All data expressed as at 30 November 2018 unless otherwise stated

EQUITY MARKET REVIEW

Asia markets rebounded led by Hong Kong, India, and Indonesia. Sentiment was boosted by dovish comments on US interest rates by the Federal Reserve Chairman Jerome Powell while investors were also hopeful for some breakthrough in the US-China trade war from the meeting between President Trump and President Xi at the G20 summit.

Malaysia bucked the trend and was one of the few markets that was down for the month. The FBM Small Cap index continued to face selling pressure declining 4.4% to 12,161 points. The heavyweight FBM KLCI index was down 1.7% to 1,680 points while the broader market FBM Emas Index dropped 1.4% to 11,604 points. Within the FBM KLCI index, Genting Bhd and Genting Malaysia Bhd led losses on the back of higher gaming tax and the termination of the Fox theme park project by Twentieth Century Fox Film Corp.

On the local corporate front, Khazanah Nasional Bhd sold a 16% stake in hospital operator IHH Healthcare Bhd to Japan's Mitsui & Co Ltd in an all-cash deal at RM6.00 per share, valuing the stake at RM8.42bn.

The Ringgit was flat against the US Dollar. Brent crude oil futures declined 22%%.

BOND MARKET REVIEW

Local government bond yields traded higher post Budget 2019 amid concerns over higher budget deficit projections and declining crude oil prices. However, market sentiment improved towards month end following dovish comments from the US Federal Reserve Chairman. In Budget 2019, the Ministry of Finance has revised the 2018 fiscal deficit to 3.7% of GDP from the original forecast of 2.8% as the government recognized additional tax refunds owed, off-budget commitments, and supplementary expenditure. Fiscal deficit is expected to narrow to 3.4% in 2019, 3.0% in 2020 and 2.8% by 2021. Headline inflation rose by 0.6% in October from 0.3% in September boosted by higher food and transport prices. Year-to-date, the inflation rate has averaged 1.1%. At close, the 3, 5, 7- and 10-year benchmark yield increased by 3 to 7 bps to 3.70%, 3.87%, 4.05% and 4.14% respectively while the 20-year benchmark yield fell 4 bps to close at 4.76%.

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