



EQUITY MARKET REVIEW

Global equities started off 2019 on a solid note as upbeat corporate earnings, a more accommodative Fed and renewed optimism towards deescalating US-China trade tensions boosted sentiment.

Despite the more positive backdrop, the bellwether FBM KLCI Index shed 0.4% to close at 1,684 points on the back of stock-specific factors. The main detractors were glove manufacturers Hartalega Holdings Berhad and Top Glove Berhad which were affected by a de-rating in the sector on overcapacity concerns as well as the appreciation in the Ringgit. For the month, the Ringgit strengthened 0.9% to close at 4.0953 against the US Dollar.

Meanwhile, the broader market fared better with the FBM Emas Index gaining 1.2% to close at 11,661 points while the FBM Small Cap Index rallied 7.2% to close at 12,108 points. Commodity prices rebounded for the month with Brent and crude palm oil futures gaining 15.0% and 9.0% respectively.

BOND MARKET REVIEW

Ringgit debt benchmark yields shifted lower across the board as buying interest emerged amid improving market sentiment coupled with a stronger Ringgit. The Ringgit strengthened 0.95% to 4.0953 against the US Dollar during the month. Meanwhile, headline inflation was steady at 0.2% in December due to lower food prices. For 2018, the inflation rate recorded the slowest pace in nine years at 1.0% in 2018, down from +3.7% in 2017. External reserves increased by USD0.3 billion to USD102.0 billion at mid-January 2019 from mid-December 2018. The latest external reserves number is equivalent to 7.3 months of retained imports and is about 1.0 times of total short-term external debt. At month end, the 3-, 5-, 7-, 10- and 20-year benchmark yields fell by 1 to 10 bps to 3.58%, 3.75%, 3.91%, 4.07% and 4.57% respectively.

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