



EQUITY MARKET REVIEW

Volatility reigned and global equities were battered for the month of December on worries about a potential slowdown in global growth going into 2019, President Trump's criticism on Fed Chairman Jerome Powell and the US government shutdown.

The Malaysian market was mixed with the heavyweight FBM KLCI Index gaining 0.6% to end at 1,691 points while the broader market FBM Emas Index closed 0.7% lower at 11,528 points and the FBM Small Cap fell 7.1% to end at 11,299 points. Gains on the FBMKLCI were led by defensive buying into the telco names followed by plantation names on the back of a rebound in crude palm oil prices. Crude palm oil futures gained 10.8% to end at RM1,953 for the month.

The Ringgit strengthened 1.1% to 4.134 against the US Dollar while Brent futures slipped 8.4% for the month.

In terms of corporate development, Lembaga Tabung Haji (LTH) has announced that it will be selling RM19.9bn worth of underperforming assets to a special purpose vehicle (SPV) under the purview of the Ministry of Finance in a move to restore LTH's balance sheet.

BOND MARKET REVIEW

Ringgit bond yields fell in December, taking cue from the movement of global bond yields on worries about the continued US-China trade conflict and a possible global economic slowdown. Headline inflation moderated to 0.2% in November from 0.6% in October amid lower transport costs and limited cost pass-through from the implementation of the Sales and Service Tax (SST). Year-to-date, inflation averaged 1.0%. External reserves increased to USD102.0 billion at the end of November after six months of decline. The latest external reserves number is equivalent to 7.5 months of retained imports and is about 1.0 times of total short-term external debt. Meanwhile, the Ringgit strengthened 1.2% to 4.1335 against the US Dollar. At close, the 3-, 5-, 7-, 10- and 20-year benchmark yields fell by 5 to 10 bps to 3.63%, 3.78%, 4.00%, 4.08% and 4.66% respectively.

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