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Equity market to improve in second half

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KUALA LUMPUR: UOB Asset Management (UOBAM) expects the Malaysian equity market to improve in the second half of this year as oil prices gradually recover, with the FBM KLCI target at 1,750.

Its chief investment officer, Francis Eng Tuck Meng, said in the short term, the oil prices may exert a bit of pressure on the market. "As asset managers we would pick the companies with investments that would do better relative to the movements of the index.

"Based on the current situation in Malaysia, manufacturers, exporters and those in the transportation sector would benefit from the weaker ringgit and the drop in oil prices, and they would be our choices," he said.

Eng said this at a media briefing on 2015 market outlook here Tuesday.

He said although the local equity market was expected to be a bit volatile until oil prices recovered it would present opportunities for investors to pick up undervalued stocks with solid fundamentals.

Eng said there were fund outflows from fixed income and equity sectors.

"However, since the foreign ownership in equities was quite low the outflow has minimum impact on the market compared to fixed income like Malaysian Government Securities which had high foreign participation.

"As such, UOBAM favours equities over fixed income," he said.

On Asian equity markets, Eng said they were trading at reasonable valuations and were expected to improve this year.

He said India, Indonesia and the Philippines were good picks considering the positive impacts of lower oil prices on their economies.

Eng said the US interest rate increase this year was expected to create some near-term uncertainty to the market.

"Nevertheless the Asian economies are now less vulnerable to external shocks and historical evidence suggests that Asian markets would rally after the increase," he said. –Bernama

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