

Headline	Damp outlook weighs on market		
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# Damp outlook weighs on market

Market trend  
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**REVIEW:** The damp domestic outlook did little to spur buying interest on Bursa Malaysia, leaving the market softer over the week.

Economic conditions continued to weigh on market sentiment, as evidenced by Malaysia's 1.7% year-on-year industrial production index growth in February, its slowest since June 2018.

The government announced the continuation of the East Coast Rail Link on Friday at a lower cost of RM44bil. Construction plays tied to the project put on guarded gains although AmInvestment research was quick to point out that the project was not a game-changer for the sector as a whole.

Among the 30 KLCI-linked counters, MAHB was a notable laggard during the week as it slipped 7% over four consecutive sessions to Thursday, where it closed at a week's low of RM6.61. The counter partially rebounded to RM6.82 on Friday following news its operating agreement to manage Malaysia's airports had been extended by 35 years.

Tenaga Nasional's 4% slump on Thursday also dragged on the back of Khazanah Nasional's RM1.05bil share placement pricing at the lower end of the indicative range at RM12.33 a piece. This led to a rout on the overall index, which tumbled 15.1 points on Thursday to a week's low of 1,624.23.

Things have been looking dour for the FBM KLCI as a whole. A slight two-point gain on Monday was quickly erased by three successive days of decline, leaving the market firmly below a short-term descending trendline.

On Friday, the index recovered 5.94 points to end the week at 1,630.17.

In other parts of Asia, news of Beijing cutting back on banks' reserve ratio requirements enthused investors as the latest in a series of stimulus measures to prop up the country's economy.

The US-China trade war is ambling along with US Treasury Secretary Steven Mnuchin announcing on Thursday that the two nations had come to an agreement on enforcement mechanisms. While hurdles remain, observers are optimistic over the prospects of a resolution, as opposed to an indefinite impasse. However, US president Donald Trump appears to be starting a fight

## WEEKLY FBM KLCI

APRIL 12 1,630.17



on yet another front, putting already jittery markets on edge.

Trump said he was looking to enforce tariffs on US\$11bil of European Union (EU) goods following the World Trade Organisation's finding that European subsidies to Airbus had a negative impact on the United States.

This conflict will be significantly smaller than the US-China trade disagreement, but the rising protectionism only reinforces the negative outlook on the global economy.

Central banks are looking more dovish of late, suggesting there are growing concerns over the global economy. The European Central Bank kept an accommodative stance on interest rates, which keeps in step with the International Monetary Fund's recent forecast for 3.3% global growth in 2019, down from 3.5%.

Moving forward, the United States will enter another corporate earnings season, putting investors on tenterhooks as companies are expected to post declining profits.

While funds flowed back into equities following the US Federal Reserve's indication that it would not raise policy rates this year, the black-and-white of profit numbers will determine the direction of trading over the immediate term.

Over in Europe, US Prime Minister Theresa May has managed to secure a delay in the Brexit deadline to Oct 31, leaving more time for lawmakers to pass an exit proposal.

However, May had staked her premiership on securing Britain's departure from the EU by June 30, increasing the likelihood of her resignation from the top post before the completion of a Brexit deal.

**Statistics:** The major index ended the week 11.64 points or 0.7% lower over the previous week, at 1,630.17. Total turnover for the trading week stood at 17.52 billion shares amounting to RM11.47bil compared with 13.89 billion shares worth RM9.58bil over the previous week.

**Outlook:** The short-term descending trendline that started on Feb 22 was extended this week with the FBM KLCI briefly passing below the support level of 1,626 on Thursday.

Indeed, the rebound on the market seen in the week prior failed to hold fast. The index could not break above the lower-most 14-day simple moving average (SMA) at the start of the week, triggering a retreat.

The short-term SMA lines continue to press lower, keeping the selling pressure on the index even as the 50-day SMA descended below the 100-day SMA in a bearish crossing.

By Friday, The FBM KLCI managed to clamber above the support although the key momentum indicators suggest that there will be continued downwards pressure on the index. The slow-stochastic is nearing the oversold line at 25 points, and looks likely to continue falling on strong negative momentum. The daily moving average convergence/divergence line has also slipped below the signal line to suggest a "sell" signal and confirm a downtrend. Based on the current negative technical outlook, there is a strong possibility that the index will test the 1,609 support level over the near-term.

The first indication of a positive recovery would be the crossing of the 14-day SMA, presently near 1,640, which at this point looks to be dictating the downwards slope on the daily price chart.