Headline	Corporate earnings rebound seen on stable currency		
MediaTitle	The Star		
Date	15 Mar 2017	Language	English
Circulation	338,368	Readership	1,032,000
Section	StarBiz	Page No	5
ArticleSize	354 cm²	Journalist	GANESHWARAN
PR Value	RM 53,445		

Corporate earnings rebound seen on stable currency

This will lure foreign investors back to local stock market

By GANESHWARAN KANA
ganeshwaran@thestar.com.my

PETALING JAYA: A projected rebound in corporate earnings amid a stable currency outlook will lure foreign investors back into the local stock market, AmInvestment Bank said.

Malaysia also stood to gain from the returning flow of funds into emerging markets amid political uncertainties created by elections in Europe, it said.

"We project that in Malaysia, the FBM KLCI will record a 7.2% and 8.3% growth in earnings for the financial years 2017 and 2018, respectively, against a backdrop of a more stable currency outlook.

"Under this circumstances, we believe that cyclical sectors will start to outperform the broader market such as in financial services, property and consumer discretionary," said the research house in its report.

AmInvestment Bank's optimism on the emerging market equities performance, going forward, is bolstered by the fact that the knee-jerk reaction in the aftermath of Donald Trump's election late last year has somewhat run its full course.

To date, major emerging market equity indices have managed to recoup all losses caused by the selloff following the US presidential election. Not only that, the indices have surpassed the levels before the selloff to hit new 18-24 month highs

"Similarly, emerging market bond yields have come off their recent highs, while emerging market currencies have come off their recent lows, and they have since seemingly found their support levels," said the research unit.

Market boost: Investors monitoring stock prices at a brokerage in Kuala Lumpur. Malaysia stands to gain from the returning flow of funds into emerging markets amid political uncertainties created by elections in Europe.

Apart from that, AmInvestment Bank said opportunities for the small and mid-cap stocks remained bright, moving forward. Small and mid-cap stocks are defined as those with market capitalisation of up to RM2bil.

"Such stocks could be in the limelight, thanks to the government's mandate to government-linked funds in Budget 2017 to allocate up to RM3bil to invest in this space, backed by equity research financed with an initial funding of RM75mil from the Capital Market Development Fund administered by Bursa Malaysia.

"We like high-growth small and mid-cap stocks such as VS Industry, OldTown and Bison," said AmInvestment Bank, adding that its top buy list included large-cap stocks which offered strong earnings resilience at undemanding valuations such as Tenaga Nasional Bhd and Gamuda Bhd.

AmInvestment Bank also reiterated its end-2017 KLCI target of 1,745 points and introduced its end-2018 KLCI target of 1,900 points, based on 17.5 times of 2017 and 2018 earnings forecast respectively.

Powered by: iSENTIA