

Headline	M'sian equities may not benefit from growth		
MediaTitle	The Edge Financial Daily		
Date	29 Nov 2013	Language	English
Circulation	15,000	Readership	50,000
Section	Home Business	Page No	1,6
ArticleSize	240 cm ²	Journalist	Wei Lynn Tang
PR Value	RM 8,308		



M'sian equities may not benefit from growth

M'sian equities may not benefit from growth

Unlikely to see any rise in PE due to increasing costs, says AmInvest

by **Wei Lynn Tang**

KUALA LUMPUR: While other equity markets will benefit from global synchronised growth, Malaysian equities are unlikely to see an increase in their price to earnings (PE) due to increasing costs, said AmInvestment Management (AmInvest).

"The 12-month PE forward for Malaysia is 'neutral,' and it is unlikely we will have multiple expansions [increase in PE] with rising cost from subsidy reduction," said AmInvest chief investment officer for equities, Andrew Wong.

He told a media briefing yesterday that with the recent market rally, valuations are neutral and further market upside would have to come from earnings delivery rather than PE multiple expansions.

Wong said earnings before interest, tax, depreciation and amortisation (ebitda) will be at risk due to rising costs, including from fuel, energy tariffs, or an increase in assessment rates.

"Assuming no multiple expansions and a decent 8% earnings delivery, our best guess would be an index target of 1960 for end-2014," said Wong, adding that the target will be revised if necessary moving into 2014.

On Malaysia's budget deficit post-Budget 2014, AmInvest said a lower budget deficit of less than RM10 billion is achievable with the kick-in of the goods and services tax (GST) and savings extracted from subsidy rationalisation and plugging of leakages.

AmInvest said the GST could bring in a revenue of RM12.5 billion, while another RM15.2 billion could come from a 20% savings on subsidies, supplies and services. Based on a negative budget balance of RM37.1 billion in 2014, the budget deficit could be brought down to RM9.9 billion if these additional revenues are taken into account.

Wong said the oil and gas sector, including the refinery and petrochemical integrated development

in Pengerang, Johor; the RM8.8 billion allocation for construction; and the government's spending on the tourism sector in 2014 and 2015 will continue to help drive the economy.

"Our overweights would continue to be oil and gas, construction, tourism, consumerism and subsidy reduction play such as Tenaga Nasional Bhd," he added.

On the regional outlook, AmInvest prefers North Asia, especially China and Korea, over the Asean region as its valuations remain an impediment for relative performance.

On the revised outlook of four local financial institutions by Standard and Poor's, Wong is of the view that it is a "precautionary stance," and does not believe it will affect the equity market much.

On Wednesday, S&P revised the outlook of CIMB Holdings Bhd, AmBank (M) Bhd, RHB Bank Bhd and RHB Investment Bhd to "negative" from "stable" on concerns over house prices and household debt.

Headline	Msian equities may not benefit from growth		
MediaTitle	The Edge Financial Daily		
Date	29 Nov 2013	Language	English
Circulation	15,000	Readership	50,000
Section	Home Business	Page No	1,6
ArticleSize	240 cm ²	Journalist	Wei Lynn Tang
PR Value	RM 8,308		



Wong says ebitda will be at risk due to rising costs, including from fuel and energy tariffs.