

Headline	KLCI hits fresh high		
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# KLCI hits fresh high, trend expected to continue in 2014

The local bourse set a new record yesterday, bringing cheer to investors

by **Wei Lynn Tang**

**KUALA LUMPUR:** The FBM KLCI ended at another new high yesterday, surging 11.46 points or 0.62% to close at 1,872.52. Local research houses and fund managers expect the index to end the year today on a fresh high, and continue to trade higher in 2014.

"We expect the index to end the year on a higher note and is likely to continue to hit new highs in 2014," said Rosnani Rasul, head of research at M&A Securities.

Rosnani said a better outlook in 2014 coming from a re-acceleration in global growth, coupled with Malaysia's economy expected to grow at over 5% next year, will continue to attract interest in the equity market.

"The World Trade Organisation has forecast global trade growth of

4.5% next year [against 2.5% last year], and Malaysia being an open economy, will benefit from some spillover effect from it.

"It is only right for the market to be higher year-on-year (y-o-y), barring unforeseen circumstances," Rosnani added.

The research house expects the index to trade above 1,900 but below the 2,000 mark by late 2014.

A local fund manager also noted that for the past two years, there had always been a spike on the last day of the year. Last year, there was

a spike of 10 basis points in the index in the last few seconds, to close at 1,688.95.

"It looks like the index tomorrow [Dec 31] will be higher than today," the fund manager said. Year-to-date, the index has risen 10.87%.

Rosnani noted that it is acceptable for the KLCI to grow at 10% y-o-y as it is a low beta index.

It is not acceptable if the KLCI suddenly grows at about 15% to 20%, as it will cause an asset bubble, she said.

While noting that the KLCI has further room to rise, many have also acknowledged that investors are cautious about 2014 with various costs pressure eating into corporate earnings and consumers' disposable incomes.

"As a rule of thumb, corporate earnings cannot be lower than GDP growth," said Rosnani.

On this note, Andrew San, assistant investment manager of Aberdeen Asset Management Sdn Bhd, said that moving forward, with such cost-push headwinds anticipated, it would be harder to see earnings keeping up with the rise in the KLCI if it continues on its current trajectory.

"Valuations would be further stretched if this is the case," he said.

San said looking at the trend in the KLCI for the past two to three years, the growth in stock prices has generally outpaced that of underlying earnings.

Overweights from research houses continue to be in oil and gas, construction, and plantation as crude palm oil prices are expected to average higher next year.

It is understood that since October, local institutions have been buying into local equities, while foreign institutions have been selling.

Yesterday, Bursa Malaysia saw 1.29 billion shares worth RM1.27 billion exchanging hands.

Gainers led by 448 against 343 losers while 297 counters remained unchanged.

Top gainers included MISC Bhd, Petronas Dagangan Bhd, Maxis Bhd, Telekom Malaysia Bhd, and British American Tobacco (Malaysia) Bhd.

Top losers among KLCI members included Tenaga Nasional Bhd, CIMB Group Holdings Bhd, Hong Leong Financial Group Bhd, YTL Corp Bhd and Genting Bhd.

Year-to-date, TNB led the movers with a 65% increase in its stock price, closing at RM11.50 yesterday; while YTL led the laggards, dropping 11.4% to close at RM1.63.