

It is Now “Buy High, Sell Higher”

“For those who had predicted a sharp collapse in our stock market after the 13th general election (GE13), it must be a huge disappointment to see the sudden rebound in the FBM KLCI and the 20-30% surge in some of the stock prices after the release of election results with the current ruling government remains status quo. Though the wrong call which was previously made has come to an end, it is now crucial for one to get the future strategy right.”

Malaysian stock market took another leap after the GE13.

2nd Wave of Foreign Buying

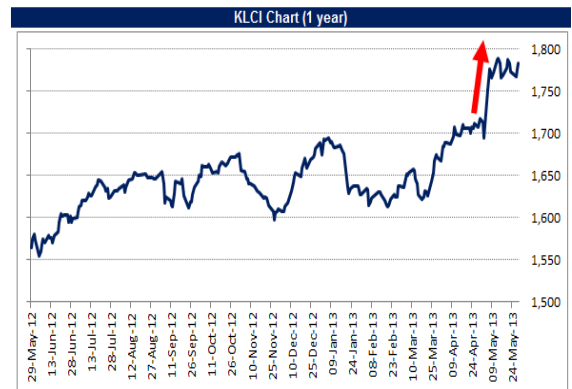
The KLCI was flirting at its historical high prior to the GE13. Nevertheless, the benchmark index skyrocketed by 131 points in the early hours of the first trading day post GE13, before succumbing to profit-taking to close the day with 57 points gain. Foreigners were reported to have acquired RM1.6bn worth of stocks on that day, an amount in which they would normally spend in a month. Apparently this was a second wave of foreign buying as another group of foreign investors had been waiting at the sideline while other foreign funds were busy picking up from the local sellers throughout the first four months of this year.

2nd Liners Took Over

While most of the blue chips are now consolidating as foreign buying appetite has gradually subsided recently, local buying especially on the second liners can be seen from the rising volume and price appreciation on some of the stocks particularly in the property and oil & gas sectors.

The investment game now has changed to “Buy High Sell Higher” coupled with shorter investment horizon and no longer “Buy Low Sell High”. Currently, we are entering into the Relative Value cycle. Analysts are seen upgrading their target prices on stocks due to the improved market sentiment.

Nobody knows when this new trend will end as the KLCI attempts to catch up with other bourses where investors appetite has improved on the back of improved US economy and lower global economic risk. As such, the game plan for now is to stay with fundamentally strong stocks or keep a shorter investment horizon for the time being.



Source: Bloomberg & PCM

Index	Country	31-Dec-12	29-May-13	YTD (%)
ASIAN				
Nikkei 225	Japan	10,395.18	14,326.46	37.8%
JCI	Jakarta	4,316.69	5,200.69	20.5%
SET	Thailand	1,391.93	1,612.02	15.8%
FSSTI Straits	Singapore	3,167.08	3,411.17	7.7%
FBMKLCI	Malaysia	1,688.95	1,783.47	5.6%
ShangHai Comp	China	2,269.13	2,324.02	2.4%
Hang Seng	Hong Kong	22,656.92	22,554.93	-0.5%
KOSPI	Korea	1,997.05	2,001.20	0.2%
Others				
DJIA	US	13,104.14	15,302.80	16.8%
FTSE	UK	5,897.81	6,627.20	12.4%

Source: Bloomberg, PCM

Market Trading Participants (RM'billion)			
Date	Retail	Local Institution	Foreign Institution
2012	-4.3	-9.2	13.5
Jan-13	-0.9	-1.6	2.5
Feb-13	-1.2	-0.6	1.8
Mar-13	-1.2	-3.4	4.6
Apr-13	-1.4	-3.6	5.1

Source: Bursa Malaysia, PCM

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For Phillip Capital Management Sdn Bhd

Nona Salleh
Executive Chairperson