

# Blue chip share prices to remain weak for months

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But Malaysia's large pool of state institutional funds likely to help limit any sharp decline in share prices, says report.



KUALA LUMPUR: Shares of Malaysia's blue chip companies are expected to remain weak in the months ahead, following disappointing first quarter earnings.

According to a report in the Nikkei Asian review the aggregate reported earnings of the 30 constituents of the benchmark FTSE Bursa Malaysia KLCI Index totalled RM11.81 billion in the first three months of the year.

This was a drop of 15 per cent year-on-year and 20 per cent on-quarter, according to data from MIDF Amanah Investment Bank.

Analysts and investors, the report said, saw little reason to expect any immediate strong rally in Malaysian equities.

The Nikkei Asian Review quoted Gan Eng Peng, head of equities at Affin Hwang Capital Asset Management, as saying: "It's one of the worst result seasons outside of a recession that I've seen. Forward guidance has been weak, so given the mediocre earnings catalyst, we see limited upside for the market."

The reports said the KLCI had shed more than 2 per cent so far this year and that foreign investors continued to sell Malaysian shares for the sixth consecutive week.

It said the two top banks, Malayan Banking and CIMB Group, had suffered the biggest outflows last week. In May alone, foreigners dumped Malaysian shares worth RM3.5 billion.

Kenanga Investment Bank's Head of Research Chan Ken Yew was quoted as saying: "A broad-based earnings growth story is still missing and market valuation remains a major deterrent for further upside. We reckon that the just-concluded results reporting season has further reinforced that expectation."

AllianceDBS Research analyst Bernard Ching told the Nikkei Asian review that although it was unlikely that growth would pick up in the near term, net interest margins had stabilised and banks were trading below their historical valuations.

Malaysia's economic growth is expected to decelerate to between 4.0 per cent and 4.5 per cent this year, according to a government forecast, from 5.0 per cent last year.

However, growth is still outpacing that in countries such as Singapore and Thailand. The report noted that Malaysia had a large pool of state institutional funds, such as the Employees Provident Fund, that regularly invested in the domestic stock market and often helped limit the sharp declines in share prices at times of major foreign sell-offs.

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