

HIGHLIGHTS

- In Q3 2022, the FBMKLCI Index extended losses, declining by 3.43% to 1,394.63 points.
- Following the equivalence decision granted by the European Commission regarding Malaysia's legal and supervisory frameworks for central counter parties (CCPs), the SC entered an MOU on 5 August 2022 with the European Securities and Markets Authority (ESMA) to facilitate the establishment of regulatory and supervisory co-operation arrangements between the SC and ESMA.
- The SC approved 1 application for new Capital Markets Services Licence (CMSL) and 257 applications for new Capital Markets Services Representative's Licence (CMSRL) from 1 July 2022 till 30 September 2022.

INSTITUTION SUPERVISION

Facilitating application by BMDC to be recognised as Third-Country Central Counterparty by the ESMA

Following the equivalence decision granted by the European Commission regarding Malaysia's legal and supervisory frameworks for CCPs, the SC had entered a MOU with ESMA on 5 August 2022. The MOU facilitates the establishment of regulatory and supervisory co-operation arrangements between the SC and ESMA pursuant to the application by BMDC to be recognised as a third-country CCP in the European Union.

MARKET SURVEILLANCE

Domestic equity market performance

In Q3 2022, the FBMKLCI Index extended losses, declining by 3.43% to 1,394.63 points. Despite Malaysia's strong Q2 2022 GDP growth rate and positive Q2 2022 corporate earnings season, earlier gains in the benchmark index were erased in September 2022, tracking decreasing performance of global markets. Investors adopted a risk-off approach as central banks around the world accelerated monetary policy tightening through aggressive interest rate hikes to control high inflation. Additionally, rating agencies and international organisations downgraded global gross domestic product (GDP) growth forecasts with backdrop of tighter financial conditions and concerns surrounding potential recession.

Among the FBMKLCI constituents, losses were led by Press Metal Aluminium and glovemakers. Share price of Press Metal Aluminium fell by almost 15% during Q3 2022 due to weaker global aluminium prices as China, a major consumer of metals, continued to exhibit a slowdown in its economic activity. In addition, share prices of glovemakers, Hartalega and Top Glove declined in the range of 40% - 45% after the latter reported its first quarterly loss since listing on Bursa Malaysia. Overcapacity situation, falling average selling prices and weaker demand for personal protective equipment globally impacted financial performance of glovemakers. Meanwhile, buying support for banking stocks such as CIMB (+6.1%) and Maybank (+3.1%) amid rising interest rate environment, capped the losses of the benchmark index.

All market sectors ended in the negative territory with healthcare (-11.89%) underperforming led by selling activity on glovemakers. Similarly, all market indices (Mid 70: -2.33%, Small Cap: -3.63%, Fledgling: -5.53%, ACE: -1.97%) declined, reflecting a broad-based weaker performance in the local bourse. In terms of trading activity, the daily average volume traded declined by 20.90% q-o-q to 2.45 billion shares while average value traded per day fell by 21.62% q-o-q to RM1.75 billion.

Domestic equity market outlook

Economists have downgraded the global growth outlook for 2022 and 2023 as major economies continue to face multiple risk factors including inflationary pressures, energy crisis in Europe, COVID-19 related restrictions in China and tightening financial conditions. Tighter monetary policy in the US and a strong US dollar environment has also resulted in higher volatility in major and emerging market currencies, including the Malaysian Ringgit. Nonetheless, investors' interest in the domestic market is expected to be driven by developments surrounding Budget 2023 and 15th General Election (GE), including possible relief measures for individuals and businesses, mega project awards and 5G rollouts.

LICENSING

The SC approved 1 application for new CMSL and 257 applications for new CMSRL in Q3 2022. The number of CMSL and CMSRL holders are provided in Table 1.

Table 1

Total number of CMSL as at 30 September 2022

By core activity	CMSL
Dealing in securities ¹	38
Dealing in derivatives	5
Fund management	105
Advising on corporate finance	41
Investment advice	17
Investment advice (individual)	1
Financial planning	34
Financial planning (individual)	2
TOTAL	243

By core activity	CMSRL
Dealing in securities	6,655
Dealing in derivatives	446
Fund management	832
Advising on corporate finance	723
Investment advice	289
Financial planning	1,462
TOTAL	10,407

Registration

The SC approved the following new registrations:

1. Venture capital management corporation
 - a. Gobi Partners (Malaysia) Sdn Bhd; and
 - b. 500 Global Management Malaysia Sdn Bhd.
2. Venture capital corporation
 - a. Gobi Malaysia Growth Capital Sdn Bhd; and
 - b. Endau Capital Sdn Bhd.

¹ Includes 5 CMSLs for dealing in securities restricted to unit trust and 1 dealing in securities restricted to listed securities.