

The image features the FIFA World Cup trophy as the central focus, positioned on a lush green football pitch. The trophy is a gleaming gold, with its base inscribed with 'FIFA WORLD CUP'. The background is a blurred stadium filled with spectators, suggesting a significant event. A semi-transparent dark band across the middle of the image contains the title text.

WORLD CUP: MARKET REACTIONS

- The FIFA World Cup 2018 will be held in Russia from 14-June-2018 to 15-July-2018. Based on the FIFA/Coca-Cola World Ranking, the favorite team to win World Cup are Germany, Brazil, Belgium, Portugal and Argentina.
- Our observation shows that 2 out of 7 stock markets outperformed during World Cup period with another 5 underperformed. (Outperformers: SHCOMP and Hang Seng; Underperformers: UKX, CAC, DAX, TPX and FBM KLCI). The range of performance during the World Cup are from -2.16% to +4.24%. For FBMKLCI, average market return during World Cup period is -2.16%. (one year before: -0.69%). Hence, the market return remains negative during World Cup period although it underperforms the previous year return slightly by -1.47%.
- Based on our observations in the year before, during and after the World Cup, the velocity in the Malaysian market is profoundly lower during the World Cup compared to the years before and after the World Cup.

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14 June 2018 | Strategy

World Cup : Market Reactions

No discernible market impacts

- **FIFA World Cup begins in Russia**
- **Mixed stock market performance during World Cup**
- **No clear sector outperformer on Bursa Malaysia during World Cup**
- **Velocity profoundly low on Bursa during World Cup**
- **Maintain FBMKLCI year-end target of 1800 points**

FIFA World Cup 2018

FIFA World Cup 2018: Where and When. The FIFA World Cup 2018 will be held in Russia from 14-June-2018 to 15-July-2018. Note that FIFA World Cup is a quadrennial event and the first match for this tournament will be between Russia and Saudi Arabia on 14-June-2018 (11pm, Malaysia time, +8 GMT). For the final match, it will be on 15-July-2018 (11pm, Malaysia time, +8 GMT,). Note that the first and final matches will be in the same stadium which is Luzhniki Stadium in Moscow. According to FIFA, a total of 2,403,116 tickets have been allocated and international demand accounts for 54% as of 8-June-2018.

Figure 1: Luzhniki Stadium, the venue for the first and final match



Source: FIFA.com

32 teams will be competing for the world's most prestigious trophy. These 32 nations will be grouped into 8 smaller Groups from Group A to Group H. All of the top 10 ranking nations based on FIFA/Coca-Cola World Ranking qualify to compete in Russia with the exception of Chile. Base on the ranking, the favorite team to win World Cup are Germany, Brazil, Belgium, Portugal and Argentina.








USD38m for the winner. Besides the prestige and the honor of winning the World Cup, the winning team will also be walking away with USD38m prize money. We gather that the runners up will receive USD28m. As for the third/fourth place, they will be receiving USD24m/USD22m each.

Figure 2: Groups in World Cup 2018

Group A Uruguay Egypt Saudi Arabia Russia	 FIFA WORLD CUP RUSSIA 2018	Group E Brazil Switzerland Costa Rica Serbia
Group B Portugal Spain Iran Morocco		Group F Germany Mexico Sweden Korea Republic
Group C France Peru Denmark Australia		Group G Belgium England Tunisia Panama
Group D Argentina Croatia Iceland Nigeria		Group H Poland Colombia Senegal Japan

Source: FIFA.com

Figure 3: Top 10 Countries

Rank	Team	Points	Rank	Team	Points
1	 Germany	1558	6	 Switzerland	1199
2	 Brazil	1431	7	 France	1198
3	 Belgium	1298	8	 Poland	1183
4	 Portugal	1274	9	 Chile	1135
5	 Argentina	1241	10	 Spain	1126

Source: FIFA.com

Key players to watch out for are Messi, Ronaldo and Neymar. Lionel Messi from Argentina plays in forward position for Spanish club Barcelona. He has won four UEFA Champions League titles and nine La Liga titles but has never won World Cup. Cristiano Ronaldo from Portugal plays in forward position for Spanish club Real Madrid. He has won one UEFA European Championship, five UEFA Champions League titles and two La Liga titles. Neymar da Silva Santos Júnior from Brazil plays in forward position for French club Paris Saint-Germain. He is the captain of Brazil soccer team which won 2016 Summer Olympics gold medal. Neymar is currently holding the record of world highest football transfer record (Euro 222m) during his move from Barcelona to Paris Saint-Germain in August-2017.

Figure 4: Key players to watch out in World Cup 2018



Source: Various

Details of the study. Period of study is from 1998 to 2014 in which 5 World Cup tournaments have been held. We have selected seven stock countries in the world represented by their major markets. These include the CAC 40 Index (CAC) for France, FTSE 100 Index (UKX) for United Kingdom, DAX Index (DAX) for Germany, Topix Index (TPX) for Japan, Shanghai Stock Exchange Composite Index (SHCOMP) for China, Hang Seng Index (Hang Seng) for Hong Kong and FTSE Bursa Malaysia KLCI Index (FBM KLCI) for Malaysia. Key questions that we try to answer are whether World Cup event has impact on market movement, value of transaction and lastly volume of transaction.

Mixed stock market performance during World Cup. Our observation shows that two stock markets outperformed during World Cup period with another five underperformed. The outperformers are SHCOMP and Hang Seng. The underperformers are UKX, CAC, DAX, TPX and FBM KLCI. The range of performance are from -2.16% to +4.24%.

Positive FBMCKLI return during World Cup period although it underperformed the return in the previous year. For FBMKLCI, average market return during World Cup period is -2.16%. However, average market return one year before World Cup period is -0.69%. Hence, the market return remains negative during World Cup period although it underperforms the previous year return by -1.47%. In the latest data for World Cup 2014, FBMKLCI return was +0.50% as compared to same period in 2013 return of +0.59%.

Value traded was mixed. Among the seven countries that we track, only four countries had seen increases in its value traded which are the U.K, France, Germany and Japan. Meanwhile, China, Hong Kong and Malaysia underperformed during the period of the World Cup.

Most markets had lower volume. As for volume traded, five out of seven countries had lesser volume traded in its stock market when the World Cup was held, which are France, Germany, China, Hong Kong and Malaysia.

No clear sector outperformer during World Cup. Out of the eight sectors tracked, five outperformed during World Cup period while another three underperformed. The outperformers are construction (KLCON), consumer (KLCSU), property (KLPRP), industrial products (KLPRO) and technology (KLTEC). The underperformers are trading and services (KLSER), plantation (KLPLN) and finance (KLFIN). The range of performance during the World Cup is between -2.55% and -0.46%.

Table 1: Returns On KL Sectoral Indexes During World Cup

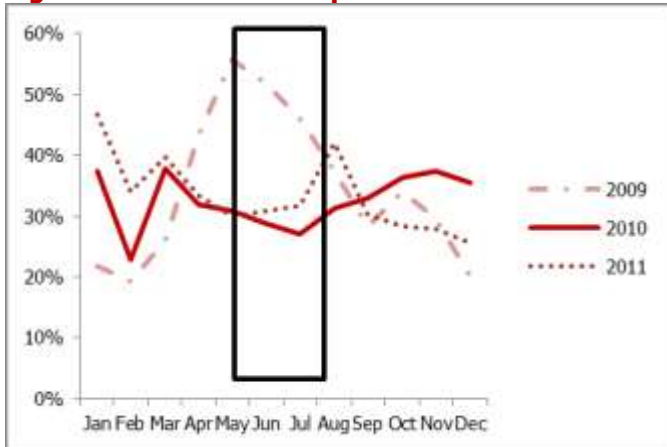
World Cup Year	Begin	End	KLCON	KLCSU	KLPRP	KLPRO	KLSEK	KLTEC	KLPLN	KLFIN	FBMKLCI
2014	12-Jun	13-Jul	2.46%	0.85%	3.26%	1.98%	1.29%	8.37%	-0.82%	1.86%	0.50%
2010	11-Jun	11-Jul	3.24%	3.55%	2.41%	2.85%	2.16%	-0.05%	2.81%	2.70%	2.29%
2006	9-Jun	9-Jul	8.49%	2.33%	4.62%	2.81%	0.22%	2.53%	3.43%	1.80%	1.11%
2002	31-May	30-Jun	-3.02%	-1.44%	-3.58%	-0.95%	-3.34%	-12.70%	-1.34%	-0.68%	-2.20%
1998	10-Jun	12-Jul	-	-	-	-	-	N/A	-	-	-
			21.53%	-8.70%	-14.26%	-13.94%	-12.52%		-12.57%	-18.44%	-12.50%
Average Return During World Cup (%)			-2.07%	-0.68%	-1.51%	-1.45%	-2.44%	-0.46%	-1.70%	-2.55%	-2.16%
No. of Positive Return			3	3	3	3	3	2	2	3	3
No. of Negative Return			2	2	2	2	2	2	3	2	2
Difference from the year before			1.29%	0.98%	2.47%	1.11%	-2.21%	0.52%	-2.45%	-1.86%	-1.47%
Outperform			YES	YES	YES	YES	NO	YES	NO	NO	NO

Table 2: Returns On KL Sectoral Indexes A Year Before World Cup

Year	Begin	End	KLCON	KLCSU	KLPRP	KLPRO	KLSEK	KLTEC	KLPLN	KLFIN	FBMKLCI
2013	12-Jun	13-Jul	2.28%	-0.18%	-3.82%	-0.11%	0.87%	2.73%	1.79%	0.55%	0.59%
2009	11-Jun	11-Jul	-3.47%	-0.40%	-10.22%	-5.41%	-1.69%	-7.02%	-4.49%	-0.43%	-1.95%
2005	9-Jun	9-Jul	-0.03%	-0.20%	-0.41%	2.91%	2.05%	-0.68%	6.24%	2.90%	2.75%
2001	31-May	30-Jun	-2.04%	-0.97%	3.20%	-1.77%	4.58%	1.03%	5.45%	3.05%	3.51%
1997	10-Jun	12-Jul	-	-	-	-	-	N/A	-	-	-
			13.55%	-6.57%	-8.66%	-8.39%	-6.95%		-5.26%	-9.53%	-8.35%
Average Return A Year Before World Cup (%)			-3.36%	-1.66%	-3.98%	-2.55%	-0.23%	-0.99%	0.74%	-0.69%	-0.69%

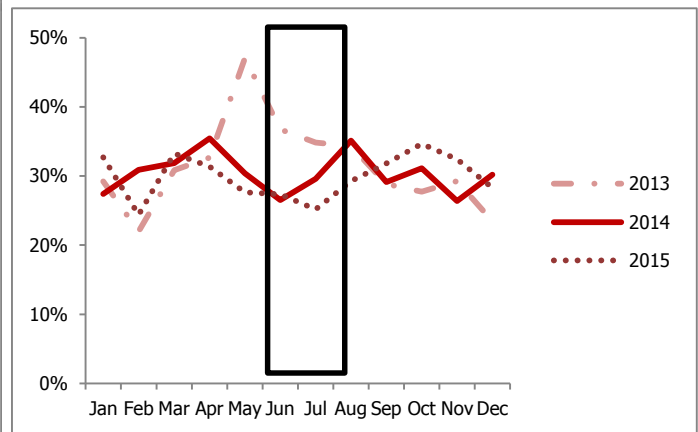
Velocity profoundly low during the World Cup. Based on our observations in the year before, during and after the World Cup, the velocity in the Malaysian market is profoundly lower during the World Cup compared to the years before and after the World Cup. For example, the average velocity during the 2014 World Cup held from 12 June-13 July stood at 30% compared to 36% and 26% in 2013 and 2015 respectively. This was the same case for the 2010 World Cup where the average velocity during the event was at 28%, lower than 49% and 32% in 2009 and 2011 respectively. Moving forward, we expect the trading velocity in Malaysia during the 2018 World Cup to be subdued not just because of this event but also due to the festive season.

Figure 5: 2010 World Cup



Source: Bloomberg, MIDFR

Figure 6: 2014 World Cup



Source: Bloomberg, MIDFR

Opportunity to rebalance portfolio. Yet, this would provide an opportune time for investors to have a relook at their portfolio of stocks to assess the performance of each stock in the portfolio, while at the same time conduct screening in search of undervalued stocks to add to their portfolio. Markets in the emerging economies, including Malaysia, are facing headwinds from geopolitical events and outflow of foreign funds, which had affected their year-to-date performance. Therefore, investors could take a look at stocks with a strong fundamentals and significant price upside, and companies with good dividend yields. Below are some of the stocks that is in our radar.

Figure 7: MIDFR Recommendations

	Company	Target Price (RM)	Last Price (13 Jun)	Upside (price)	Dividend (yld)	Total Upside (%)
				(a)	(b)	(a+b)
1	MBSB	1.54	1.19	29%	3%	33%
2	YTL Power	1.20	0.96	25%	5%	30%
3	SP Setia	3.69	3.00	23%	4%	27%
4	Sunway REIT	1.90	1.68	13%	5%	18%
5	Tenaga Nasional	16.30	14.40	13%	5%	18%
6	Public Bank	27.30	24.08	13%	3%	16%
7	UOA Development	2.80	2.55	10%	6%	16%
8	Muhibbah	3.60	3.16	14%	2%	16%
9	Petronas Dagangan	28.00	24.94	12%	3%	15%
10	Westports	3.85	3.46	11%	4%	15%

Maintain FBMKLCI year-end target of 1,800 points. We do not expect World Cup event to change the fundamentals of all stocks under our coverage. Hence, we maintain our FBM KLCI year-end 2018 target of 1,800 points which equates to PER of 16.3x or -0.5 Standard Deviation (based on 2010-17 historical data). May the best team wins!

APPENDIX

Appendix 1: Comparative Index Returns During World Cup

World Cup Year	Begin	End	FTSE 100	CAC	DAX	SHCOMP	Hang Seng	Topix	FBM KLCI
2014	12-Jun	13-Jul	-2.23%	-5.22%	-2.74%	-0.23%	0.25%	1.41%	0.50%
2010	11-Jun	11-Jul	-0.60%	-0.03%	0.29%	-3.85%	2.55%	-0.60%	2.29%
2006	9-Jun	9-Jul	4.13%	3.89%	3.99%	11.53%	5.32%	4.97%	1.11%
2002	31-May	30-Jun	-8.43%	-8.81%	-9.04%	14.32%	-6.22%	-8.50%	-2.20%
1998	10-Jun	12-Jul	-0.96%	1.13%	3.96%	-0.56%	2.84%	3.58%	-12.50%
Average Return During World Cup			-1.62%	-1.81%	-0.71%	4.24%	0.95%	0.17%	-2.16%
No. of Positive Returns			1	1	2	2	4	3	3
No. of Negative Returns			4	4	3	3	1	2	2
Difference from the year before			-1.51%	-1.97%	-0.80%	6.89%	1.19%	-0.71%	-1.47%
Outperform			No	No	No	Yes	Yes	No	No

Appendix 2: Comparative Index Returns A Year Before World Cup

World Cup Year	Begin	End	FTSE 100	CAC	DAX	SHCOMP	Hang Seng	Topix	FBM KLCI
2013	12-Jun	13-Jul	3.90%	1.62%	0.85%	-7.75%	-0.36%	9.62%	0.59%
2009	11-Jun	11-Jul	-7.50%	10.55%	-10.40%	11.32%	-5.76%	-7.24%	-1.95%
2005	9-Jun	9-Jul	4.45%	3.53%	0.77%	-10.00%	0.48%	3.41%	2.75%
2001	31-May	30-Jun	-2.65%	-4.20%	-1.06%	0.17%	-1.00%	-0.75%	3.51%
1997	10-Jun	12-Jul	1.26%	10.41%	10.26%	-7.00%	5.44%	-0.63%	-8.35%
Average Return A Year Before World Cup			-0.11%	0.16%	0.09%	-2.65%	-0.24%	0.88%	-0.69%
No. of Positive Returns			3	3	3	2	2	2	3
No. of Negative Returns			2	2	2	3	3	3	2

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >+10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >+10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >-10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.