

Close-Up Observation of Growth Trends Main Market Bursa Malaysia during the First Movement Control Order (MCO)

Muhammad Saqif Uqashah Bin Zulkapli¹, Muhammad Noorhakimi Bin Abdul Halim²,
Mohamad Ameer Sajideen Bin Mohd Azizi³, Ahmad Naqib Bin Nasir⁴,
Noraslinda Binti Fauzi⁵, Nor Asilah Binti Amin⁶

¹ Accounting Department, Kolej-Poly-Tech MARA Bangi, Bandar Baru Bangi, Selangor, Malaysia
E-mail: noraslinda@gapps.kptm.edu.my / asilah@gapps.kptm.edu.my

Abstract

Random fluctuations of the main market of Bursa Malaysia due to MCO (Movement Control Order) significantly hinders the profitability of investors. The purpose of our research is to identify what sector in the main market of Bursa Malaysia that is most positively or negatively affected by the first MCO and to compare the performance of the main market of Bursa Malaysia before, during and after the first MCO. A sample of data regarding the share prices of companies across 15 sectors in the main market of Bursa Malaysia before, during and after the first MCO are gathered from Bursa Malaysia's website. By using the basis of the three periods that is before, during and after the first MCO we have calculated the average growth of each sector and the main market of Bursa Malaysia for each period. Our research has discovered a trend regarding the growth of sectors and the main market of Bursa Malaysia as a whole. Before the implementation of the first MCO, the main market of Bursa Malaysia shrunk in value. Signifying loss for investors for any buying of shares or stocks during the period. During the first MCO, the main market of Bursa Malaysia experienced exponential growth generating large profit margins to investors for any buying of shares or stocks during the period. Lastly, after the first MCO, the exponential growth of the main market of Bursa Malaysia became more moderate. This signifies slow but healthy growth for the main market of Bursa Malaysia making investors experiencing healthy profits across most sectors. From an investing perspective, this study emphasizes the strategy for investors to be more profitable when investing before, during and after the implementation of the first MCO, especially investment in the main market of Bursa Malaysia.

Keywords : investing, growth trends, lockdowns, movement control order

I. INTRODUCTION

Covid-19 without discrimination has struck every country in the world and Malaysia included. The pandemic has greatly affected the country. To combat the pandemic, the government introduced lockdowns or movement control order (MCO) to curb the spread of the virus. The MCO introduced has greatly influenced the stock market in Malaysia. The purpose of this research is to study how the introduction of MCO has affected the 15 sectors of the main market of Bursa Malaysia and the performance of the 15 sectors in the main market of Bursa Malaysia. The study will observe the period before (2 January 2020 - 17 March 2020), during (18 March 2020 - 9 June 2020), and after (10 June 2020 - 12 January 2021) the first implemented MCO by the government of Malaysia or more commonly known as MCO 1.

II. LITERATURE REVIEW

According to [1], during the early stages of the MCOs, the cumulative average abnormal returns (CAAR) reflected significant negative returns. However, it showed positive returns after MCO 3 and MCO 4. Nonetheless, their research concentrated on Bursa Malaysia as a whole and also other foreign stock exchanges, but our research will solely focus on the reaction across 15 sectors of the main market of Bursa Malaysia and the main market itself before, during and after MCO 1 and how it affects investors. This is similarly done by [2], whereas they expressed that global stock markets have plummeted as investors worry about the pandemic's broader, unpredictable economic

consequences. Since the epidemic began, the FTSE, Dow Jones Industrial Average, and Nikkei have all dropped dramatically by more than 25%. Their research observed the trend that was received by stock exchanges during the early periods of the covid-19 outbreak and early implementations of lockdowns within countries. There is a discovery of a negative trend movement in the stock exchanges locally and across the world during the early days of the pandemic and lockdowns, both of the research above discussed the trend at stock exchanges as a whole instead of detailed events experienced by certain industries or sectors before, during and after the first wave of lockdowns or strict government policies. For investors, this detailed information is crucial as it represents opportunity and risk involved in investing at stock exchanges especially during the early unpredictable times of the pandemic. As discussed by [3], the environment of perpetual uncertainty is not conducive for investors as the investment is made with the basic objective of receiving a continuous cash flow over a period of time and retaining the principal amount safely. With this in mind industries and sectors that are less affected financially during the early days of the pandemic might behave differently from the ones that are heavily affected by the pandemic. Therefore, random fluctuations of the main market due to MCO significantly hinders the profitability of investors. Discovering which industries and sectors that are most affected and least affected is an opportunity for investors to maximize their profits during the pandemic.

III. RESEARCH METHODOLOGY

In this research, the main objective is to measure the performance of each sector in the main market of Bursa Malaysia before, during and after MCO and then to make a comprehensive analysis determining how the implementation of MCO has affected its main market. The sample size for this research will consist of eligible companies out of 981 listed companies from the main market of Bursa Malaysia across 15 sectors. Only companies that have existing share prices within the time frames of before (2 January 2020 - 17 March 2020), during (18 March 2020 - 9 June 2020) and after MCO (10 June - 12 January) can be selected for this research. Companies that do not have share prices during the time frames shall not be selected. There are three major steps to conduct our research. 1) Collecting and tabling data. 2) Calculating data. 3) Analysing data.

1) To conduct this research there are three-time frames that will be observed. Before MCO (2 January 2020 - 17 March 2020), during MCO (18

March 2020 - 9 June 2020) and after MCO (10 June - 12 January). The data will be collected from https://www.bursamalaysia.com/market_information/equities_prices [4]. For each beginning date of the time frames, we would need the opening price of the share of each company involved. Then for each ending date of the time frames, we would also need the closing price of the shares of each company. The information collected will be divided according to the company's industrial sector. The data will be tabled as follows.

2) After the opening and closing share prices are collected for each company for each time frame, we will calculate the average growth for each of the companies in their respective time frame. After the average growth of the company has been calculated for each time frame, the average growth of the sector for each time frame could also be calculated. Furthermore, after the growth of each sector has been calculated, the growth of the main market of Bursa Malaysia for each time frame could also be calculated.

3) For the final step, analyses the data that has been calculated by comparing the average growth for each company and the average growth for each sector at three different time frames that have been mentioned above. From there, we can draw up a hypothesis for the performances of the companies and the sectors respectively. Additionally, we also can observe the growth of the main market of Bursa Malaysia during those three different time frames. We could also see how MCO has affected the main market of Bursa Malaysia.

Performance of Sector in the Main Market of Bursa Malaysia

The information needed for our research would come from the data collected from Bursa Malaysia's website. The share prices collected then will be compared to see the growth changes between them in percentage. Cumulative average will be calculated in each sector of the main market to see how much growth in the sector has occurred. This will be done for each period before, during and after MCO. After the data is collected and tabled, we could compare the performance of each sector in each period to analyse the performance of the sector before, during and after MCO. The formula will be as follows:

1) *Mathematical Operations*

$$\alpha = \frac{X2-X1}{X1} \times 100$$

α = Growth of company

$X1$ = Beginning period share price

$X2$ = End period share price

Formula 1

$$\beta = \frac{\sum\alpha}{n}$$

β = Average growth of sector

= Growth of company

n = Number of companies

Formula 2

Effects of MCO towards the Main Market of Bursa Malaysia

After the performance of each sector has been calculated for each period before, during, and after MCO, we could now proceed to determine the effects of MCO towards the Main Market of Bursa Malaysia. For each period, we would sum up all the cumulative growth of the 15 sectors and then the cumulative sum would be divided by 15. This is to calculate the average growth of the main market during the period. We would do this for each period and analyse the growth of the Main Market of Bursa Malaysia during and after the implementation of MCO. From this we could determine how MCO has affected the Main Market of Bursa Malaysia. The formula will be as follows:

$$\chi = \frac{\sum\beta}{n}$$

χ = Growth of Main Market

β = Average growth of sector

n = Number of sectors

Formula 3

IV. RESULT AND DISCUSSION

Sample sizes of 872 companies across 15 sectors in the main market of Bursa Malaysia were observed to conduct this research.

The Growth of Sectors before MCO (2 January 2020 - 17 March 2020)

Growth Rate of Sectors before MCO

Before MCO		
Number	Sectors	Growth
1	Health care	-11.41
2	Real Estate Investment Trust	-18.18
3	Closed End Funds	-20.83
4	Utilites	-24.55
5	Financial Services	-26.65
6	Transportation & Logistics	-27.28
7	Property	-27.59
8	Telecommunications & Media	-27.76
9	Industrial Products & Services	-28.47
10	Consumer Products & Services	-30.53
11	Plantation	-34.18
12	Technology	-35.15
13	Construction	-41.90
14	Energy	-51.01
15	SPAC	non viable

Table 1

The Table 1 above showed a list of descending order of the growth rate of sectors, and growth trend of sectors in the main market of Bursa Malaysia before the implementation of MCO during the period of 2nd of January 2020 until 17th of March 2020. From the table, across 15 sectors all of them except for SPAC (Special Purpose Acquisition Company) had a negative growth rate.

The least negative growth rate that could be seen is in health care. The second least negative growth rate is experienced by the real estate investment trust sector. The worst performing sector would be in the energy sector. Lastly, the second worst performing sector would be the construction sector.

**The Growth of Sectors during MCO
(18 March 2020 - 9 June 2020)
Growth Rate of Sectors during MCO**

During MCO		
Number	Sectors	Growth
1	Health care	119.15
2	Energy	78.90
3	Technology	71.18
4	Construction	60.22
5	Industrial Products & Services	52.03
6	Consumer Products & Services	46.82
7	Transportation & Logistics	31.88
8	Telecommunications & Media	29.37
9	Utilites	27.72
10	Property	27.14
11	Financial Services	25.75
12	Plantation	23.60
13	Real Estate Investment Trust	10.63
14	Closed End Funds	9.47
15	SPAC	non viable

Table 2

The Table 2 depicted the list of growth rates of each sector in the main market of Bursa Malaysia and the graph depicts the sectors growth trends during the implementation of the first MCO (i.e.18th March-9th June 2020). Generally, all sectors showed positive growth compared to before the implementation of MCO except for SPAC.

The highest growth rate is the health care sector which is 119.15% of average growth. Furthermore, the second highest growth rate is the energy sector with 78.90% of growth rate. Meanwhile, the second least growth rate is the real estate investment trust sector with a carrying rate of 10.63%. The least growth rate experienced during the time period of 18th of March 2020 until 9th of June 2020 is the closed end funds sector which only had a 9.47% growth rate.

**Growth of Sectors after MCO
(10 Jun 2020 - 12 January 2021)
Growth Rate of Sectors after MCO**

After MCO		
Number	Sectors	Growth
1	Technology	179.43
2	Property	98.68
3	Industrial Products & Services	65.70
4	Tranportation & Logistics	63.02
5	Consumer Products & Services	57.12
6	Telecommunications & Media	33.54
7	Plantation	27.41
8	Financial Services	11.31
9	Utilites	10.89
10	Health care	9.94
11	Construction	4.45
12	Energy	2.11
13	Closed End Funds	-4.78
14	Real Estate Investment Trust	-9.57
15	SPAC	non viable

Table 3

From the Table 3 above, after the implementation of MCO, the technology sector leads the ranking with the highest growth rate of 179.43%. The technology sector is leaps above the second and third top sectors which are the property sector and the industrial products & services sector which have a growth rate of 98.68% and 65.70% consecutively.

On the other hand, the closed end funds sector has the second lowest growth rate during the period after the implementation of the first MCO. The growth rate experienced by the closed end funds sector is -4.78%. Lastly, the sector with the least growth rate seen during the period after the first MCO is the real estate investment trust sector with an average growth rate of -9.57%.

**Average Growth of Main Market Bursa
Malaysia Growth Rate**

Average Growth of Main Market Bursa Malaysia		
Before MCO	During MCO	After MCO
-28.96	43.85	39.23

Table 4

After calculating the average growth for each sector for each time period we could deduce the average growth of the main market of Bursa Malaysia for each period. From calculations across eligible sectors, it can be seen in the Table 4 that during the period before the implementation of MCO, the average growth of the main market of Bursa Malaysia is -28.96%. In the period of 18th of March 2020 until 9th of June 2020 during the implementation of MCO 1, it can be seen that on average the main market of Bursa Malaysia grew 43.85%. Lastly, in the period after the implementation of MCO 1, it can be seen that from the 10th of June 2020 until 12th of January of 2021 the main market of Bursa Malaysia had a growth of 39.23%.

V. CONCLUSION

Based on this study, there were obvious growth trends in Bursa Market Malaysia either positively or negatively during the First Movement Control Order. To be more accurate, the timeline is divided into 3 phases which are Before MCO, During MCO and After MCO. The findings are specifically based on 15 sectors in the Main Market. Before the MCO, all sectors demonstrated a negative growth rate due to the trouble to control the spread of COVID-19. However, during the MCO, all sectors showed a recovery with a positive growth trend especially the Health Care, Energy and Technology sector that showed a growth over 70%. Unfortunately, the phase after MCO indicates that there are 2 sectors

that went negative in growth rate which are Closed End Funds and Real Estate Investment Trust while other sectors are steadily doing great and stay positive in growth rate. Hence, the research has reached its goal to explore that there are growth trends during the First Movement Control Order within the main market of 15 sectors.

ACKNOWLEDGMENT

Our sincere gratitude and special thanks to our supervisors, Madam Noraslinda Binti Fauzi and Madam Nor Asilah Binti Amin, who assisted and supported us in the publication of this article, as well as our friends, lecturers, and family who always supported and prayed for our success.

REFERENCES

- [1] Song, S. I., Yazi, E., Morni, F., & Janang, J. T. (2021). Covid-19 and stock returns: Evidence from Malaysia. *International Journal of Banking and Finance*, 16(2), 111-140.
- [2] Açıkgöz, Ö. and Günay, A., 2020. The early impact of the Covid-19 pandemic on the global and Turkish economy. *TURKISH JOURNAL OF MEDICAL SCIENCES*, 50(SI-1), pp.520-526.
- [3] Himanshu, Ritika, Mushir, N. and Suryavanshi, R., 2021. Impact of COVID - 19 on portfolio allocation decisions of individual investors. *Journal of Public Affairs*, [online] 21(4), p.2. Available at: <<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7995012/>>.
- [4] Bursa Malaysia, 2021. *Securities*. [online] bursamalaysia.com. Available at: <https://www.bursamalaysia.com/trade/market/securities_market/main_market>.

AUTHOR'S INFORMATION

<p>First Author: MUHAMMAD SAQIF UQASHAH BIN ZULKAPLI</p> 	<p>Accounting & Finance, Kolej Poly Tech Mara Bangi, Seksyen 14 Jalan Teras Jernang, Bandar Baru Bangi, 43000, Selangor, Malaysia.</p> <p>E-mail: bgs200926015@student.kptm.edu.my</p>
<p>Second Author: MUHAMMAD NOORHAKIMI BIN ABDUL HALIM</p> 	<p>Accounting & Finance, Kolej Poly Tech Mara Bangi, Seksyen 14 Jalan Teras Jernang, Bandar Baru Bangi, 43000, Selangor, Malaysia.</p> <p>E-mail: bgs200926004@student.kptm.edu.my</p>
<p>Third Author: MOHAMAD AMEER SAJIDEEN BIN MOHD AZIZI</p> 	<p>Accounting & Finance, Kolej Poly Tech Mara Bangi, Seksyen 14 Jalan Teras Jernang, Bandar Baru Bangi, 43000, Selangor, Malaysia.</p> <p>E-mail: bgs200926138@student.kptm.edu.my</p>
<p>Fourth Author: AHMAD NAQIB BIN NASIR</p> 	<p>Accounting & Finance, Kolej Poly Tech Mara Bangi, Seksyen 14 Jalan Teras Jernang, Bandar Baru Bangi, 43000, Selangor, Malaysia.</p> <p>E-mail: bgs200926002@student.kptm.edu.my</p>

**Co-Author:
Noraslinda Binti
Fauzi**



Accounting Department, Kolej-Poly-Tech MARA Bangi, Bandar Baru Bangi,
Selangor, 43650, Malaysia.

E-mail: noraslinda@gapps.kptm.edu.my

**Co-Author: Nor
Asilah Binti Amin**



Accounting Department, Kolej-Poly-Tech MARA Bangi, Bandar Baru Bangi,
Selangor, 43650, Malaysia.

E-mail: asilah@gapps.kptm.edu.my