

Kenanga Investors

Market Review and Outlook

As of April 2024

Equity Market Review

In US, the S&P500, Dow Jones, and Nasdaq were up 3.1%, 2.1%, 1.8% month-on-month (MoM) in March respectively, fuelled by the continued optimism over the economy, potential rate cuts, and business opportunities in the AI space. The street now expects the Gross Domestic Product (GDP) to grow at 2.2% in 2024. The US Federal Reserve (Fed) maintained rates at 5.25%-5.5%, keeping it steady for the fifth consecutive meeting. Fed Chair Jerome Powell emphasised that the Fed remains “fully committed” to bring inflation down to its 2% target. However, the inflation rate rose to 3.2% year-on-year (YoY) in February 2024 suggests the path to the Fed’s target could be longer and bumpier than expected, as the labour market and economic growth remain strong, elevating prices.

In Europe, the Euro STOXX 50 was up 4.2% MoM in March. Inflation moderated to 2.4% YoY in March, below the expected 2.6% YoY, compared to 2.6% YoY in February, declining for the third month in a row. The core inflation rate, which strips out energy and food slowed to 2.9% from 3.1%, hitting a two-year low. The market anticipates four rate cuts by the European Central Bank (ECB), with the first in June.

Over in Asia, China (SHSZ300 +0.6% MoM), Hong Kong (Hang Seng +0.2% MoM), and Taiwan (TWSE +7.0% MoM) markets grew on the back of solid earnings and economic data. However, the US-China conflict has dampened risk appetite and investors are waiting for clear signals of demand recovery, structural policy supports, and the Fed’s pivot. Meanwhile in Taiwan, its Central Bank surprised the market by lifting the key policy rates by 12.5 basis points (bps) to 2.0%, the highest since late 2008. Korea (KOSPI +3.9% MoM) renewed its 2-year high on strong AI-driven rally and dovish Fed.

Japan’s Nikkei 225 improved 3.1% MoM, outperforming MSCI Asia ex-Japan’s +2.3% MoM. Gains were largely centred around large-cap value stocks with continued net buying from foreign investors for the 3rd consecutive month. The Bank of Japan (BoJ) has ended eight years of negative interest rate on 19 March 2024. This marks Japan’s first-rate hike in 17 years, raising the policy short term rate from -0.1% to between 0% and 0.1%. The hike came after Japan’s biggest companies agreed to raise wages by 5.3% for 2024, the highest in 33 years. All eyes are on BoJ’s new 3-year inflation projection scheduled to be released on 26 April 2024.

MSCI ASEAN grew marginally by 0.7% MoM. Indonesia’s JCI fell 0.4% MoM whereas Thailand’s SET improved slightly by 0.5% MoM. Thailand welcomed over 9.4 million tourists, marking a 44% increase YoY, and is on course to meet its year-end target of 35 million visitors. Additionally, the nation is also studying the legalisation of gaming casinos to boost its tourism sector.

Locally, FBM Small Cap, FBM Shariah, and FBM 100 registered MoM gains of 3.1%, 1.0%, and 0.5% respectively, whereas FBM KLCI fell 1.0% MoM. Foreigners turned net sellers after strong net foreign inflows in January-February, and foreign ownership eased to 19.6% at end-March from 19.9% at end-February. Newsflow in the month was centred around infrastructure, with Property leading the gains at +9.3% MoM, followed by Construction (+5.6% MoM), and Transport (+3.6% MoM). Meanwhile, the worst performing sectors were



Telecom (-2.6% MoM), Consumer (-1.2% MoM), and REIT (-0.5% MoM).

In the month, Bank Negara Malaysia (BNM) kept overnight policy rate (OPR) unchanged at 3% following the March Monetary Policy Committee (MPC) meeting, the government and Malaysia Airports Holdings inked new operating agreements for the next 45 years, Sime Darby completed their acquisition of UMW Holdings, the LRT project in Penang has finally received approval, with Gamuda's 60% owned subsidiary bagging the civil works contract on the first segment. The implementation of High Value Goods tax has been postponed amidst calls to further study its impact.

Equity Market Outlook & Fund Strategy

Amongst commodities, Brent crude oil prices grew 4.6% MoM to USD87.5/bbl attributed to tightening of physical markets, decision by OPEC+ members to prolong production cuts, along with the increased demand from major oil consumers worldwide and escalating geopolitical tensions. Meanwhile, Crude Palm Oil (CPO) increased 5.6% MoM to RM4,194/ton, predominantly shaped by declines in palm oil inventories.

Markets expect the Fed to keep rates unchanged and possibly shift to cutting rates in 2H2024, with a similar pattern expected in the Eurozone. Easier monetary conditions globally are expected to support growth and liquidity, thus improving the outlook for equities. China's additional fiscal stimulus has been supportive but further measures are necessary to revive the property market and restore market confidence. We remain optimistic on the ASEAN market as the region benefits from easing global monetary conditions later in the year.

We are positive on the Malaysian equity market this year as we expect resilient GDP growth of 4-5%, improving momentum of policy execution on construction and infrastructure projects, rising foreign direct investment (FDI), while valuation and foreign shareholding remains low. Key events to watch include the government's plans to rationalise subsidies, and execution of planned infrastructure projects.

Given the positive outlook, we are positive on sectors such as financials, construction, property, new energy and utilities. Additionally, we continue to like the technology sector as the key beneficiary of long-term growth trends such as AI, electric vehicles (EVs) and supply chain relocation.

About Kenanga Investors Berhad

We provide investment solutions ranging from collective investment schemes, portfolio management services, and alternative investments for retail, corporate, institutional, and high net worth clients via a multi-distribution network.

The Hong Kong-based **Asia Asset Management's 2024 Best of the Best Awards** awarded KIB under the following categories, Malaysia Best Equity Manager, Malaysia Best Impact Investing Manager, ASEAN Best Impact Investing Manager, Malaysia CEO of the Year, Malaysia CIO of the Year, Malaysia Best House for Alternatives, Malaysia Most Improved Fund House, and Malaysia Best Investor Education.

At the **LSEG Lipper Fund Awards Malaysia 2024**, KIB received awards for the Kenanga Malaysian Inc Fund ("KMIF") under the best Equity Malaysia Diversified – Malaysia Pension Funds over 10 Years and the Kenanga Diversified Fund ("KDF") under the best Mixed Asset MYR Flexible – Malaysia Pension Fund over 10 Years.

The **FSMOne Recommended Unit Trusts Awards 2023/2024** named Kenanga Growth Fund Series 2 as “Sector Equity – Malaysia Focused”, Kenanga Shariah Growth Opportunities Fund as “Sector Equity - Malaysia Small to Medium Companies (Islamic)” and Kenanga Shariah OnePRS Growth Fund as “Private Retirement Scheme – Growth (Islamic)”.

For the seventh consecutive year, KIB was affirmed an investment manager rating of IMR-2 by Malaysian Rating Corporation Berhad, since first rated in 2017. The rating considers KIB's well-established investment processes and sound risk management practices. As at end-June 2023, most of KIB's funds had performed better than benchmarks and were comparable to peers.

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