

# Kenanga Investors

## Market Review and Outlook

As of August 2021

### Equity Market Review

The US market continues to chart new highs in July with all three major indices touching new highs as megacap tech stocks and positive corporate earnings helped drive main US indexes up again. The US Federal Reserve remained constructive that inflation remains transitory despite June CPI accelerating 5.4% on a year-on-year basis and consumer prices rising the most in 13 years. The Fed officials unanimously agreed to hold policy steady at the July FOMC meeting and signalled it could tolerate higher inflation for some time citing substantial further progress on inflation and employment as a benchmark for tapering and expect to raise interest rates as soon as late 2022 or early 2023. The yield on the benchmark 10-year Treasury note briefly shot up before retreating as investors concluded that US central bank would likely maintain its ultra-easy monetary policy stance for a while.

In Malaysia, the recovery momentum remains challenged as the market grapples with continued total lockdown amidst COVID-19 cases remaining at peak levels. At the end of the month, all eyes were also on the Parliamentary special sitting, the first for the year. However, the final session has been postponed indefinitely. The government also did not extend the state of emergency which was declared in January beyond August 1. Vaccination rates have ramped up with 20.5 million vaccine doses (12.5 million first doses and 5.9 million second doses) administered as of 30 July. This translates to 38.2% of the population having received their first dose, and 18.1% of the population being fully inoculated. Prime Minister Tan Sri Muhyiddin Yassin said most states are expected to transition to phase four of National Recovery Plan (NRP) as early as October, given the continuous efforts to push the recovery process and immunisation programme.

The KLCI and FBM Shariah Index declined 2.48% and 1.06% respectively in July. Meanwhile, the FBM Small Cap Index was flat at -0.01% for the month. A stronger dollar brought the exchange rate to MYR 4.22/USD at the close of the month from MYR 4.15/USD in June. Foreign selling remained unabated for Malaysia equities marking 24 consecutive months of net selling with foreign outflows of RM1.3 billion in July, taking year-to-date net selling to RM5.5 billion.

### Equity Market Outlook

While the global economy continues on its recovery path led by developed markets, the risk of a significant pickup in inflation and COVID-19 flareups in some parts of the world could create some volatility and risk of downgrades to growth.



Nonetheless, accommodative monetary policies by global central banks and strong fiscal stimulus are overall supportive for global equities. We remain buyers on market weakness.

## Equity Fund Strategy

We maintain a barbell investment strategy, focusing on recovery/re-opening and structural growth themes. For recovery themes, we focus on cyclical sectors such as consumer discretionary (retail and leisure), industrials and materials. For structural growth themes, we like sectors such as technology, electronics manufacturing services (EMS) and renewable energy.

## About Kenanga Investors

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.

In January, Hong Kong-based Asia Asset Management's 2021 Best of the Best Awards awarded KIB under the following categories, Malaysia - Best Equity Manager (3<sup>rd</sup> Consecutive year), Malaysia – Best Islamic Fund (Equity), Malaysia – CIO of the Year (5-time winner within this category) and Malaysia – Best House for Alternatives. At the Refinitiv Lipper Fund Awards 2021 (Malaysia), KIB won overall best Malaysia Islamic Funds Group Awards (Equity) and Malaysia Provident Funds Group Awards (Mixed Assets).

The FSMOne Recommended Unit Trust Awards 2021/2022 awarded Kenanga OnePRS Conservative Fund the “Private Retirement Scheme – Conservative” title (3<sup>rd</sup> year). For the fourth consecutive year, KIB was affirmed an investment manager rating of IMR-2 by Malaysian Rating Corporation Berhad since first rated in 2017. The IMR rating reflects the fund management company's well-established investment processes and sound risk management practices.

Disclaimer: Investors are advised to read and understand the contents of the Funds' Prospectus and PHS which have been lodged and registered with the Securities Commission Malaysia (“SC”), who takes no responsibility for its content, related advertisement or marketing materials. The advertisement has not been reviewed by the SC. Investment involves risk. The information contained herein does not constitute any investment advice and does not regard an investor's specific investment objectives, financial situation and particular needs. Investors are advised to seek consultation from a licensed professional adviser before investing. Past performance is not indicative of future performance. Kenanga Investors Berhad 199501024358 (353563-P)



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