

April 2024

# Monthly MARKET OUTLOOK

Market Review | Equities | Fixed Income as at 31 March 2024

Over the  
month

## Equities

### Global

- Global equities staged another month of broad-based rally. More economists are removing any probabilities of recession for this year, much less a hard landing.
- With the United States (US) Federal Reserve (Fed) maintaining a dovish tone, investors risk appetite remains elevated.
- The Dow Jones Industrial Average Index (DJIA) rose 2.1% and the broader S&P 500 Index rose 3.1%. The Euro Stoxx Index rose 4.2% while the FTSE 100 Index rose 4.2%.

### Asia Pacific

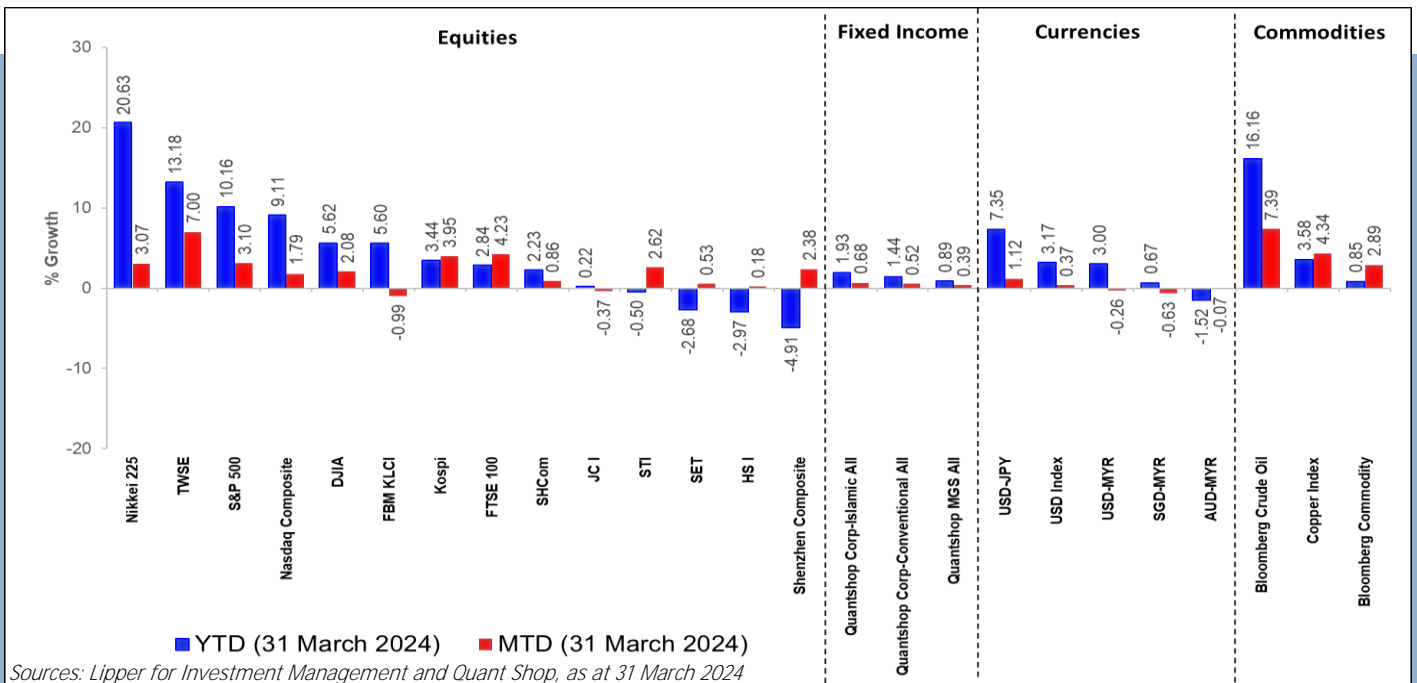
- Artificial Intelligence (AI)-related technology names rallied hard during the month as Nvidia reported stellar results while indicating a very positive outlook for the company.
- The Japan market continued to rise higher during the month, despite the Bank of Japan ending its negative interest rate policy after years of unconventional monetary easing.
- In the region, Taiwan and Korea were the leaders while Malaysia and Philippines were the laggards.

### Malaysia

- After rallying strongly for the past 2 months, some profit taking were seen in the index stocks while trading activity in the small cap space remains robust.
- The FTSE Bursa Malaysia (FBM) KLCI declined 1.0% to close at 1,536 points. The broader market outperformed as the FBM EMAS Index rose 0.7% to close at 11,572 points.
- Small caps outperformed as the FBM Small Cap Index rose 3.1% to close at 17,297 points.

### Fixed Income

- The Fed kept rates unchanged at 5.25%-5.50% in a unanimous vote and almost identical languages on the Federal Open Market Committee (FOMC) statement in March. The front-end curve led the decline in yields post-FOMC as market was probably encouraged by no change in the FOMC.
- Malaysia's headline Consumer Price Index (CPI) gained speed for the first time since August 2022, to +1.8% year-on-year (YoY) in February, bouncing off a near three-year low of +1.5% YoY seen in January. The adjustment in water tariffs for the domestic category in Peninsular Malaysia and Labuan, coupled with the 5th straight month of increase in transport prices, contributed to the sharp rise in non-food inflation (from +1.1% to +1.7% YoY), and hence, overall CPI.
- In the month, there were several new issuances including CIMB Islamic AAA bonds worth RM3.5 billion, MNRB Holdings Berhad subordinated A1 bonds at RM420 million and Hong Leong Bank A1 Perpetual bonds at RM400 million. On the government side, we saw the 10-Year Malaysian Government Securities (MGS) auction that also had a bid-to-cover ratio of more than 2x. Overall, local investors continue to deploy cash into the market despite higher volatility.



## Equities : Outlook & Strategy

### Global

- The latest US economic data shows that inflation remains sticky.
- On the back of a resilient economy, the prospects of aggressive rate cuts have also faded as market expects at most three rate cuts this year, reduced from as high as seven.
- In Europe, consumer confidence rose slightly due to optimism about the improving labour market and decline in inflation.

### Asia Pacific

- Taiwan central bank surprisingly raised key policy rates during the month at a quarterly monetary policy meeting, most likely due to inflation fears.
- Taiwan export trends in AI-related products continue to show strong growth, predominantly to the US.
- Although China macro data continue to show encouraging trends, investors remain unconvinced about the sustainability of the positive trend.

### Malaysia

- The potential proliferation of data centres in Malaysia drove renewed interest in the construction sector and the small cap space.
- We remain positive on high dividend yield stocks against the expectations of a declining global interest rate environment.

## Fixed Income : Outlook & Strategy

### Malaysia

- With sticky inflation numbers and strong jobs data, the Fed is worried about cutting interest rates too soon as inflation has yet to reach its targeted 2%.
- Market now expects 3 cuts (or 75 basis points) in the second half of this year. The International Monetary Fund (IMF) expects the US economy to expand by 2.1% in 2024, supported by a still favorable labor market (2022: +2.5%).
- Locally, Bank Negara Malaysia (BNM) projects Malaysia's economic growth to accelerate to 4.0%-5.0% in 2024 from 2023's +3.7% YoY.
- BNM expects domestic demand to drive the economy, further supported by improvement in the external sector.
- Inflation expectations seem to have remained fairly well anchored and the economic growth momentum is likely to gain further traction, giving BNM room to extend its interest rate pause.
- We maintain our view that the Overnight Policy Rate (OPR) will be left unchanged at 3.00% for the entire year of 2024.
- We continue to overweight corporate bonds for additional yield pickup and seek opportunities to rebalance our portfolios.

Disclaimer: This market commentary has not been reviewed by the Securities Commission Malaysia. This publication shall not be copied, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment products, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, Hong Leong Asset Management Bhd and its employees cannot be held liable for any errors, inaccuracies and/or omissions, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available as at the date of this document and reflects prevailing conditions and our views as of the date of the document, all of which are accordingly subject to change at any time without notice.

Hong Leong Asset Management Bhd does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any errors, inaccuracies or omissions. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment products. Should you choose not to seek such advice, you should consider whether the investment in question is suitable for you. You shall also be aware of risks associated with the investment before making any investment decision. Hong Leong Asset Management Bhd, its associates, directors, connected parties and/or employees may from time to time have interest and/or underwriting commitments in the investment mentioned in this document.