MONTHLY COMMENTARY

AHAM Capital Private Retirement Scheme (PRS) April 2024

KEY HIGHLIGHTS

Global

- The S&P 500 index declined sharply by 4.20%, as expectations for rate cuts by the US Federal Reserve (Fed) were pushed further into the year.
- US CPI surpassed expectations, growing by 3.50% y-o-y, compared to estimates of 3.40%, indicating an unexpected surge in price pressures.
- US GDP expended 1.60% in the 1Q'2024 1.60% lower than the projected estimate of 2.40%.
- US earnings have broadly beaten expectations particularly from megacap names which have supported valuations.

Asia

- MSCI Asia ex-Japan index posted positive gains of 1.10%, with Hong Kong and China leading the charge as risk appetite returned to these markets.
- Hong Kong's Hang Seng index surged by 7.40%, while the MSCI China index posted a 6.40% gain.
- The strong recovery comes on the back of China's GDP outperforming estimates, expanding by 5.30% in the 1Q'2024
- It will be crucial to see a strong follow-through on robust stimulus measures from Beijing to sustain the current rally.

Malaysia

- Benchmark KLCI rose 2.60% mirroring the positive momentum across regional markets.
- Notably, the FBM Small Cap index similarly climbed 3.40%, signalling a broadening of the market rally.
- Introduction of Account 3 by EPF may lead to a short-term boost in consumption. However, impact is expected to be limited given depletion in members' balances.
- Local bond yields drifter higher in April in line with higher US Treasury yields with the 10-year MGS yield rising 13 bps to settle at 3.85%.

Monthly Market Review

April was a tough month for US equities, as the market grappled with a combination of hot inflation data and a lacklustre 1Q'2024 GDP print. The S&P 500 index declined sharply by 4.20%, as expectations for rate cuts by the US Federal Reserve (Fed) were pushed further into the year.

The latest consumer price index (CPI) surpassed expectations, growing by 3.50% y-o-y, compared to estimates of 3.40%, indicating an unexpected surge in price pressures. Similarly, core personal consumption expenditures (PCE) price index, which excludes food and energy, showed a 2.80% increase from a year ago, slightly exceeding the consensus estimate of 2.70%.

This follows softer US gross domestic product (GDP) which grew 1.60% in the 1Q'2024, significantly lower than the projected estimate of 2.40%. Weaker exports and a decline in private inventory investment weighed on overall growth.

However, US valuations were supported by strong earnings particularly from megacap tech giants like Alphabet, Meta, and Microsoft. So far, companies have broadly beaten expectations and provided strong forward guidance, particularly capital expenditure investments in artificial intelligence (AI) that was well-received by the tech sector.

Meanwhile, tensions in the Middle East escalated following reports of Israel conducting a limited strike against Iran in a retaliatory exchange. While the situation remains fluid, the likelihood of a direct military confrontation appears low due to geographical factors. Additionally, current domestic and economic challenges faced by Iran, Israel, and its key ally the US also put constraints on their capacity to engage in war.

In Asia, the MSCI Asia ex-Japan index posted positive gains of 1.10%, with Hong Kong and China leading the charge as risk appetite returned to these markets. Hong Kong's Hang Seng index surged by 7.40%, while the MSCI China index posted a 6.40% gain. Sectors that were previously oversold, such as technology, property, and consumer goods, saw the strongest gains.

The strong recovery comes on the back of China's GDP outperforming estimates, expanding by 5.30% in the 1Q'2024 compared to a year ago, surpassing the 5.20% growth seen in the 4Q'2023. Additionally, potential stimulus measures hinted at by the country's securities regulator bolstered confidence.

While we're cautiously exploring opportunities to deploy into Chinese equities, we are mindful of the prevailing weakness in the country's macro fundamentals. It will be crucial to see a strong follow-through on robust stimulus measures from Beijing to sustain the current rally.

On the domestic front, the benchmark KLCI rose 2.60% mirroring the positive momentum across regional markets. Notably, the FBM Small Cap index similarly climbed 3.40%, catching up with the year-to-date performance of other large-cap indices. This signals a broadening of the market rally as investors' risk appetite in the local market turns stronger.

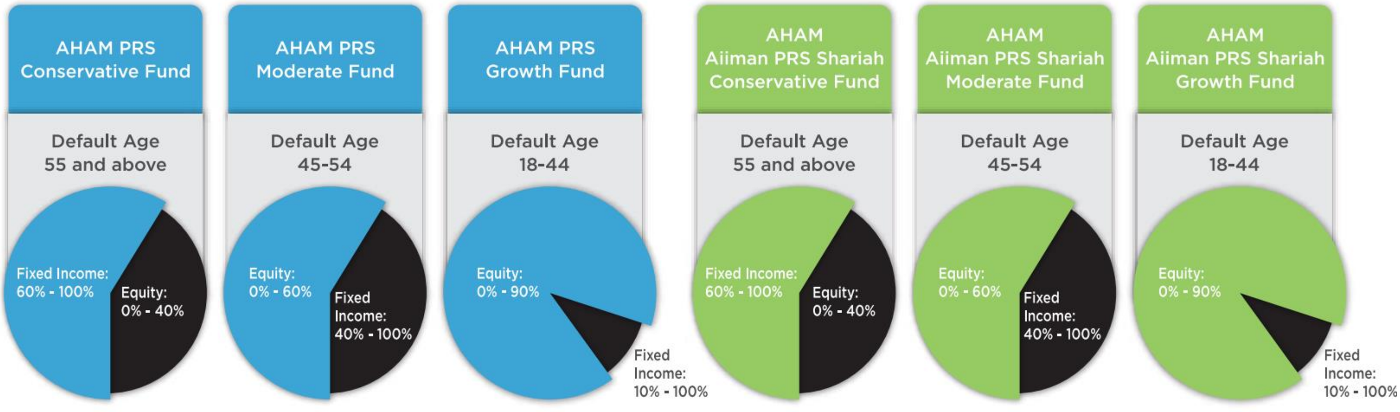
During the month, the Employees Provident Fund (EPF) introduced Account 3 (Flexible Account) which would allow members to make withdrawals at any time and for any purpose, starting from 11 May. While this may lead to a short-term boost in consumption, as observed with previous EPF withdrawal facilities, the overall impact is expected to be limited, given the depletion in members' account balances as well as quantum in Account 3.

Local bond yields drifter higher in April in line with higher US Treasury yields with the 10-year MGS yield rising 13 bps to settle at 3.85%. Headline inflation in March was unchanged at 1.80% y-o-y coming below estimates as prices of healthcare and food rose at a slower pace. Similarly, core inflation also eased to 1.70% compared 1.80% in February 2024.

Our Suite of Offerings

Let AHAM Capital be your wealth partner.

We offer a range of Private Retirement Scheme (PRS) Funds that cater to different risk appetites and ages.



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