

MONTHLY COMMENTARY

AHAM Capital Private Retirement Scheme (PRS) April 2024



KEY HIGHLIGHTS



- 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 expanded 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.



- 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.



- 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 drifted 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.

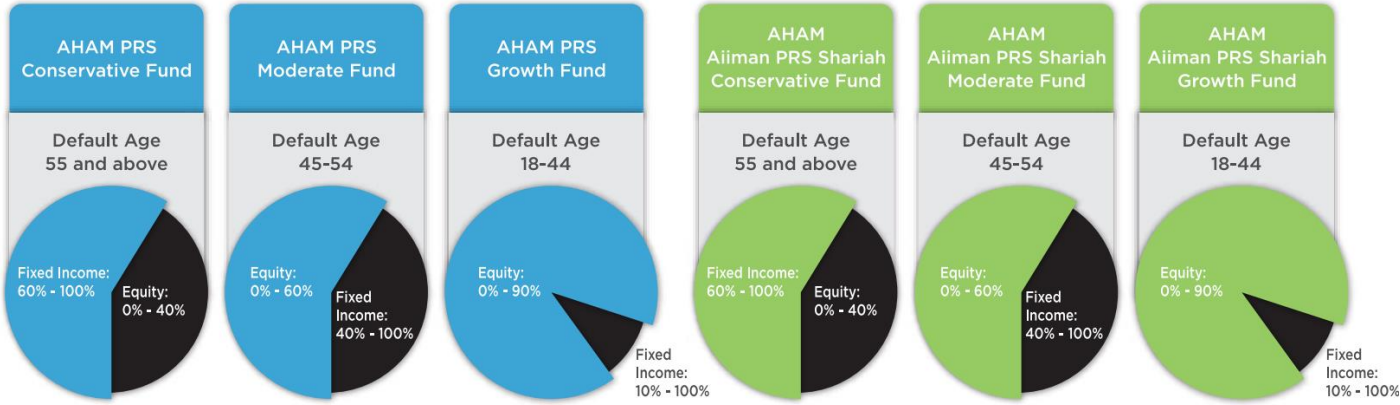
During the month, the Employees Provident Fund (EPF) introduced Account 3 (Flexible Account) which would allow members to make withdrawals at any time and for any purpose, starting from 11 May. While this may lead to a short-term boost in consumption, as observed with previous EPF withdrawal facilities, 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 drifted 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.



Scan the QR code or click the link below to learn more

<https://aham.com.my/get-in-touch/book-an-appointment>

Disclaimer: This article has been prepared by AHAM Asset Management Berhad (hereinafter referred to as "AHAM Capital") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to AHAM Capital and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of AHAM Capital. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, AHAM Capital makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are averse to the risk arising out of and/or in connection with the financial product. AHAM Capital is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. AHAM Capital and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither AHAM Capital nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.

WARNING STATEMENT

A copy of the Disclosure Document, Supplemental Disclosure Document (if any) and Product Highlights Sheet ("PHS") can be obtained at AHAM Asset Management Berhad's ("AHAM Capital") sales offices or at aham.com.my. Investors are advised to read and understand the contents of AHAM PRS Conservative Fund's, AHAM PRS Growth Fund's, AHAM PRS Moderate Fund's, AHAM Aiiiman PRS Shariah Conservative Fund's, AHAM Aiiiman PRS Shariah Growth Fund's, or AHAM Aiiiman PRS Shariah Moderate Fund's Disclosure Document dated 22 November 2022, its First Supplemental Disclosure Document dated 30 August 2023 and the corresponding PHS before investing. There are fees and charges involved when investing in the Fund. Investors are advised to consider and compare the fees and charges as well of the risks carefully before investing. Investors should make their own assessment of the risks involved in investing and should seek professional advice, where necessary. The price of units and distribution payable, if any, may go down as well as up and past performance of the fund should not be taken as indicative of its future performance. The Securities Commission Malaysia has not reviewed this marketing/promotional material and takes no responsibilities for the contents of this marketing/promotional material and expressly disclaims all liability, however arising from this marketing/promotional material.