



May 2024

# Monthly MARKET OUTLOOK

Market Review | Equities | Fixed Income as at 30 April 2024

Over the  
month

## Equities

### Global

- Developed markets saw some moderate correction, which was not entirely unexpected given that the recent rally in global equity markets have surpassed even the most optimistic forecast in terms of magnitude and duration.
- The fall in equity markets also coincided with the correction in the global bond markets as investors start scaling back their rate-cut expectations.
- The Dow Jones Industrial Average (DJIA) Index declined 5.0% and the broader S&P 500 Index declined 4.2%. The Euro Stoxx Index declined 3.2% while the FTSE 100 Index rose 2.4%.

### Asia Pacific

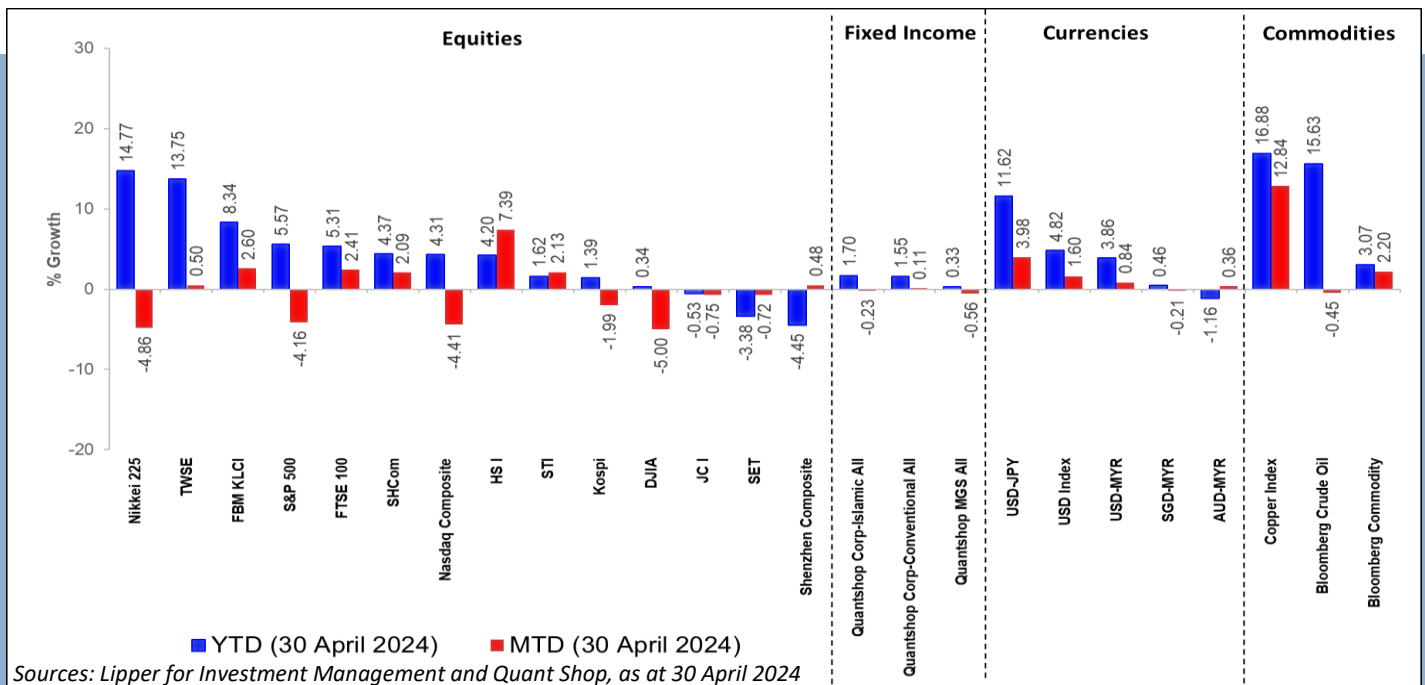
- Asia Pacific had a relatively strong month, primarily led by the Hong Kong market.
- Investors grew more confident of a recovery in China corporate earnings this year and are starting to see value in the Hong Kong and China markets after years of relative underperformance.
- In the region, Hong Kong and Malaysia were the leaders while Japan and Australia were the laggards.

### Malaysia

- Malaysia outperformed regional and global markets during the month when risk-off sentiment prevailed.
- The rise in commodity prices during the month also made Malaysia more appealing to foreign investors. The FTSE Bursa Malaysia (FBM) KLCI rose 2.6% to close at 1,576 points.
- Small caps outperformed as the FBM Small Cap Index rose 3.4% to close at 17,885 points.

### Fixed Income

- United States Treasuries (UST) saw selloffs with no sign of respite in April. Markets trimmed further on Federal Reserve (Fed) rate cut pricing, now closer to one 25 basis points (bps) cut in the fourth quarter of 2024. At the Federal Open Market Committee (FOMC) meeting, the Fed is widely expected to hold the Fed Funds Rate (FFR) unchanged at 5.25%-5.50%. Market now expects the Fed to give qualitative guidance that Powell and the majority of FOMC members no longer expect 3 cuts in 2024 as previously indicated.
- Locally, Malaysia's headline Consumer Price Index (CPI) was unchanged at 1.8% year-on-year (YoY) in March (February: 1.8%) and core CPI eased to 1.7% YoY (February: 1.8%) despite the increase in services tax to 6%-8% from 6% on 1 March 2024. Trade data also showed improvement as contraction in exports was milder-than-expected at -0.80% compared to consensus' -1.1%. Imports grew strongly at 12% showing demand for capital goods items. The sovereign bond markets saw mild sell-off largely due to a knee jerk reaction from higher UST and rising geopolitical tensions. The 10-Year Malaysian Government Securities (MGS) ended the month at 3.95% whilst the 30-Year MGS stood at 4.25%. On the corporate side, we saw names like APM Auto and Sunway Healthcare issued new primary bonds. Both issuances received strong demand from investors.



## Equities : Outlook & Strategy

### Global

- Inflation in the US remains elevated, as shown by the latest data.
- Although headline US Gross Domestic Product (GDP) growth in the first quarter appears weak, resilient private demand and strong jobs data gave the US Fed enough reasons to leave rates higher for a longer period of time.

### Asia Pacific

- In China, the recent Politburo meeting highlighted the importance of policy measures to address the excess housing inventory.
- Domestic consumption remains weak in China as retail sales came in weaker-than-expected while auto sales also fell.
- Against consensus expectations, Bank Indonesia raised its policy rate by 25 bps to support the Rupiah.

### Malaysia

- With most of Malaysian corporates reporting earnings in May, we expect the local market to experience some volatility and profit-taking activities following a strong rally in the last four months.

## Fixed Income : Outlook & Strategy

### Malaysia

- The strong US inflation and economic data have strengthened the case for delayed or fewer Fed rate cuts this year, keeping the broad US Dollar strength intact and pressuring Asian FX including the Ringgit.
- Locally, the nation's inflation outlook is still exposed to upside risks from subsidy rationalization, global commodity price movement (i.e. crude oil, CPO and cocoa prices) and financial market developments while the softer-than-expected first quarter of 2024 advance GDP growth of 3.9% YoY (Fourth quarter of 2023: +3.0%) raised concerns about a slower-than-anticipated recovery pace this year.
- The Monetary Policy Committee (MPC) will next meet on 8-9 May. We believe Bank Negara Malaysia (BNM) will maintain Overnight Policy Rate (OPR) unchanged at 3%.
- We continue to overweight corporate bonds for additional yield pickup and seek opportunities to rebalance our portfolios.

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