AHAM CAPITAL ASSET MANAGEMENT

MONTHLY COMMENTARY

AHAM Capital Private Retirement Scheme (PRS) September 2024

KEY HIGHLIGHTS

- The S&P 500 climbed 2.0%, as the US Federal Reserve (Fed) officially initiated its easing cycle at the September policy meeting with a 50-basis-point (bps) rate cut.
- The Fed's decision appears to be driven by growing concerns over emerging weaknesses in the US labour market.
- Recent data signals a softening job market, likely prompting policymakers to act more decisively to prevent an economic slowdown.
- Looking forward, the Fed has indicated a more aggressive path for rate cuts than previously outlined.

- The MSCI China Index surged by 23.1%, after policymakers announced a stimulus blitz to bolster economic growth.
- People's Bank of China introduced a series of measures, including reserve requirement ratio (RRR) cuts and reverse repo rate reductions.
- In an unprecedented move, the PBoC also established a swap facility aimed at providing non-bank financial institutions to support stock market purchases.
- ASEAN markets also performed strongly, buoyed by US rate cuts and a weakening US dollar, which provided strong tailwinds for the region.

- Benchmark KLCI fell by 1.80% with market movements were largely shaped by the strengthening Ringgit which created clear beneficiaries such as importers.
- On the flipside net exporters, such as technology and glove stocks, experienced declines.
- Malaysia's inflation rate for August came in at 1.9% y-o-y, marking a 4-month low.
- The 10-year MGS yield dipped by 5 bps, closing at 3.71%. BNM kept the Overnight Policy Rate (OPR) unchanged at 3.00% during its policy meeting.

Monthly Market Review

September capped off a strong month for global equities, driven by cooling inflation data that provided central banks room to cut interest rates. In the US, the S&P 500 climbed 2.0%, as the US Federal Reserve (Fed) officially initiated its easing cycle at the September policy meeting with a 50-basis-point (bps) rate cut.

This was a larger cut than the 25bps reduction widely anticipated. However, this outcome was not entirely unexpected by markets. The Fed's decision appears to have been driven by growing concerns over emerging weaknesses in the US labour market. Recent data signals a softening job market, likely prompting policymakers to act more decisively to prevent an economic slowdown.

Looking forward, the Fed has indicated a more aggressive path for rate cuts than previously outlined. Its updated median dot plot shows expectations for the federal funds rate to fall to 4.4% in 2024, followed by reductions to 3.4% in 2025 and 2.9% by 2026. This projection suggests at least two more rate cuts in 2024.

In Asia, after a sluggish performance for most of the year, Chinese equities staged a strong rally. The MSCI China Index surged by 23.1%, after policymakers announced a stimulus blitz to bolster economic growth. People's Bank of China (PBoC) Governor Pan Gongsheng introduced a series of measures, including reserve requirement ratio (RRR) cuts, reverse repo rate reductions, and a 1 trillion yuan liquidity injection into the financial system.

In an unprecedented move, the PBoC also established a swap facility aimed at providing non-bank financial institutions with at least 500 billion yuan in funding to support stock market purchases.

Additionally, Chinese leadership signalled their commitment to using fiscal tools to meet growth targets. This pledge, made during the September Politburo meeting—an event not typically focused on macroeconomic discussions—highlighted the urgency with which the government is addressing the country's slowing economy.

Elsewhere, ASEAN markets also performed strongly, buoyed by US rate cuts and a weakening US dollar, which provided strong tailwinds for the region. The FTSE ASEAN 40 Index has gained 15.5% year-to-date. The Fed's rate cuts are giving regional central banks more room to ease financial conditions. For example, Bank Indonesia (BI) reduced its interest rate by 25 bps, while the Philippine central bank cut its reserve requirement ratio.

Back in Malaysia, the benchmark KLCI fell by 1.80%. Market movements were largely shaped by the strengthening Ringgit, which benefited importers—particularly in the consumer sector. On the flipside net exporters, such as technology and glove stocks, experienced declines.

On the economic front, Malaysia's inflation rate for August came in at 1.9% y-o-y, marking a 4-month low. The moderation was largely driven by slower inflation in services and non-durable goods. Looking ahead, we expect inflation to remain stable within Bank Negara Malaysia's (BNM) guidance range of 2%-3%.

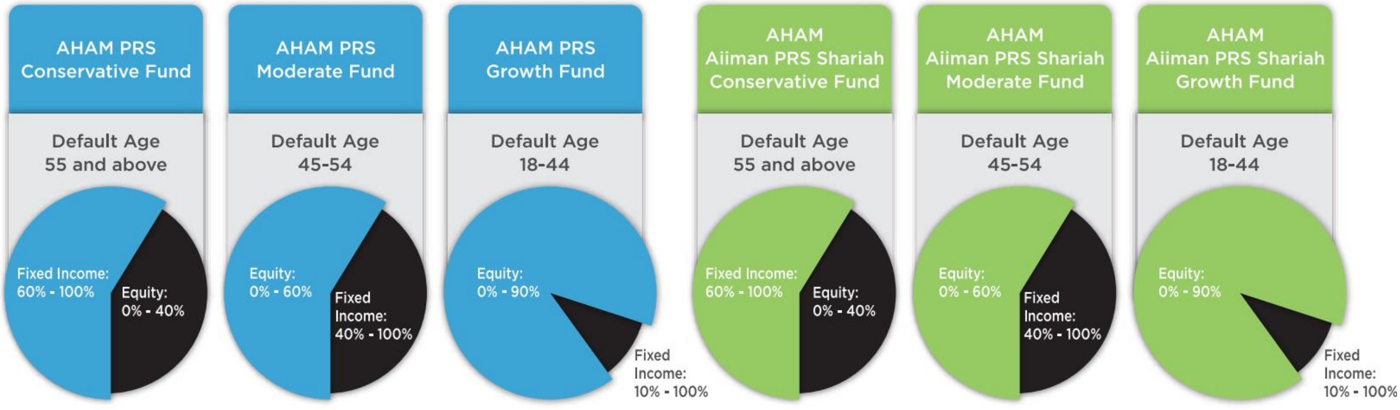
In the bond market, the 10-year Malaysian Government Securities (MGS) yield dipped by 5 bps, closing at 3.71%. BNM kept the Overnight Policy Rate (OPR) at 3.00% during its policy meeting.

Moving forward, the central bank anticipates growth to be supported by factors such as the global tech upcycle, robust tourism spending, and accelerated investment projects. However, BNM flagged external demand as a key downside risk to economic growth.

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