

MONTHLY COMMENTARY

AHAM Capital Private Retirement Scheme (PRS) October 2024



KEY HIGHLIGHTS



- US equities were muted in October, with the S&P 500 index slipping 1.0% as investors sieved through a raft of economic data and earnings.
- Heightened geopolitical tensions in the Middle East, along with mounting uncertainty ahead of the US presidential election also kept investors on the sidelines.
- Retail sales rose 0.4% in September, surpassing expectations of 0.3% and showing a steady resilience in consumer demand despite higher interest rates.



- In Asia, the MSCI Asia ex-Japan index dropped 4.5%, as the momentum in China equities lost steam.
- The MSCI China index plunged 5.9%, as investors were underwhelmed by recent policy announcements from Beijing, which lacked more granular details.
- Nevertheless, the Ministry of Finance reaffirmed its commitment to bolstering the economy, stressing that the central government retains significant policy flexibility to stimulate growth.



- Benchmark KLCI fell 2.9%, following a largely neutral budget announcement.
- The absence of punitive measures, such as capital gains or inheritance taxes was a relief for markets. Though, the introduction of a modest dividend tax came as a minor surprise, with limited expected impact.
- The fiscal deficit is forecasted to narrow to 3.8% of GDP in 2025 from 4.3% in 2024, with federal government revenue projected to rise to RM340 billion, up from RM322 billion in 2024.

Monthly Market Review

US equities were muted in October, with the S&P 500 index slipping 1.0% as investors sieved through a raft of economic data and earnings reports. Heightened geopolitical tensions in the Middle East, along with mounting uncertainty ahead of the US presidential election also kept investors on the sidelines.

Retail sales rose 0.4% in September, surpassing expectations of 0.3% and showing a steady resilience in consumer demand despite higher interest rates. Consumer sentiment reached a six-month high, with the University of Michigan's final October index rising to 70.5, up from 70.1 in September, and beating the preliminary reading of 68.9.

Meanwhile, earnings season is in full swing, with major US banks reporting better than anticipated results. In the tech sector, ASML, a supplier of semiconductor equipment, delivered solid results despite a miss in its 3Q 2024 order book, likely due to delays from Intel, Samsung, and a normalisation of orders from China.

All eyes are on the upcoming US presidential election on 5 November, with betting markets signalling an increased likelihood of a Trump victory and a potential Republican sweep of Congress and the Senate. Such an outcome could pave the way for more reflationary policies and higher fiscal spending.

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Potential sector beneficiaries include consumer stocks, where the minimum wage hike and larger cash handouts is expected to boost private consumption. Additionally, the tax relief for first-time homebuyers provides a small but positive catalyst for the property market, aiding demand.

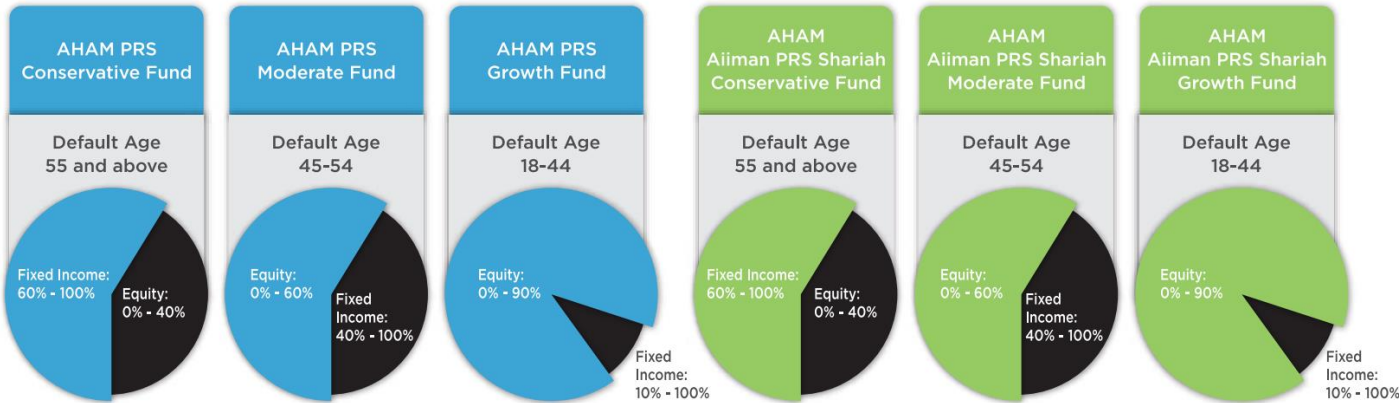
In the local fixed income space, the 10-year Malaysian Government Securities (MGS) yield rose by 21 bps to close at 3.92%. The government forecasts inflation to climb to between 2.0% and 3.5% in 2025, compared to this year's revised range of 1.5% to 2.5%.

The upcoming subsidy rationalisation for RON95 could stoke inflationary pressure. However, the overall impact is expected to be manageable, as it will directly affect only about 15% of the working population.

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