Hong Leong Asset Management

November 2024

Monthly
MARKET OUTLOOK

Market Review | Equities | Fixed Income as at 31 October 2024

Over the month

Equities

Global

- Stronger-than-expected September jobs data has lowered the magnitude of rates cut by the Federal Reserve (Fed) in the remaining 2 Federal Open Market Committee (FOMC) meetings.
- United States (US) 10-Year yield Treasury rebounded to 4.2% from the low of 3.6% which led to a stronger Dollar performance.
- Market is also watching closely on the coming US Presidential Election, which a recent poll showed Trump is leading against Harris.

Asia Pacific

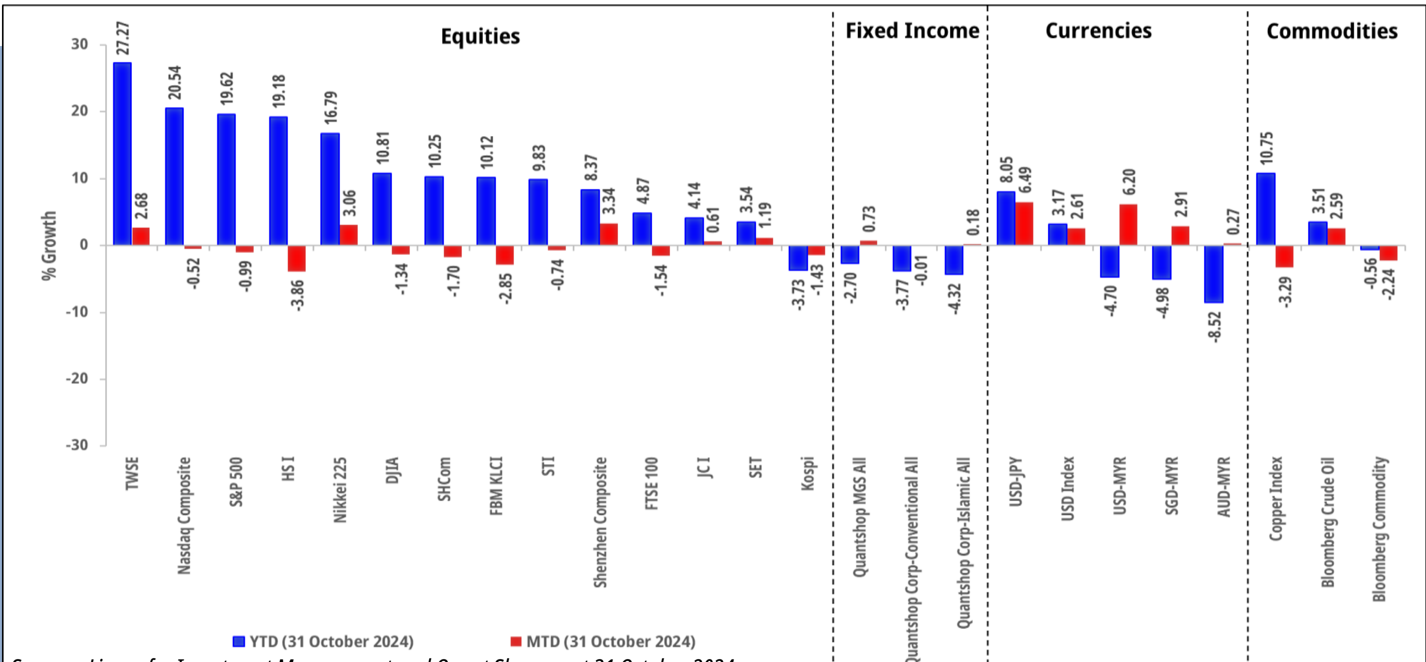
- China and Hong Kong markets corrected 10% after the peak performance in early October.
- Investors' interests waned after the subsequent stimulus measures being announced were below the expectations.
- Yet, the underlying economic statistics, such as industrial profits, home prices and youth unemployment continue to disappoint the markets.

Malaysia

- The FTSE Bursa Malaysia (FBM) KLCI corrected by 1.9% in October as investors appeared to be taking profits on bank, telcos and utilities stocks.
- Ringgit faced steep correction by 5% in the month of October after the strong September job data in the US which lowered the probability of a soft-landing scenario.

Fixed Income

- It was a relatively quiet week for macro data, but some indicators showed resilience. The US Composite Purchasing Managers' Index (PMI) came in stronger-than-anticipated, rising to 54.3 in October from a final 54.0 in September. These factors contributed to continued selling pressure in US Treasuries (UST), with the 10-Year yield opening at approximately 4.27% this week.
- Locally, the advance third quarter of 2024 Gross Domestic Product (GDP) report showed that Malaysia's economy continued to expand at a robust pace of 5.3% year-on-year (YoY) in the July-September quarter (vs +5.9% in the second quarter of 2024), topping market consensus (5.1%). The third quarter of 2024 final GDP data will be released on 15 November, together with the third quarter of 2024 current account data. The third quarter of 2024's real GDP growth was primarily underpinned by increased manufacturing production, robust construction works and resilient service activities amid higher import duties.



Sources: Lipper for Investment Management and Quant Shop, as at 31 October 2024

Equities : Outlook & Strategy

Global

- Pending the outcome of the coming US Presidential Election and uncertainties towards the magnitude of the rate cuts, we turned slightly cautious and raised cash to look for the opportunity to buy if there's a correction.

Asia Pacific

- We are seeing profit takings in Hong Kong and China markets and turning their focus on the markets such as South Korea and Taiwan which are seeing decent earnings growth in 2025 and trading at lower multiples.

Malaysia

- A neutral budget being presented which resulted in a muted market reaction. There were no new major taxes and no mega projects announced. Cash aid was the highest ever and coupled with higher minimum wages, Malaysians will be well cushioned ahead of the long awaited RON95 subsidy retargeting, expected by mid-2025.

Fixed Income : Outlook & Strategy

Malaysia

- Looking ahead, market attention remains focused on the upcoming US election results in early November, the upcoming Fed's meeting, as well as the latest Non-farm Payroll (NFP) report.
- In the event of a Trump victory, we anticipate further selling pressure on Treasuries, though not to the same degree as seen during the US Presidential Election in 2016, when Trump beat Hillary Clinton.
- In the latest Budget, Datuk Seri Anwar Ibrahim tabled his third national budget in October.
- Budget 2025 targets a narrower fiscal deficit of RM79.9 billion or 3.8% of GDP (2024 estimate: 4.3% in 2024).
- Even so, the budget was still expansionary with total expenditure projected to hit a record high of RM421 billion or 20.2% of GDP.
- Higher expenditure was mainly from operating expenses (+4.2% to RM335 billion, 16.1% of GDP) while development expenditure was flat at RM86 billion or 4.1% of GDP.
- To cover the budget bill, government targets a higher revenue collection of +5.5% to RM339.7 billion or 16.3% of GDP.
- We expect no change in the Overnight Policy Rate (OPR) at 3.00% and on the Monetary Policy Committee (MPC) statement on policy stance.
- We continue to monitor key indicators such as labour market conditions, inflation trends, housing activity and developments in both the business and consumer sectors to assess the health of the US economy.
- These data will be crucial for us in spotting risks and opportunities for our fund positioning.
- With overall bond yields remaining attractive compared to historical levels, we see opportunities for investors to lock-in higher yields.