Kenanga Investors

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Market Review and Outlook

As of November 2024

Equity Market Review

Equities slid in October as the 2024 US Presidential Elections approached. US equities traded higher for most of the month, but fell in the final days, ending the month down – Dow -1.3% and S&P 500 -1.0%. Economic activity remained robust, with Q3 Gross Domestic Product (GDP) advancing 2.8%, despite a disappointing Jobs report and weaker than expected ISM data. The US economy added just 12,000 jobs in October, partly due to disruptions from hurricanes and port strikes. Several divergences appeared among economic indicators in October: inflation fell to 2.44% but core inflation rose to 3.31%. The US ISM Manufacturing PMI dropped to 46.5, while the Services PMI rose to 54.9. Mortgage rates spiked even as the Fed's 'dot plot' indicate another 50 basis points (bps) reduction before the end of 2024, and further 100bps reductions in 2025. In Europe, inflation increased to 2.0% in October, up 20bps from the previous month, and the European Central Bank (ECB) remained data dependent in its approach to easing monetary policy.

The MSCI Asia Ex-Japan declined by 4.5%, amid a global equity sell-off. Market sentiment was influenced by shifting poll results suggesting a potential Trump presidency, with investors likely pricing in risks such as universal tariffs and higher tariffs on China. China's strong rally in September lost momentum in October, with the Hang Seng Index (HSI) and HSCEI both down 3.9% and 3.3% respectively. Markets are now waiting new stimulus measures from the NPC Standing Committee meeting from November 4-8, with expectations of a lift in the government debt ceiling to support capital for banks and local government debt swaps.

Taiwan was the only emerging market to post a positive return in October, gaining 2.7% driven by strength in the tech sector and AI adoption. Both Korea and Thailand cut policy rates by 25bps each in October, while India and Indonesia kept rates unchanged. However, disappointing earnings results particularly from Samsung Electronics, weighed on the Korean market, making it the worst-performing market in Asia year-to-date. Expensive Indian stocks took a breather, correcting 5.8% in October, following a weak earnings season after 11 months of continuous gains.

Locally, the KLCI and FBM100 declined by 2.9% and 1.7% respectively, due to foreign investors' profit-taking. Foreigners sold a net RM1.77 billion of equities in October, reversing three consecutive months of net buying, which reduced year-to-date net inflows to RM1.8 billion. The construction, real estate investment trust (REIT), and healthcare sectors were the top performing indices in October, while the utilities, telecom and consumer sectors lagged. On October 18, the Prime Minister unveiled the 2025 National Budget, totalling RM421 billion or 20.2% of GDP. The proposed budget aims to reduce subsidies, cut fiscal deficit, and address demands for higher wages and

and improved social welfare. Among the budget measures, Malaysia is considering a tiered pricing mechanism for RON95 petrol subsidies, and proposing a 2% dividend income tax for publicly listed and privately held companies.

Equity Market Outlook & Fund Strategy

In commodities, Brent crude rose by 1.9% and WTI gained 1.6% amid heightened tensions in the Middle East. Meanwhile, crude palm oil (CPO) jumped 17.6%, driven by supply tightness in palm oil and strong export demand from India and China.

Market will be focused on the policies of the new US President elect, as well as the ongoing debate over a potential soft-landing versus recession, particularly in relations to the Fed's rate cuts. Key event risks include the escalating conflict in the Middle East and the possibility of higher trade tariffs. Attention should also be paid to China's major stimulus measures, especially regarding their ability to support or reverse the decline in the property market and stimulate broader economic activity. We remain optimistic on the Malaysian equity market, with expectations of strong GDP growth of around 5%, rising foreign direct investment (FDI), and low valuations.

Given the positive outlook, we remain positive on sectors such as financials, construction, property, new energy, utilities and consumption. We are selective in the technology space, as despite near term headwinds, it is the key beneficiary of long-term secular growth trends such as AI, EVs and supply chain relocation.

About Kenanga Investors Berhad

We provide investment solutions ranging from collective investment schemes, portfolio management services, and alternative investments for retail, corporate, institutional, and high net worth clients via a multi-distribution network.

The Hong Kong-based **Asia Asset Management's 2024 Best of the Best Awards** awarded KIB under the following categories, Malaysia Best Equity Manager, Malaysia Best Impact Investing Manager, ASEAN Best Impact Investing Manager, Malaysia CEO of the Year, Malaysia CIO of the Year, Malaysia Best House for Alternatives, Malaysia Most Improved Fund House, and Malaysia Best Investor Education.

At the **LSEG Lipper Fund Awards Malaysia 2024**, KIB received awards for the Kenanga Malaysian Inc Fund ("KMIF") under the best Equity Malaysia Diversified – Malaysia Pension Funds over 10 Years and the Kenanga Diversified Fund ("KDF") under the best Mixed Asset MYR Flexible – Malaysia Pension Fund over 10 Years.

The **FSMOne Recommended Unit Trusts Awards 2024/2025** named Kenanga Growth Fund Series 2 as "Sector Equity – Malaysia Focused".

For the eighth consecutive year, KIB was affirmed an investment manager rating of IMR-2 by Malaysian Rating Corporation Berhad, since first rated in 2017. The rating considers KIB's well-established investment processes and sound risk management practices.

Disclaimer: *Investors are advised to read and understand the Master Prospectuses ("MPs"), the Supplemental Master Prospectus ("SMP") (if any), Information Memorandums ("IM") (if any), Schemes' Disclosure Documents ("DD"), Supplemental Disclosure Documents ("SDD")* *(if any), Product Highlights Sheets ("PHS") as well as consider the fees, charges and risk factors involved before investing. The MP, SMP (if any), IM (if any), DD, SDD (if any) and PHS have been registered and/or lodged with the Securities Commission Malaysia ("SC"), who takes no responsibility for its contents and related advertisement or marketing materials, and does not indicate that the SC has recommended or endorsed the product/service. The advertisement has not been reviewed by the SC. Investors have the right to request for a copy of PHS and other relevant product disclosure documents which are available at our office, at any authorised distributors and our corporate website before making investment decisions. If you are in doubt when considering the investment or any of the information provided, you are advised to consult a professional adviser. A Fund's track record does not guarantee its future performance. Kenanga Investors Berhad is committed to prevent conflict of interest between its various businesses and activities and between its clients/director/shareholders and employees by having in place procedures and measures for identifying and properly managing any apparent, potential and perceived conflict of interest by making disclosures to Clients, where appropriate.*

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