Kenanga Investors

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Market Review and Outlook

As of April 2025

Equity Market Review

March 2025 was an exceptionally turbulent month, with the Dow Jones, S&P 500, and Nasdaq plunging 4.2%, 5.8%, and 8.2% month-on-month (MoM). Anticipation of President Trump's aggressive tariff strategy, coupled with mixed economic signals, rattled investor confidence. Market participants grew increasingly cautious with consumer sentiment at near 2½ year lows. The Federal Reserve (Fed) kept rates steady at 4.5% for a second straight month and provided economic projections forecasting slower growth and higher inflation by year-end. Fed Chair Powell also highlighted that the economy is progressing at a steady pace with solid labour market conditions, and acknowledged that albeit elevated, inflation has moderated over the past year.

Europe was not immune to tariff concerns, with STOXX slipping 3.9% MoM. Worries over US-driven global economic instability and tariff-induced disruption created heightened volatility. However, by late March, relative stability in defensive sectors provided support to the European markets.

In Asia, the MSCI Asia ex-Japan dipped marginally by 0.2% MoM. Gainers were India (SENSEX: +5.8% MoM) and Hong Kong (HSCEI: +1.2% MoM; HIS: +0.8% MoM). China was relatively flattish, with the SHCOMP rising 0.5% MoM and SHSZ300 falling 0.1% MoM. Decliners were Taiwan (TWSE: -10.2% MoM), Japan (Nikkei 225: -4.1% MoM), Australia (ASX 200: -4.0% MoM), and Korea (KOSPI: -2.0% MoM). The US-China trade war escalated, as President Trump increased tariffs on all Chinese imports to 20% in retaliation to Beijing for failing to halt shipments of fentanyl to the US. China responded immediately by announcing additional tariffs of 10%-15% on certain US imports. This led to significant sell-offs in export-intensive sectors towards the end of the month.

ASEAN equities grew 1.0% MoM as gains in Indonesia (JCI: +3.8% MoM), Philippines (PCOMP: +3.1% MoM), and Singapore (SST: +2.0% MoM) were offset by declines in Thailand (SET: -3.8% MoM) and Malaysia (KLCI: -3.9% MoM).

Malaysia's equity market remains under pressure, as the FBM KLCI (-3.9% MoM), FBM 100 (-3.4% MoM), FBM Shariah (-2.5% MoM), and FBM Small Cap (-2.1% MoM) continued their downtrend. Energy and Utilities were the only sectors to buck the downtrend, while Telco, Financials, and Healthcare recorded the steepest losses. March also saw foreign outflows every single trading day, totalling RM4.6 billion – the largest since February 2020 at RM5.6 billion, which was due to pandemic lockdowns. Notable news flow includes USD250 million partnership with ARM Holdings to establish an ASEAN and Oceania base of operations, a potential mechanism for the targeted RON95 fuel subsidy rationalisation, and Bank Negara Malaysia (BNM) maintained Overnight Policy Rate (OPR) at 3.0% as widely expected.

Amongst commodities, Brent Crude Oil grew 2.1% MoM to USD74.7 per barrel amid mounting concerns about tighter global supply following US's threat of tariffs on nations buying Venezuelan crude. Anticipation that OPEC+ will unwind voluntary production cuts in April also influenced prices. Meanwhile, crude palm oil (CPO) declined 3.0% MoM to RM4.419 per tonne, largely attributed to seasonal production recovery from March onwards, while major importers scaled back their orders for palm oil amid trade uncertainties and competition from alternative vegetable oils.

Equity Market Outlook & Fund Strategy

The new tariff policies, if sustained, represent a blow to global trade and a significant risk to the global outlook, with many economists raising their probability of a global economic recession by year-end to >50%. Additionally, the impact of the proposed tariffs on US GDP is estimated at a reduction of about 100 basis points (bps), while core PCE could rise by 100bps-150bps to nearly 5% in 2025 and 4.2% in 2026.

The focus in the near term will shift to bilateral negotiations and retaliations, with the escalation between the US and China a key factor to watch. In the near term, the Fed is likely to monitor the situation before making any moves, as it has to balance between higher inflation in the short term and anticipated weaker growth from the tariff shock.

In light of the increased external uncertainties, Malaysia's GDP growth and corporate earnings are subject to likelihood of downward revision. Particularly, the export-oriented sectors are expected to bear the brunt of the direct US tariffs, as well as the spillover effects from escalating tensions and second-order demand destruction. On the other hand, domestic oriented sectors are relatively more insulated.

Given the growth outlook, we are focused more on stock picking going forward. We continue to favour sectors such as financials, construction, property, new energy, utilities and healthcare.

About Kenanga Investors Berhad

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

The **Morningstar Awards 2025** has recognised the Kenanga Blue Chip Fund as Best Malaysia Large-Cap Equity Fund. The **Bursa Excellence Awards 2024** awarded KIB's exchange-traded funds' arm, Eq8 Capital Sdn Bhd with the Special Award – Thought Leadership for launching Eq8WAQF, the world's first Waqf-featured Exchange Traded Fund. Introduced under a newly established category, the award highlights innovations that are reshaping the investment landscape.

At the **LSEG Lipper Fund Awards Malaysia 2025**, KIB received awards for the Kenanga DividendExtra Fund ("KDEF") under the Best Equity Malaysia Diversified – Malaysia Funds over 3 years , Kenanga Malaysian Inc Fund ("KMIF") under the Best Equity Malaysia Diversified – Malaysia Provident Funds over 10 years, Kenanga Balanced Fund ("KBF") under the Best Mixed Asset MYR Balanced – Malaysia Provident Funds over 10 years, Kenanga Managed Growth Fund ("KMGF") under Best Mixed Asset MYR Flexible – Malaysia Provident Funds over 10 years, and Kenanga

SyariahEXTRA Fund ("KSEF") under the Best Mixed Asset MYR Balanced – Malaysia Islamic Funds Awards over 10 years.

The Hong Kong-based Asia Asset Management's **2025 Best of the Best Awards** awarded KIG under the following categories, Malaysia Best Impact Investing Manager, Best Impact Investing Manager in ASEAN, Malaysia Best Equity Manager, Malaysia CEO of the Year (Co-Winner), Malaysia CIO of the Year, Malaysia Best House for Alternatives, Malaysia Best ESG Engagement Initiative, Malaysia Fund Launch of the Year, and Malaysia Best Retail Asset Management Company.

The **FSMOne Recommended Unit Trusts Awards 2024/2025** has awarded the Kenanga Growth Fund Series 2 with the "Sector Equity – Malaysia Focused" award for the third consecutive year since 2022. **We were also recognised at The BrandLaureate BestBrands Awards 2024 - Brand of the Year under the category Wealth Management & Investment Solutions.** 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 IMR rating on KIB reflects the fund management company's well-established investment processes and sound risk management practices.

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