

Kenanga Investors

Market Review and Outlook

As of April 2023

Equity Market Review

In March, the US markets experienced a significant rebound, with Nasdaq increasing by 6.69%, S&P500 by 3.51%, and the Dow Jones Index by 1.89%. The market rebounded strongly in March despite going through the banking crisis. The US Federal Reserve (Fed) announced its ninth-straight interest rate hike of 25 basis points (bps) on 23 March 2023 to discourage inflation. With the latest 25bp hike, the Fed's interest rate increased from nearly zero in March 2022 to a range of 4.75% to 5%. There was speculation that the Fed might pause rate hikes in response to the recent banking crisis, but Fed Chair Jerome Powell has repeatedly said that price stability is the central bank's "overarching focus." The inflation rate slowed to 6% in February 2023, but it's still above the Fed's preferred rate of 2%. With inflation slowly coming down, the Fed has also slowed its interest rate increase somewhat for 25bp hikes in February and March 2023 instead of a 75bp increase.

In Europe, the Euro STOXX 50 rose 1.81% in March, driven by less-than-feared inflation data. The euro area inflation rate was 8.5% in February 2023, down from 8.6% in January 2023. The European Central Bank (ECB) decided to increase the interest rate by 50bps to 3.5% because inflation is projected to remain high for a longer period. However, the fall in headline inflation is faster than policymakers had anticipated due to a swift decline in energy prices. The decline in headline inflation has been entirely driven by the energy category.

In the Asia region, the outperforming markets were China/Hong Kong (HSI +3.1%), MSCI ASEAN (MXSO +3.1%), Korea (KOSPI +2.65%), and Taiwan (TWSE +2.35%), while the underperformers were Thailand (SET -0.81%), Indonesia (JCI -0.55%), and Singapore (STI -0.11%). The China/Hong Kong market ended March up by 3%, thanks to Beijing's further support to the internet and gaming sectors, stabilizing global financial conditions, and easing geopolitics by month-end.

Locally, the FBM KLCI decreased by 2.17% in March to 1,422 from 1,454 last month. The FBM100, FBM Small Cap and FBM Shariah index decreased by 1.53%, 1.14%, and 0.75% respectively. The fall in the KLCI index in March is due to possible concerns over slower global growth and earnings risks. On 9 March 2023, Bank Negara Malaysia (BNM) held its overnight policy rate at 2.75% citing concerns over downside risks to the economy from 100bp of interest rate hike last year to tame inflation. Economists are now expecting a 25bp hike in the month of May to 3%.

On fund flows, foreign investors stayed net sellers in the month of March at RM1,349m. The three best-performing sectors in March were Healthcare (+5.17%), Utilities (+1.75%), and Property (+1.22%). The three worst performing sectors were Industrial (-9.92%), Technology (-7.24%), and Transport (-6.6%).



Equity Market Outlook & Fund Strategy

Global markets continue to remain volatile, as growth data and economic outlook in the developed markets remain mixed. Nonetheless should inflation continue to decline, the Fed could signal a pause or a more accommodative stance which would be positive for market sentiment.

We adopt a balanced approach with regard to market and sector positioning. While domestic fundamentals and valuation remain supportive, the market might still be affected by global risk events. Sector-wise, we continue to like the consumer and industrials sector. We also see trading opportunities in the oil & gas sector while we adopt a buy on weakness stance for the tech sector as the key beneficiary of long-term growth trends such as AI and EVs.

***Source: Kenanga Investors Berhad**

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.

At the **Refinitiv Lipper Fund Awards Malaysia 2023**, KIB won overall best Mixed Assets - Malaysia Pension Funds Group award for the fourth time. Accompanying this were individual fund wins awarded to:

- Kenanga Malaysian Inc Fund (“KMIF”) for best Equity Malaysia Diversified – Malaysia Provident Funds over 10 Years
- Kenanga Managed Growth Fund (“KMGF”) for best Mixed Asset MYR Flexible - Malaysia Provident Funds over 3 Years
- Kenanga Managed Growth Fund (“KMGF”) for best Mixed Asset MYR Flexible - Malaysia Provident Funds over 5 Years
- Kenanga Managed Growth Fund (“KMGF”) for best Mixed Asset MYR Flexible - Malaysia Provident Funds over 10 Years

The Hong Kong-based Asia Asset Management's **2023 Best of the Best Awards** awarded KIB under the following categories, Malaysia Best Impact Investing Manager, Malaysia Best Equity Manager, Malaysia CEO of the Year, Malaysia Best House for Alternatives and Malaysia Most Improved Fund House.

At the **United Nations Global Compact Network Malaysia & Brunei (“UNGCMYB”) Sustainability Performance Awards 2022**, we received the “Sustainable Products” award for our launch of sustainable products, which cover the Kenanga Sustainability Series – a suite of multi-asset class products rooted in sustainability considerations to advance long-term financial growth for investors and to generate social and financial value for surrounding communities. The award also recognised the first SRI-qualified high yield bond fund in Malaysia, the Kenanga Sustainability Series: High Yield Bond Fund.

The Asset Benchmark Research has ranked KIB as Highly Commended on its list of ‘Top Investment Houses’ in the **Asian Local Currency Bond Awards for Asset Managers**.

Additionally, the **FSMOne Recommended Unit Trusts Awards 2022/2023** named Kenanga Growth Fund Series 2 as “Sector Equity – Malaysia Focused” and Kenanga Shariah Growth Opportunities Fund as “Sector Equity - Malaysia Small to Medium Companies (Islamic)”.

For the sixth 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. During the first half of 2021, KIB's 20 largest unit trust funds outperformed its benchmarks for the one-year, three-year and five-year periods.

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