

## Kenanga Investors

# Market Review and Outlook

As of May 2023

### Equity Market Review

Global equities were mixed in April, headlined by rising US indices with the Dow Jones Industrial +2.5%, S&P500 +1.5%, and the Nasdaq +0.04%. US market sentiment was soft for most of the month as several economic data points indicated less impetus for the US Federal Reserve (Fed) to pause its rate increases: flash composite Purchasing Managers' Index (PMI) for April came in at 53.5, up from 52.6 in March and widely beating expectations of 51.2; and late April initial jobless claims of 230k also exceeded expectations of 248k after the 245k read at mid-month. However, stocks were lifted by a strong Q1 2023 results season, with 81% of S&P500 companies beating expectations at end-April, plus notably strong reports from several large-cap technology names like Meta. The street now fully expects the Fed to hike another 25 basis points (bps) in its May or June meetings (from only 50-60% consensus at end-March) but maintains expectations of a U-turn into 2-3 rate cuts before year-end. In Europe, equities were up in tandem with the Euro STOXX 50 rising 1.0%. The sentiment was supported by easing Eurozone inflation, falling further to 6.9% in March from 8.5% in February, below an expected 7.1%. However, the decrease remains predominantly driven by energy prices, as the market retains expectations for a further 3-4 rate hikes by the European Central Bank (ECB) by the end of 2023.

Over in Asia, equity performance skewed negatively dragged by HK/China with the Hang Seng -2.5%, MSCI Asia ex-Japan -2.2%, and the MSCI ASEAN -0.4%. China sentiment was impacted by early signs of easing in its re-opening led growth, as Caixin manufacturing PMI for March eased to 50.0 from 51.6, missing an expected 51.4; and flash composite PMI for April indicated further slowing to 54.4 from 57.0. Brief concerns of geopolitical tensions also resurfaced as reports claimed Germany is considering limitations of chip chemicals to China. Elsewhere in Asia, a notable laggard was Thailand with the SET -5.0%, impacted by de-risking ahead of looming elections in May. Most Asian currencies weakened against the USD in the month, the sole winner being the Indonesian Rupiah which strengthened by 2%.

Locally, the FBM KLCI eased 0.5% to 1,416 from the 1,423 level last month. The broader FBM 100 eased by 0.3%, however the FBM Shariah and FBM Small Cap notched positive gains of 0.2% and 1.5% respectively. Sentiment, especially towards larger cap stocks, was dragged by continued net foreign outflows, which came to an additional RM250m in April, bringing year-to-date (YTD) net outflows to RM2.1bn. Macroeconomic data was also less than favourable as March exports recorded its first (year-on-year) YoY decline since late2020 at -1.4%, albeit coming ahead of street expectations of -1.9%. The Ringgit eased around 1% over the month to end at 4.46 against the USD.

In commodities, Brent crude oil ended -0.3% lower at USD79.5/bbl, as euphoria created by a surprise OPEC+ supply cut was gradually worn off by grinding concerns of a recession-led demand slowdown towards 2H23. Crude palm oil (CPO) fell 11.2%, furthering the 9% decline from the previous month as prices tracked key competitor soybean oil which fell on news of reduced biofuel blending in the US.



## Equity Market Outlook & Fund Strategy

Global markets could continue to remain volatile as growth data and economic outlook in the developed markets remain mixed. Key markers to watch for a potential inflection in Fed or other central bank policies towards more accommodative stances include potential slowing inflation, or sharp weakening in economic growth. A turn towards looser monetary policy will be positive for sentiment toward equities. Domestically, Malaysia continues to benefit from robust domestic economic activity (+4% GDP growth forecast for 2023) and controlled inflation via subsidies. China's re-opening and rebounding growth should also be positive for Malaysia given the strong trade and investment links between the 2 countries in addition to the return of tourists from China. With regard to political stability, investors are keenly monitoring the upcoming state elections.

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.

***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, 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. Kenanga Investors Berhad 199501024358.*

**Kenanga Investors Berhad**

Level 14, Kenanga Tower,  
237, Jalan Tun Razak,  
50400 Kuala Lumpur, Malaysia

**Toll Free: 1-800-88-3737**