

December 2024

## Monthly Market Outlook

### Eventful Year Ahead In 2025

#### Summary

- **Global manufacturing stabilises in Nov-24 owing largely to improvements in Asia.** Following 4 months of contraction, global manufacturing stabilises with a reading of 50.0 for the JPM Global Manufacturing PMI in Nov-24 (Oct-24: 49.4). Improved business conditions in mainland China and the rest of Asia contrasted with a deepening downturn in the Eurozone. Conditions came close to stabilising in the US (PMI at a five-month high of 49.7). Meanwhile, the JPM Global Composite PMI inched up to a three-month high of 52.4 in Nov-24 (Oct-24: 52.3) on solid service sector expansions across the business, consumer and financial services categories, with the strongest rate of increase in the latter.
- **APAC market review – The MSCI Asia ex-Japan was down by -2.4% MoM while MSCI World was up by 4.5% MoM.** The Asian markets were lackluster in Nov-24, led by China as investors remained fearful of how much tariff Trump would impose on them. As a result of uncertainties, some foreign investors who bought in the recent Chinese market rally probably decided to take profit.
- **Local Equity market review – The FBMKLCI closed marginally changed MoM in Nov-24 from 1601 to 1594 as investors stayed sidelined awaiting for 3QCY24 results announcement to be over.** Foreigners, however, turned to big net sellers following the recent good run up in the big cap stocks as well as the weakening of MYR in Nov-24. They had been consecutively selling the banks, utilities, telco and plantation stocks.
- **Bond market review – Reflationary fears on the return of Trump as President of the United States caused volatility in bond markets.** However, this was moderated by the Fed's continued stance to ease a further 25bps to 4.50%-4.75%. Locally, BNM cancelled the 3Y RM5bn GII scheduled for Dec-24 and postponed the 10Y RM5bn MGS in Nov to Dec – bringing much cheer to local bond markets. Towards month-end, bond markets were lifted by the nomination of veteran hedge fund manager, Scott Bessent as Trump's Treasury Secretary. The appointment was viewed favourably by markets due to his stance on economic and market stability.
- **Macro – 2025 would be an eventful year.** In 2024, the average member of Generation Z reached 20 years old, by which time the S&P 500 had delivered a cumulative return of 430% for investments made at the time of their birth. This underscores a striking pattern since 1930 where each new generation, the US stock market has reached higher cumulative levels, reflecting robust long-term economic growth and market expansion. However, these high-growth periods also coincide with subsequent economic corrections, reminding us of the cyclical nature of markets and exercising cautionary stance going into 2025 coupled with Trump 2.0 era.

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- **Local Equity outlook – Dec-24 is a quiet month.** Locally, all eyes will be on window dressing activities which historically always happen in the December month. Over to the global side, investors expect more and more voice from the new Trump's administration as Trump prepares to take office in early next year. This will be important for our local market in terms of trade tariff, whether additional tariff to be imposed on China produced goods as well as products produced outside of China such as from Asean, including Malaysia.
- **APAC Equity outlook – We expect it to be a quiet month as investors take off for their year-end holidays.** However, investors will be watchful on the new Trump administration as well as the Fed's policy action in Dec-24 and its policy path guidance ahead.
- **Fixed Income outlook – For 2025, we expect local yields to trend lower tracking global bond yields arising from easing by major central banks.** Notably, Bank of Japan's tightening stance may keep a lid on yield's downtrend. The overarching theme for global bond markets would be balancing US exceptionalism and rate cut expectations. For end-Dec-24, we expect local yields to trend lower, which are supported by favourable govvy supply dynamics due to a lower net supply of RM2bn, bringing total gross supply to RM175bn (RM10bn lesser YoY).

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