Life Insurance

July 2024

Monthly Market Outlook

EM Investment Sentiment Stays Upbeat

Summary

- **Global economic growth continues at a solid but slower pace.** The JPM Global Composite PMI posted 52.9 in Jun-24, down from 53.7 in May-24 as rates of expansion eased for both manufacturing production and service sector business activity. Nonetheless, the headline index has signalled expansion for eight months in a row. Rates of increase in output and new business remained close to the 12-month highs registered in May and jobs growth accelerated to its fastest pace since Jun-23. Meanwhile, a reading of 50.9 for the Global Manufacturing PMI in Jun-24 (May-24: 51.0) showed upturn continues for five months in a row. The lower reading however was caused by new export orders falling, dip in manufacturers' business optimism and accelerating input and output prices.
- **APAC market review – The MSCI Asia ex-Japan was up 3.5% MoM while MSCI World was up 2.1% MoM in Jun-24.** The good performance of MSCI Asia ex-Japan were contributed by markets other than China and HK which saw profit taking activities with limited catalysts. MSCI World on the other hand continued to charge up due to strong performance from the US markets led by AI boom. Separately, hard commodity prices had been on decreasing trend while oil price seems to be holding up well in Jun-24.
- **Local Equity market review – The FBMKLCI was marginally changed MoM in Jun-24.** It had a good 1H performance in Jun-24 before profit taking activities started to kick in 2H Jun-24. The key big cap sectors which included finance, telecommunication and utilities sectors moved down while the plantation sector was hit by more severe profit taking activities. Small cap stocks, on the other hand, performed better than big cap stocks. The key driving sectors for small cap were construction and technology sectors while other smaller cap sectors like O&G, property and consumer continued to be lackluster trading. Market sentiment was mostly negative throughout the month as investors continued to digest strong gains since beginning of this year.
- **Bond market review – Global bond rallied in Jun-24 on cooler macro data from the US.** US May CPI rose 3.3% YoY below consensus – the softest since Aug-21. Meanwhile, the Fed's preferred gauge, Core PCE recorded smallest increase since early 2021. Back in Malaysia, the higher inflation print in May-24 of 2.0% YoY – the highest level since Aug-23 - did not move local yields. Besides, foreign flows saw some outflows of RM0.6bn partly due to RM21.5bn MGS maturity on 14 June. Outflows were mostly recovered in the 2H June.
- **Macro – FDIs seen in ASEAN.** According to a May-June investors survey done by HSBC, the number of investors who are 'bullish' on EM prospects over the next 3 months remained broadly unchanged at 40%, while the proportion feeling 'bearish' has more than halved to 7% from 15% in the previous Mar-24 survey. Asia has a higher net sentiment score in equities, while LatAm in fixed income, which suggests investors might be seeing the recent correction as an opportunity to add exposure. Besides, we have seen foreign direct investments continue to throng the developing ASEAN nations (excluding Singapore) which hit the high of USD81bn in 2022 and led by Indonesia in 2020-2023.

Life Insurance

July 2024

- **Local Equity outlook – For Jul-24, we expect profit taking activities to continue.** We think all eyes will be on the next target of subsidy rationalization on RON95. Market is awaiting the implementation timing to gauge the impact on market sentiment. Nevertheless, taking the cue from diesel subsidy rationalization, markets remain quite muted on this subsidy cut and hence we may also see this happening to RON95 too once it is implemented. Finally, market will gradually pay more attention to consumer consumption in anticipation of higher goods prices ahead.
- **APAC Equity outlook – For Jul-24, investors will be monitoring closely on the US economic data to take cue on the number of rate cuts, if any this year.** This will be important to strategize on the exposure to the US equities, bonds, cryptocurrencies, gold and other asset classes. Back to Asia, both China and Hong Kong markets seem to be going through a consolidation period after a strong and fast run up in the Chinese equity market. Now, investors will be eyeing on its economic data to see if recent rally is justifiable.
- **Fixed Income outlook – For Jul-24, we expect the government bonds yields to be range-bound** while inflationary pressures will appear in 2H24 arising from fuel subsidy rationalization. This is expected to create noises for BNM rate hike. We however, expect BNM to keep the OPR intact as the rise in inflation is supply-led and not demand driven. Juxtaposed against the government's fiscal consolidation path, sustained economic growth and maturity profile of govvies, the net supply of local govvies is expected to be lower in 2025, thus, helping to cap the uptick in local govvy yields.

Etiqa Life Insurance Bhd (201701025113) Dataran Maybank, No.1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia
T +603 2297 3800 | F +603 2297 3800 | E info@etiqa.com