

PHILLIP MUTUAL BERHAD

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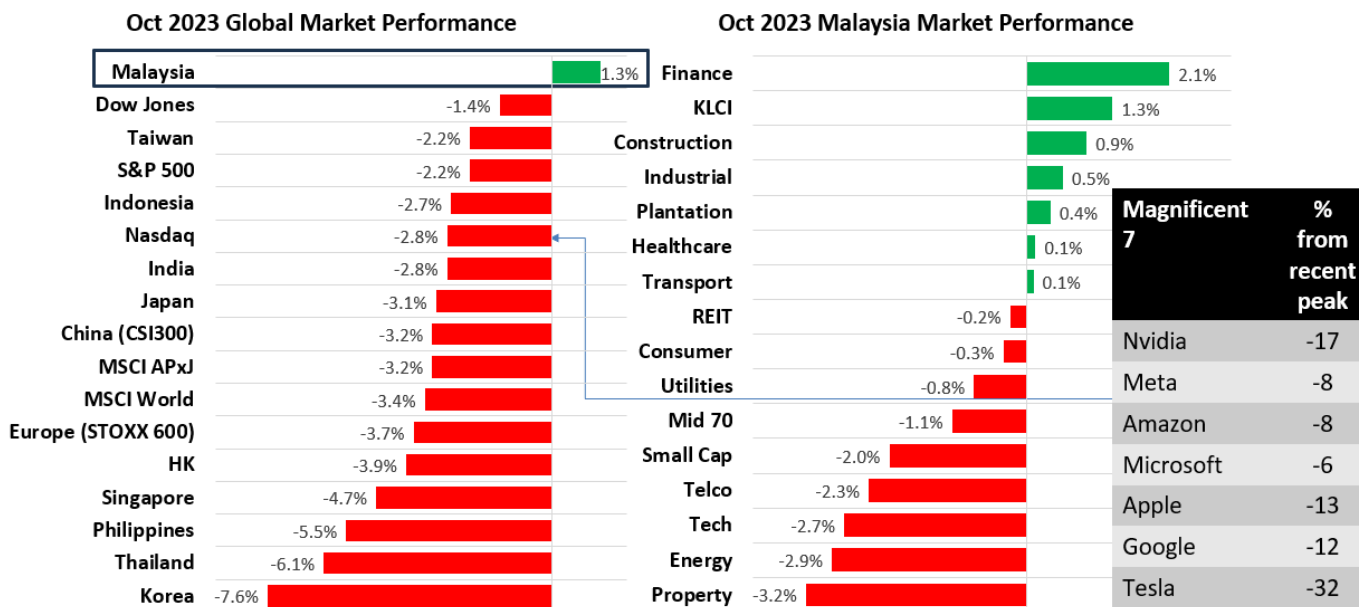
Investment Insights and Strategy Series

Global markets have remained weak throughout October, dented by concerns about higher interest rate, with the 10-year U.S. Treasury yield briefly exceeding 5% after 16 years. Investors remain cautious due to concerns about the global economy and geopolitical tensions, particularly the possibility of the Israel-Hamas conflict escalating and causing supply disruptions in the broader Middle East and beyond.

The MSCI Asia Pacific Ex-Japan Index lost -3.2% in October, mirroring the MSCI World Index which declined -3.4%. Malaysia (+1.3%) led the index, being the only gainer as investors digest the recent Budget 2024 speech. South Korea was the worst performer (-7.6%) despite economic growth beating estimates and exports rising for the first time since a year ago. Thailand (-6.1%) also fared poorly as the Finance Ministry cut its 2023 economic growth forecast to 2.7% from 3.5% earlier. Philippines (-5.5%) mired by persistent inflation, resumed monetary policy tightening as the policy rate was raised by 25bps to 6.5% (see Exhibit 1).

Exhibit 1: Oct 2023 & YTD 2023 Market Performance

Market review- October 2023



Source: Bloomberg, compiled by PCM



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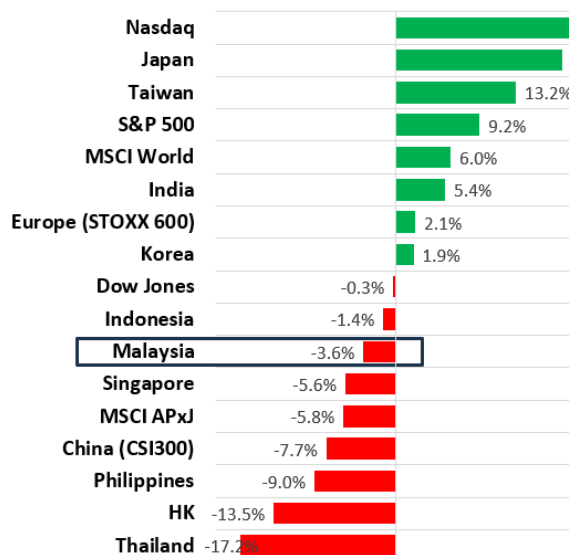
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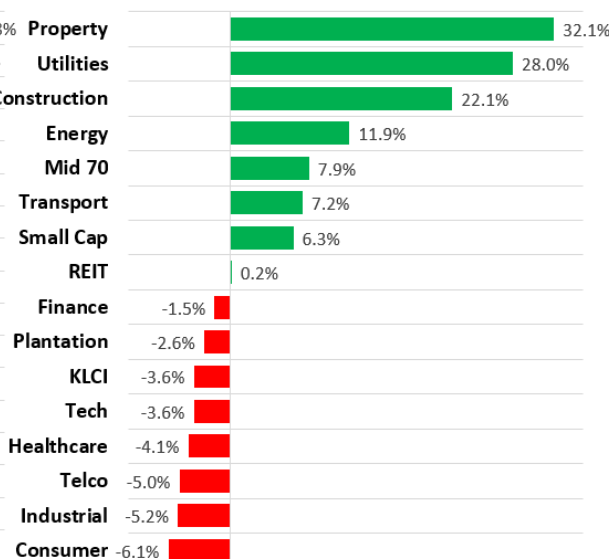


Market review- YTD

YTD 2023 Global Market Performance



YTD 2023 Malaysia Market Performance



Source: Bloomberg, compiled by PCM, YTD denotes return up to end-Oct 2023



The US economy's strength (strong Q3 GDP) and continued tight labour markets would mean rates will stay higher for longer, while the slowdown in China's economic indicators could create a ripple effect that impacts other parts of the world. China's economy showed some signs of recovery in August, September and October as China rolled out stimulus measures to counter a slowdown, though factory activity unexpectedly shrunk in October. Our base case is a soft landing for the US and moderate growth recovery for China towards end-2023 supported by policy stimulus. Separately, we expect the monetary policies are likely to stay accommodative while more expansionary policies to be in place in order to bolster the Chinese economy.

Back home, The Budget 2024 aligns allocations and incentives with Malaysia Madani, 12MP-MTR, NIMP 2030, and NETR, benefiting sectors like Construction, Utilities, Renewables (Solar & EV), Tech, E&E, Chemical, and Tourism. Fiscal outlook could also improve with the passing of the Fiscal Responsibility Act which could enhance investor's confidence, ending years of uncertain policies. A noteworthy initiative is the fuel subsidy rationalisation, underscoring the government's dedication to sustainable growth. These bold, albeit non-populist, measures enhance the government credibility, signalling a steadfast commitment to its long-term economic plans.

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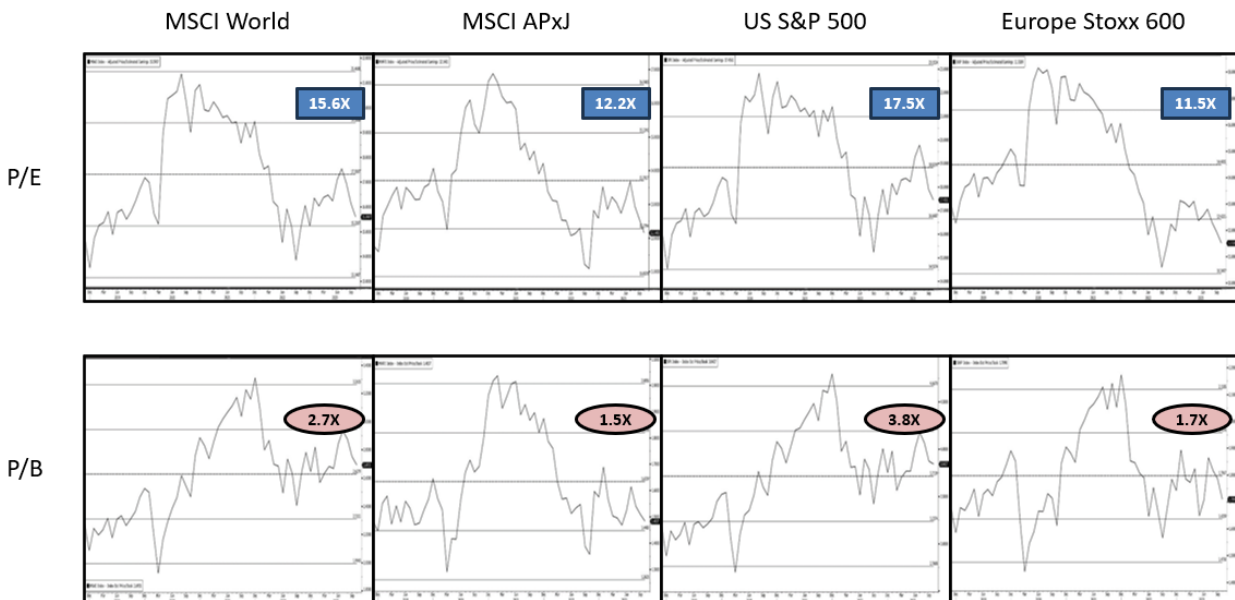
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Despite declining global valuations in October (see Exhibit 2), we remain cautiously optimistic about stocks, especially in China, where robust stimulus measures support attractive valuations. In Malaysia, large-cap stocks present opportunities, while small-cap stocks are gaining appeal. All in, we favour the **Construction** sector due to Budget 2024, rollout of infrastructure projects, and the National Energy Transition Roadmap. We hold a selective optimistic view on specific companies within the **Industrial** sector that will benefit from trade diversion and the ongoing recovery narrative. Conversely, the **Telco** sector faces challenges due to intense competition, and the **Consumer** sector's outlook dims due to an increase in the Sales and Services Tax (SST) to 8% and the introduction of a 5–10% luxury goods tax in Budget 2024.

Exhibit 2: Global market valuations have experienced a correction (selected markets)



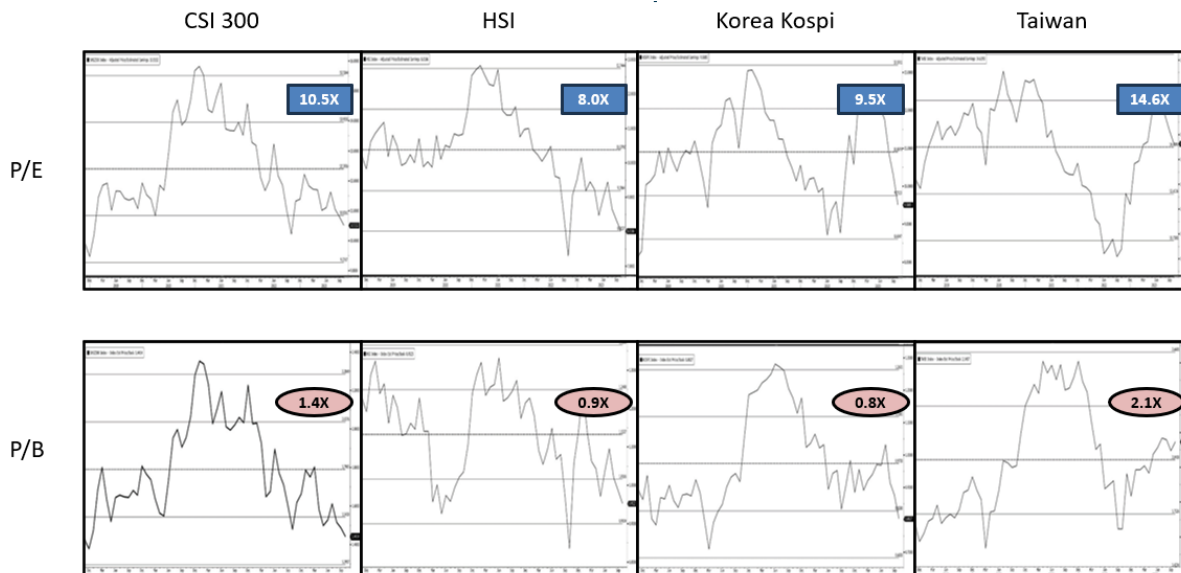
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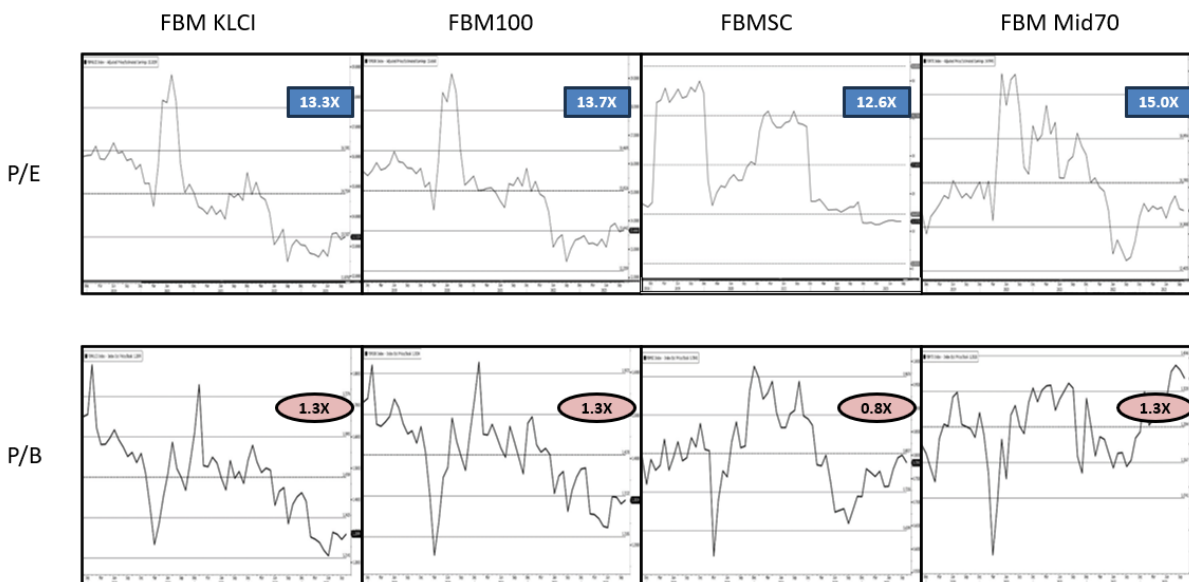
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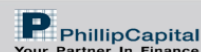
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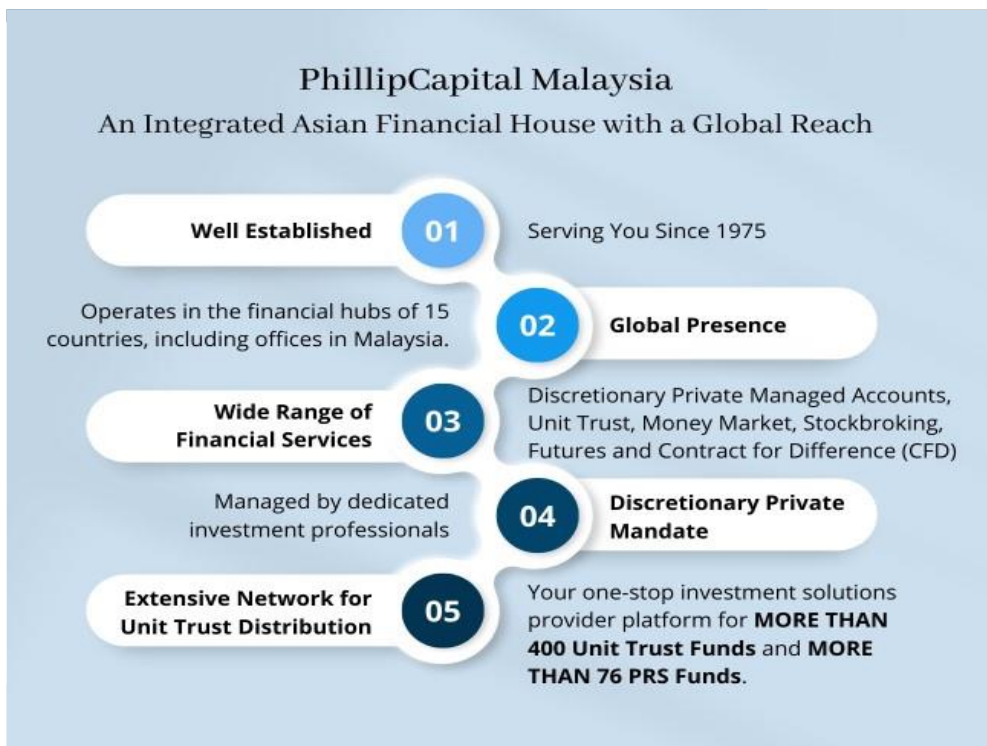
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Phillip Capital Malaysia and Our Offerings

We reaffirm our belief that there are still opportunities in the market, and we maintain a discerning approach in choosing high-quality stocks for our portfolio. However, it is crucial to exercise caution and carefully select investment options to ensure the best risk-adjusted returns. By taking a vigilant and discerning approach, investors can potentially reap the benefits of the current market opportunities while minimising risks.

Phillip Capital Malaysia offers a comprehensive suite of financial services including managed accounts and unit trusts, that may suit your investment preferences and financial goals. We also offer both conventional and Shariah-compliant options to cater to the needs of all investors.



Our investment portfolio focuses on quality companies that possess strong fundamentals, including stable earnings and a promising future outlook, and are led by capable management teams. Please click on the [link](#) to learn more or email us at phillipmutual@phillipcapital.com.my if you require any further information.

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