

**PHILLIP MUTUAL BERHAD**Company No. 200201002746 (570409-K)  
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## Investment Insights and Strategy Series by Phillip Capital Malaysia – March 2024

The **MSCI Asia Pacific Ex-Japan Index (+4.3%)** slightly grazed past the **MSCI World Index (+4.1%)** on account of strong market performance from China & Hong Kong. **China (+9.4%)** & **Hong Kong (+6.6%)** both enjoyed an exceptionally strong month on the back of increased tangible and forceful efforts from China's government to support the region's ailing stock market. **Japan (+7.9%)** continues its dominance despite going into a technical recession, with famed investor Warren Buffett endorsing the region in his latest letter to investors. In the US, the **Nasdaq (+6.1%)** and **S&P 500 (+5.2%)** hit new highs after Nvidia's record-breaking results. **Singapore (-0.4%)** was the only market to be slightly in the red for February on news of tepid GDP growth of 1.1% for the whole of 2023 (see *Exhibit 1*).

During the month of February, China cut its five-year loan prime rate (LPR) by 25 basis points to 3.95%, the first reduction since June 2023, aiming to bolster the economy. It was also reported that China's state-backed funds injected USD57 bn (CNY410 bn) into Chinese stocks this year to support the market. Separately, the 2024-2025 budget for HK removed all cooling curbs (buyer's stamp duty (BSD), new residential stamp duty (NRSD) and special stamp duty (SSD)) on property transactions in an effort to boost the market.

The domestic market sustained its upward momentum throughout February, posting a +2.5% gain MoM and closing at 1,551.44. During the month, the Small Cap Index trailed behind but still posted a positive return of +0.4%, while the Mid 70 Index gained +1.7%. Sector-wise, the top performers were Technology, Consumer, and Energy, with gains of +4.2%, +3.7%, and +3.3% MoM, respectively. Laggards were Healthcare and Utilities, declining by -4.2% and -0.5% MoM, respectively. In terms of fund flow, foreign investors remained net buyers in February with buying value of RM1,321.9m. Foreign investors, in net, bought Financials, Utilities, Telco, and Healthcare sectors in February 2024, whereas Plantation, REITs, Industrial, and Construction sectors witnessed some outflows. (see *Exhibit 1*).

The recent 4Q23 reporting season was another good one with strong growth coming through mainly from domestic sectors such as Banks, Auto, Conglomerates, Real Estate and Telecoms, while Petrochemical, Plantations and Gloves continued to experience challenges. Investors are currently weighing the potential impact of various tax initiatives and subsidy rationalisation strategies outlined in Budget 2024 on corporate earnings. The recent introduction of revised water tariffs starting February 1, 2024, and the enforcement of capital gains tax from March 1, 2024, are also being closely monitored. We also expect corporates to divulge changing operation dynamics due to the heightened freight rates globally due to Red Sea conflicts.

With that being said, we believe the local market is supported by continuous execution of the macro blueprints launched in 2023, robust domestic demand, the potential reversal in the strong US dollar trend, and attractive valuation. After years of foreign selling, we see foreign investors' underweight position on Malaysia bottoming out with February's foreign shareholdings in the Malaysian equity market standing at 19.9% (vs all-time low of 19.5% in Dec 23). Finally, there have been plenty of concerns about the weakening Ringgit but on a positive note, its undervaluation serves as another reason for foreign investors to consider Malaysia as their investment destination, both in terms of FDI and portfolio flows.

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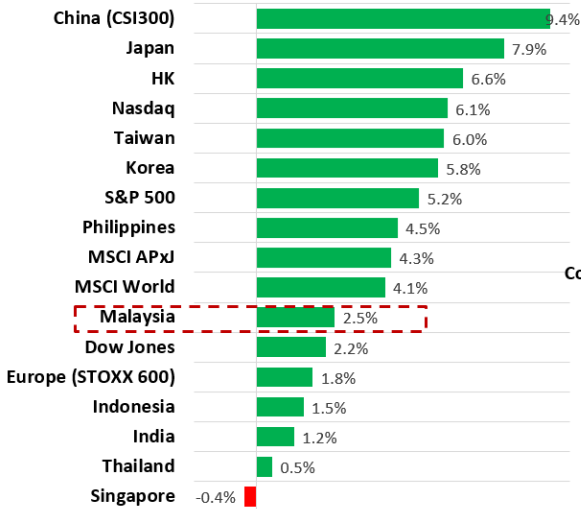
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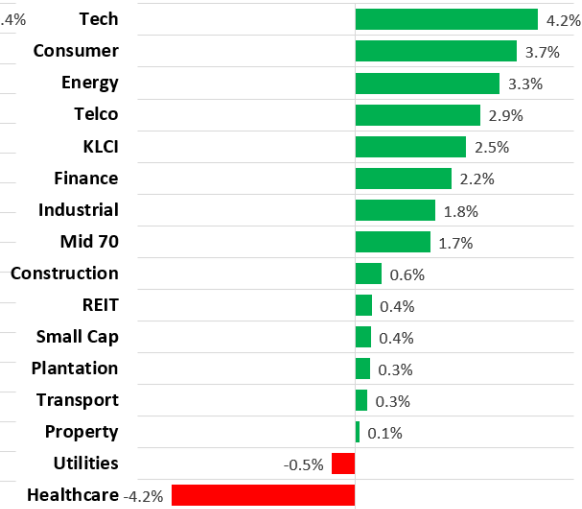
## Exhibit 1: 2024 Feb Market Performance

### Market review- February 2024

Feb 2024 Global Market Performance



Feb 2024 Malaysia Market Performance



Source: Bloomberg, compiled by PCM



### Strategy for the Month

Several indications suggest the Fed may postpone an interest rate cut following recent hawkish remarks and sticky inflation figures, compounded by the complexities of the Red Sea Shipping Crisis which could reignite inflation. While the labour market remains robust (low unemployment rate), consensus suggests potential weaknesses by year-end, reinforcing the argument for a rate cut. Nevertheless, our outlook on global equities remains **cautiously optimistic**, with a preference for the **Hong Kong/China** market due to appealing valuations and policy stimulus. Additionally, the **US** market is favoured for its strong earnings quality, presenting opportunities for investment during any potential pullback.

In **Malaysia**, we hold a **positive** view on **large-cap** stocks and selected **small-cap** stocks. Sector-wise, similar to the previous month, we favour the **Construction** sector, a beneficiary of Budget 2024, infrastructure project rollouts, and the National Energy Transition Roadmap. We continue to like **Technology** as we see signs of down-cycle bottoming out. We also like **Energy** (particularly the upstream names) given the sustained momentum in earnings. Conversely, we continue to hold our underweight stance in **Telco** and **Plantation** sectors.

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## Exhibit 2: Selected Market Indices Valuations

**As of 29 Feb 2024,  
Summary (5 years)**

	Fwd P/E	S.D.	Fwd P/B	S.D.
MSCI WORLD	18.5x	0.5	3.0x	1.0
MAPXJ	13.0x	-0.5	1.6x	-0.3
MSCI EM	11.9x	-0.4	1.6x	0.0
MSCI ASEAN	13.0x	-1.4	1.5x	-0.7
US (S&P 500)	20.6x	0.8	4.2x	0.9
EUROPE (STOXX 600)	12.6x	-0.9	1.9x	0.4
CHINA (CSI300)	10.9x	-1.0	1.4x	-1.5
HONG KONG (HSI)	7.8x	-1.7	0.9x	-1.5
KOREA (KOSPI)	10.6x	-0.4	0.9x	-0.5
TAIWAN (TAIEX)	16.9x	1.1	2.4x	1.1
INDIA (NIFTY 50)	20.2x	0.7	3.1x	0.4
JAPAN (NIKKEI 225)	22.5x	1.5	2.1x	1.8
SPORE (STI)	10.1x	-1.6	1.0x	-0.5
INDO (JCI)	13.9x	-0.7	2.0x	-0.1
THAI (SET)	14.3x	-1.5	1.3x	-1.8
PHIL (PCOMP)	11.7x	-1.3	1.6x	-0.2
VIET (VN30)	9.4x	-0.5	1.5x	-1.1
MALAYSIA (FBMKLCI)	13.5x	-0.7	1.3x	-1.1
MALAYSIA (FBM100)	13.9x	-0.7	1.3x	-0.8
MALAYSIA (FBMSC)	13.3x	-1.0	0.8x	0.0
MALAYSIA (FBM70)	15.5x	-0.5	1.4x	1.5

Source: Bloomberg, PCM, 29 Feb 2024

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](mailto:phillipmutual@phillipcapital.com.my) if you require any further information.

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