



Improving Market Sentiment in 2024

The Malaysian market, as measured by FBMKLCI (KLCI), has done pretty well so far in 2024 against most of the regional markets. Even during the period of foreign selling in March & April this year, our market was not affected. Local purchases, backed by improved market sentiment, were able to absorb all the foreign selling. For the first four months of this year, KLCI gained 8.3%. Several stocks have even hit record or recent highs that were not seen for many years. The theme plays last year, i.e. property and construction, continued to lead the market run-up this year. New themes, such as the data center play, have also added more life to the market. The strong performance of numerous new listings, though in the small ACE market, further fuels the improving market sentiment.

We have not seen this level of buoyant market sentiment for quite some time. Many investors and traders have ignored Bursa Malaysia for years due to its lacklustre performance. This has started to change.

Improved market sentiment was validated from the rally of the KLCI despite the selling by foreign funds in March-April 2024 (see Exhibit 1). This could be due to the calls by the government to GLICs (Government-Linked Investment Corporations) to bring back their overseas investment to support the weak ringgit.

In US, the delay to reduce interest rates by the Fed (US Federal Reserve) has resulted in a stronger USD, as reflected in the rising DXY index and that resulted in a weaker ringgit, which hit a new low of 4.80/USD at one point (see Exhibit 2).

The stronger ringgit since end of April-24 attracted more foreign fund inflow and further boosted market sentiment (see Exhibit 3).

Back to our market, sentiment started to change last year amidst selling by foreign funds when strong interest pushed up prices of property and construction stocks last year. These two sectors continue their momentum this year. The share gains attracted other investors/traders looking for other theme plays.

The Oil & Gas sector was supported by higher crude oil prices following the Israel-Palestine war. We also saw the influx of proposals to set up data centers in Johor. As a result, strong interest was seen in those stocks related to data centers as service providers.

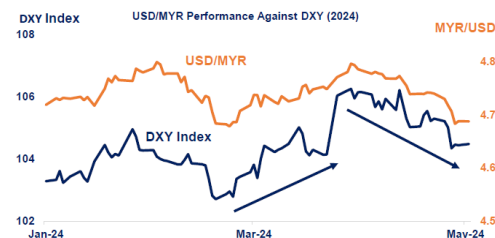
Improved market sentiment can also be seen from the numerous new listings (IPOs). Although most of them are in the smaller ACE market, they performed well upon listing. The share gains in IPO listings provide further impetus to retail investors who become more interested in the stock market. The improved market sentiment is evidenced by the higher trading volume. Hopefully, this momentum will continue for a longer period.

Exhibit 1: Foreign fund flow vs KLCI

Month	KLCI Index	Foreign Fund Flow (RM'm)	KLCI M-o-M Return
May-23	1,387	- 728	-2.0%
Jun-23	1,377	-1,348	-0.7%
Jul-23	1,459	1,415	6.0%
Aug-23	1,452	141	-0.5%
Sep-23	1,424	674	-1.9%
Oct-23	1,442	- 2,184	1.3%
Nov-23	1,453	1,551	0.8%
Dec-23	1,455	256	0.1%
Jan-24	1,513	678	4.0%
Feb-24	1,551	1,322	2.5%
Mar-24	1,536	- 2,876	-1.0%
Apr-24	1,576	- 1,374	2.6%
May-24	1,628	2,884	3.3%

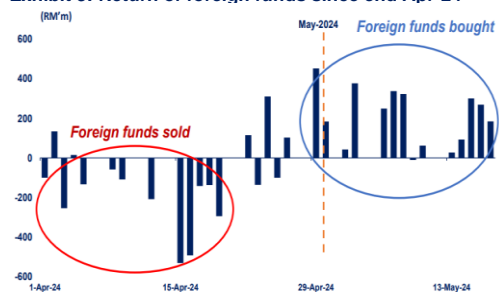
Source: Bloomberg, PCM May '24

Exhibit 2: MYR vs USD DXY



Source: Bloomberg, PCM May '24

Exhibit 3: Return of foreign funds since end Apr-24



Source: Bloomberg, PCM May '24

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Nona Salleh
Executive Chairperson

