Allianz

Market Review and Outlook

November 2024

Market Review

The global equity markets rebounded in November 2024, with the MSCI World Index advancing 4.47% mom. In the US, the Dow Jones Index rose 7.54% mom on the back of Trump's decisive election victory. Donald Trump's earlier pledges of deregulation, tax cuts and import tariffs have boosted investors' expectations for the US. On inflation, US CPI rose 2.60% in October 2024 versus a year ago (2.40% in September 2024), matching expectations. In the month of November, the Federal Reserve (FED) cut interest rates by 25 basis points. The cut was half the size of its earlier reduction in September.

Meanwhile, the European Stoxx 50 declined by 0.48%. This could be attributable to signs of slowing economic momentum in Europe, as well as potential tariffs imposed on Europe by the US. The HCOB Flash Eurozone Manufacturing Purchasing Managers' Index (PMI) fell to 45.2 in November, down from 46.0 in October, suggesting some signs of weakness in its manufacturing sector. As of the latest reading, EU's unemployment rate was at 6.30%. It remained stable compared with August 2024.

China's Shanghai Composite Index rose by 1.42% mom as some investors anticipate potential stimulus measures that may be announced during the Central Economic Work Conference (CEWC), slated for mid-December. Meanwhile, China's Caixin PMI came in at 51.5 in November, compared with 50.3 in October, marking a second straight month of expansion.

During the month under review, Brent oil price dipped 1.30% mom to USD71.84/bbl as market factors in potential measures from Trump that could increase oil supplies. Also, OPEC+ has delayed its oil policy meeting and this has stirred uncertainty. Key issues to be addressed includes the United Arab Emirates' (UAE) output hike which is scheduled to start in January 2025. Conversely, crude palm oil price surged 8.33% mom to RM5020/MT mainly on concerns over Indonesia's plan to adopt B40 biodiesel by January 2025 as well as tightening supply conditions.

Turning to the ASEAN region, Singapore's Strait Times advanced 5.07% mom, tracking gains in the US despite concerns that a US-centric policy approach could negatively impact the global economy. Its October 2024 Non-Oil Domestic Exports (NODX) fell 4.60% yoy due to weakness in the non-electronics sector, reversing three months of expansion. Meanwhile, The Stock Exchange of Thailand declined 2.60% mom partly due to a lackluster third-quarter earnings season and concerns regarding US policies under Trump administration. Back at home, Malaysia's FBMKLCI declined 0.50% mom mainly due to continued profit-taking by foreign investors. Having offloaded RM3.10bn worth of equities, this has reversed their YTD position to a net sell of RM1.32bn. The healthcare sector was the best performing sector in the month while the telecommunications sector was the worst. Bank Negara Malaysia (BNM) kept its Overnight Policy Rate (OPR) at 3.00% in November. Lastly, Indonesia's Jakarta Composite Index was down 6.07% mom partly due to foreign outflows of USD1.1bn in November. Bank Indonesia (BI) maintained the benchmark policy rate at 6.00% in November.

The US Treasuries (UST) yields were down by 4 – 14 bps mom across all tenors as October's nonfarm payrolls (NFP) were weaker – than – expected and the FED delivered a 25 bps interest rate cut, reducing interest rates to 4.50% – 4.75%. NFP in October came in at only +12k mom (Survey: +100k mom, September revised: +223k mom) as hirings were affected by hurricanes and a strike at Boeing Co. Unemployment rate remained unchanged at 4.10% mom (Survey: 4.10% mom). In Federal Open Market Committee (FOMC)'s November meeting minutes, the Fed stated that it will approach future interest rate cuts more carefully as the economy and labour market continues to be solid, although there are signs of gradual easing. The market – implied rate cut probability for December 2024 is at 66.00% as of end – November 2024.

Similarly, Malaysian Government Securities (MGS) yields declined by 5 – 14 bps mom across the tenors amidst the release of Malaysia's 3Q24 GDP and CPI data. In 3Q24, Malaysia's GDP grew by 5.30% yoy as expected (Survey: 5.30% yoy), albeit lower than the growth of 5.90% yoy in 2Q24. The growth was mainly driven by solid investment activity and continued rise in exports from external demand recovery coupled with positive impact from global tech upcycle spillover. Household spendings also sustained its growth with favourable labour market conditions and supportive policy. Meanwhile, October's CPI was stronger – than – expected at 1.90% yoy (Survey: 1.80% yoy, September: 1.80% yoy) largely due to greater prices in food and beverages as well as personal care, social protection, and miscellaneous goods and services.

Foreign funds net outflows reduced to RM1.1bn in November (October: -RM11.4bn). Foreign share of both MGS and MGS+MGII declined to 32.7% (October: 33.2%) and 21.4% (October: 21.7%) respectively. Despite the outflows, Malaysia's foreign reserves climbed by USD0.7bn to USD118.3bn as of end – November 2024 (October: USD117.6bn).

Market Outlook

With global inflation seemingly under control, we believe that investors would focus on other significant uncertainties. These include the implications of new policies from the incoming US President, tensions in the Middle East and the effectiveness of China's stimulus package. Domestically, investors are likely to pay close attention to the launch of Johor-Singapore Special Economic Zone (JSSEZ) and the specifics of policies like fuel subsidy rationalization.

Against that backdrop, we remain committed to investing in fundamentally good investments over long – term investment horizons. Furthermore, we might partake in a modicum of trading activities to capitalize on any prevailing market volatility. That said, we have to remain alert that the pervasive geopolitical and other risks may necessitate the adoption of new strategies to adapt to the ever – volatile market conditions.

Bond market volatility in the fixed income market will persist. From now till Trump's inauguration in January 2025, there could be more volatility and uncertainty to come from the actual policies to be instituted. The future of Fed rate cuts could be less certain with the market implied terminal rate looking slightly higher. Locally on the economy, BNM said the latest indicators point towards sustained strength in economic activity, driven by resilient domestic expenditure and better export performance. Its inflation outlook remains subject to the details of the implementation of announced domestic policy measures. Market expectation is for BNM to stand pat on the OPR for 2025. We would continue accumulating bonds at favorable valuations while prioritizing good quality names.