

# Kenanga Investors

## Market Review and Outlook

As of February 2022

### Equity Market Review

Despite ending 2021 on a high note, equities started the new year with rate-induced sell-offs in most major markets, as concerns mount over persistently-high-inflation and the ensuing monetary policy normalisation by central banks worldwide. Although Covid-19 fears that stirred chaos at the end of last year took the back seat, volatility surged during the month as the VIX Index climbed over 30-points, sending stocks into a tailspin, with most ending sharply lower than their end-2021 levels. Despite threats that Omicron variant may derail the prospect of economic recovery, U.S. consumer inflation jumped to 7.0% YoY in December, the highest reading since 1982, which further fuelled speculations that the economy is overheating. At the conclusion of the first FOMC meeting of 2022, clear hawkish shift by the Federal Reserve was signalled to the market, with the central bank guiding that it is now actively looking to reduce its inflated balance sheet and that “it will soon be appropriate to raise the Fed Funds Rate”. Markets are now pricing in as many as 5 rate hikes in 2022 alone, with the first one to be as soon as March, coinciding with the Fed’s expected deadline to end its bond purchase programme.

On Wall Street, the tech-heavy Nasdaq lost 8.5% in January, to mark one of its worst months in more than a decade, whereas the S&P 500 is now 6% lower than its record-high seen on the first trading day of the year. Europe STOXX 50 closed 2.9% lower in January. Asian equities were mixed. The MSCI Asia ex-Japan fell 3.1% dragged by Korea (KOSPI -10.6%) and China (SHCOMP -7.7%). Hong Kong outperformed with the Hang Seng index rising 1.7% for the month. ASEAN was relatively resilient, with MSCI ASEAN falling 0.5% in January. Outperformers in the region were Singapore (STI +4.0%), Philippines (PCOMP +3.4%) and Indonesia (JCI +0.8%) while underperformers were Malaysia (KLCI -3.5%) and Thailand (SET -0.5%).

Locally, the international reserves of Bank Negara Malaysia (BNM) amounted to US\$116.9 billion (about RM491.86 billion) as at 31 December, 2021, up slightly from US\$116.3 billion as at 15 December, 2021. During the Monetary Policy meeting in January, BNM maintained its overnight policy rate (OPR) at 1.75%, in line with the consensus expectation. Investor sentiment was cautious during the month, and aggressive profit taking was seen in selective sectors such as Technology (KL Tech Index -15.3%), in tandem with the steep sell-off on Wall Street as investors were spooked by hawkish interest rate comments by the US Federal Reserve. The KLCI ended the month down 3.5%.

Commodities performed strongly in January. Brent crude oil ended the month at US\$91.2/bbl, up 17.3% and CPO at RM5,592/metric tonne, up 19.1%. Geopolitical factors kept oil prices higher despite OPEC+ reaffirming moderate output hikes of 400,000 barrels per day.

### Equity Market Outlook

The Malaysian economy should see a strong recovery this year, driven by economic reopening as Covid moves to an endemic stage and solid exports. While tightening global monetary policy could cause some volatility, strong domestic demand should drive growth and corporate earnings.

### Equity Fund Strategy

We maintain a barbell investment strategy, focusing on structural growth themes and cyclicals. Within cyclicals, we prefer areas such as consumer discretionary, industrials and commodities. For structural growth themes, we like sectors such as technology and renewable energy. We remain buyers on market weakness while trading tactically to take advantage of market fluctuations.



## About Kenanga Investors

We provide investment solutions ranging from collective investment schemes, portfolio management services, and alternative investments for retail, corporate, institutional, and high net worth clients via a multi-distribution network.

In January, Hong Kong-based Asia Asset Management's 2022 Best of the Best Awards awarded KIB under the following categories, Malaysia – Best Impact Investing Manager, Best Application of ESG (ASEAN), Malaysia – Best Equity Manager (4<sup>th</sup> consecutive year), Malaysia – CEO of the Year (3-time winner), Malaysia – CIO of the Year (6-time winner), and Malaysia – Best House for Alternatives (3<sup>rd</sup> consecutive year).

At the Refinitiv Lipper Fund Awards 2021 (Malaysia), KIB won overall best Malaysia Islamic Funds Group Award (Equity) and Malaysia Provident Funds Group Award (Mixed Assets). The FSMOne Recommended Unit Trust Awards 2021/2022 awarded Kenanga OnePRS Conservative Fund the "Private Retirement Scheme – Conservative" title (3<sup>rd</sup> year). For the fifth consecutive year, KIB was affirmed an investment manager rating of IMR-2 by Malaysian Rating Corporation Berhad since first rated in 2017. The IMR rating reflects the fund management company's well-established investment processes, sound risk management practices and strong operating track record.

The FSMOne Recommended Unit Trust Awards 2021/2022 awarded Kenanga OnePRS Conservative Fund the "Private Retirement Scheme – Conservative" title (3<sup>rd</sup> year). For the fifth consecutive year, KIB was affirmed an investment manager rating of IMR-2 by Malaysian Rating Corporation Berhad since first rated in 2017. The IMR rating reflects the fund management company's well-established investment processes, sound risk management practices and strong operating track record.

Disclaimer: Investors are advised to read and understand the contents of the Funds' Prospectus and PHS which have been lodged and registered with the Securities Commission Malaysia ("SC"), who takes no responsibility for its content, related advertisement or marketing materials. The advertisement has not been reviewed by the SC. Investment involves risk. The information contained herein does not constitute any investment advice and does not regard an investor's specific investment objectives, financial situation and particular needs. Investors are advised to seek consultation from a licensed professional adviser before investing. Past performance is not indicative of future performance. Kenanga Investors Berhad 199201024358.

**Kenanga Investors Berhad**  
Level 14, Kenanga Tower,  
237, Jalan Tun Razak,  
50400 Kuala Lumpur, Malaysia  
**Toll Free: 1-800-88-3737**



**kenanga**

Kenanga Investors