Malaysia in sweet spot for prolonged bull market

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Tuesday, 27 Feb 2024

6:05 PM MYT

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Capital Dynamics Asset Management Sdn Bhd managing director Tan Teng Boo —SHAARI CHEMAT / THESTAR

PETALING JAYA: The local equity market is in a sweet spot for a prolonged bull market, on the back of improved external development, the expected rebound in China's economy, coupled with cheap stocks and ringgit valuations, said Capital Dynamics Asset Management Sdn Bhd managing director Tan Teng Boo.

He expects the benchmark FTSE Bursa Malaysia KLCI (FBM KLCI) to, at least, double its current level to hit between 2,500 and 3,000 over the next three to five years.

Tan said that although China's recovery is somewhat "uneven", the economy remained robust in 2023 and this was reflected in its gross domestic product (GDP) which expanded significantly compared with most major developed countries.

The recovery in China will create a huge spillover to other countries' economies, particularly in terms of trade as the republic is the most important trading partner for 120 countries worldwide.

"I believe that the Chinese economy is still the strongest in the world. It will recover strongly in 2024 and beyond.

"Malaysia will be a good beneficiary. Tourist arrivals from China have not even reached the pre-pandemic level...we have even yet to see the full (recovery impact from China)," he told a media briefing on the stock market titled "Is investing in Malaysia Still Attractive Now?" here, today.

Tan also brushed off the stigma that China's property sector is in a crisis, saying it is not weak as the sector is being fundamentally transformed by the government.

This was backed by the number of Chinese property developers that has risen rapidly, which is supported by the growing number of domestically funded firms, firms with funds originating in Hong Kong, Taiwan and Macao, as well as foreign-funded firms.

He pointed out that China's economy will boom when consumer confidence recovers, which is likely seen starting this year onwards.

"Chinese consumers have a lot of savings stacked up, (and) they have not been spending.

"Therefore, when their confidence return, then they will start to spend, that is in the trillions of dollars," he explained.

Tan said the electrical and electronics industry, tourism and export sectors would gain the most from the recovery in China, which would also help to offset the downturn effect caused by the expected recession in the United States (US).

He believed the recession would influence the US Federal Reserve to cut its key interest rates to support the economy, which indirectly provides a great springboard for currencies in emerging markets, including Malaysia, to appreciate. - Bernama