

Bursa breaks records, sets sights on sustained bull run



(pic by MUHD AMIN NAHARUL / TMR)

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RE, utilities and property sectors are among the primary beneficiaries of the recent uptrend in the FBM KLCI

by RUPINDER SINGH / pic MUHD AMIN NAHARUL

BURSA Malaysia's FBM KLCI recently surpassed the 1,600-point mark, achieving its highest level in two years, accompanied by an all-time high market capitalisation of RM2 trillion on May 7.

However, sustaining this milestone depends on factors like political stability and the effective implementation of new economic policies.

Tradeview Capital Sdn Bhd CEO Ng Zhu Hann believes that the upward momentum for the FBM KLCI is sustainable.

"I believe it is sustainable as the worst is over from a political instability and economic policy standpoint but to continue to attract foreign interest depends on the quality of companies that list on Bursa," he told *The Malaysian Reserve* (TMR).

He suggests that transitioning away from traditional sectors towards embracing new industries could significantly enhance Malaysia's appeal to investors compared to its regional counterparts.

Regarding the short-to-medium-term outlook for the FBM KLCI, Ng anticipates that if the index can maintain the 1,600 level, it could establish a new support level.

However, he highlighted the presence of strong resistance at the 1,630 and 1,650 levels.

He also predicts some profit-taking activities, especially with the approaching earnings season and potential rebalancing due to FBM KLCI constituents reshuffling.

Ng identifies renewable energy (RE), utilities and property sectors as the primary beneficiaries of the recent uptrend in the FBM KLCI, citing their strong performance over the past year.

He noted that, unlike previous rallies, the current uptrend is broad-based, with positive momentum observed across all sectors.

Additionally, he noted the rebound of sectors such as healthcare and port logistics further contributing to the overall market growth.

Ng pointed out that since its peak in 2018, the KLCI had been grappling with a prolonged downtrend, largely attributed to political instability stemming from frequent changes in administration and a lack of economic policy continuity.

Despite a brief respite during the pandemic rally year, the FBM KLCI remained relatively weak, with minimal upside.

Despite being undervalued compared to media valuations, he said foreign investors seemed to favour regional peers over Malaysian markets.

This trend was exacerbated by the rate differential resulting from US Federal Reserve (Fed) rate hikes, leading to a significant outflow of funds from emerging markets.

However, he said with the advent of the Madani administration, marked by the rollout of new economic policies like the National Energy Transition Roadmap and the New Industrial Master Plan 2030, Malaysia sent a resounding signal to global investors that it was open for business.

This proactive stance has been instrumental in attracting the attention of foreign funds.

Additionally, he said, local funds responded positively to the prime minister's mandate to increase local investments, providing a supportive underpinning to the Bursa.

Moreover, with the conclusion of the Fed rate hikes and the likelihood of one to two cuts soon, he said foreign funds are gradually returning to emerging markets.

"Malaysia became a choice market in part because of our depressed valuation and also the weaker ringgit makes it attractive for foreign funds to enter now in anticipation of the foreign exchange tailwinds when the ringgit recovers," Ng opined.

Tan Teng Boo, the designated person of iCapital.biz Bhd, made bold predictions about Malaysia's stock market, suggesting that the nation is on the cusp of a sustained bull market.

"We are now seeing the beginning of a sustained bull market for Malaysia and in my November 2023 talk, I have predicted that the KLCI would rally to 2,500 to 3,000 points over the next three to five years," he stated.

According to Tan, several factors contribute to Malaysia's favourable position.

He cites a stable government, a weakened opposition and a favourable economic structure as key elements propelling the country forward.

Additionally, the attractiveness of the ringgit and the undervalued nature of stocks listed on Bursa Malaysia further bolster Malaysia's prospects in the eyes of investors.

While Malaysian stocks reached a historic RM2 trillion market capitalisation milestone, driven by widespread gains in blue-chip stocks and new listings, MIDF Amanah Investment Bank Bhd (MIDF Research) expects sustained growth and attractiveness in the securities and derivatives markets.

The research house pointed out that year-to-date (YTD) statistics reveal a notable increase in average daily trading volume, surpassing levels recorded in both 2022 and 2023.

While the average daily volume during the global lockdown in 2020 and 2021 was substantially higher due to increased retail investor participation, the reopening of the economy has seen a normalisation in retail investors' involvement, MIDF Research said.

Despite this, MIDF Research remains optimistic about the market's latest milestone, anticipating positive implications for Bursa Malaysia's earnings.

Year 2024 (FY24) witnessed a surge in average daily trading value across all segments, with foreign institutions exhibiting particularly heightened interest.

The FBM KLCI stands out as the top performer among Asean indices so far this year, posting YTD gains of 10.4%.

MIDF Research attributes this performance to strong support from local investors and the resurgence of foreign funds in May, driven by expectations of US rate cuts and subsequent currency weakening.

It added that Bursa Malaysia's transition into a multi-asset exchange further augurs well for its future prospects.

Initiatives such as the launch of new futures contracts and the listing of the first Business Trust are viewed positively, albeit with expectations of medium to long-term impact.

In the short term, market dynamics will continue to be influenced by various factors, but MIDF Research maintains a positive outlook on trading activities for the remainder of the year.

Maintaining its 'Buy' recommendation, MIDF Research believes Bursa Malaysia is well-positioned to capitalise on ongoing developments and further enhance its trading platform.

With an unchanged target price of RM8.20, pegged to FY25 earnings per share at a price-earnings ratio of 25 times, MIDF Research anticipates continued growth and attractiveness in the securities and derivatives markets.