



Headline : More moderate gains expected
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More moderate gains expected

MARKETS

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By GANESHWARAN KANA



PETALING JAYA: Brace for modest stock returns ahead, experts cautioned as the stock market gets overheated on the back of soaring share prices and valuations beyond improvements in fundamentals.

Investors are advised to be selective in picking stocks by looking at earnings prospects, rather than merely stock price movements.

The bull run on Bursa Malaysia, as measured by the FBM KLCI, has slowed down slightly since August.

After having risen by about 32% since March 19 to the year-to-date of 1,611.42 points on July 29, the 30-stock index has since declined to 1,549.58 points.

The FBM KLCI is struggling to break the psychological level of 1,600 points again, dampened by profit-taking on index-linked glove makers.

The FBM Small Cap Index, on the other hand, has been moving largely sideways, even though there seems to be continued interest in small-cap counters among the retail investors.

UOB Asset Management (Malaysia) Bhd chief investment officer Francis Eng believes that the stock returns could likely be modest, going forward.

"We cannot extrapolate the returns that we have seen in the last two to three months and think that it would continue in the near or even the medium term.

"But through careful stock selections, investors can still get quite decent returns from the equity market," he told reporters during a virtual media briefing yesterday.

UOBAM (Malaysia) advocates active stock selection amid volatile equity market conditions

Following the briefing, the asset management house launched its “One Minute Insight”, a weekly online video programme to help investors keep abreast of latest market movements.

UOB Asset Management advocates investors to undertake an active stock selection strategy to build a portfolio that has a higher probability of outperforming the equity benchmark index.

An active stock selection strategy identifies investment opportunities in individual stocks based on their fundamental strengths.

Looking forward, chief executive officer Lim Suet Ling (pic below) said an active stock selection strategy will be key in identifying quality stocks to make up a portfolio that can help local investors ride through the current market volatility.

“We see potential in stocks not only from healthcare, but also the technology sector for their earnings momentum, as well as the utilities sector for its defensiveness and dividend yield.

“Despite the FBM KLCI’s current lacklustre performance, we remain positive on Malaysia’s long-term investment potential.

“While financial markets globally are still coping with the fallout from the impact of the pandemic, governments and central banks, including Malaysia, are rolling out unprecedented fiscal and monetary policies to support their economies,” she said.

Over the next six to 12 months, Eng pointed out that banking stocks may start to look interesting again, especially if there are any more positive developments related to the Covid-19 vaccine.

CGS-CIMB Research said in a note yesterday that it expects the Malaysian stock market to remain volatile in the second half of 2020.

It has also maintained its FBM KLCI target of 1,550 points for end-2020.

Despite the market volatility, the research house believes that the retail trading activities on Bursa Malaysia can be sustained, thanks to the increasing direct participation by Millennials in the equity market and rising adoption of online trading.

“We gather that Bursa Malaysia saw a 125% year-on-year increase in new Central Depository System (CDS) account openings in the first seven months of 2020 to 218,016. Of the total, 78% were opened by investors aged 45 years and below, or Millennials.

“Millennials currently make up 36% of total CDS account holders. There has also been a sharp increase in online trading by retail investors, to 80% in July from 50% to 60% in 2019,” it said.

The retail investor-fuelled liquidity over the past few months has been touted as the major factor that induced the bull run, which began in mid-March.

Local retail investor participation on a daily basis had risen to as high as 36% in July 2020, overtaking the local institutional daily share of the value traded of 30.48%.

In addition, the net purchase by retail investors expanded to RM10.1bil for the year up to Aug 24, up by more than sixfold. In comparison, the value stood at RM1.6bil during the same period last year.

CGS-CIMB Research added further that the dominance of retail investors in the Malaysia equity market has somewhat changed the landscape of Malaysia’s equity market, favouring thematic and smaller cap stocks, as well as call warrants.

“However, the strong trading interest has led to both enthusiasm as well as concerns on the future direction and sustainability of the rally in the market,” it said.



Headline : Asset manager sees upside for healthcare, techs and utilities
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Asset manager sees upside for healthcare, techs and utilities

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Its CEO Lim Suet Ling said in the last few months, strong-performing stocks in the healthcare sector helped to moderate the drop in the FBM KLCI.

KUALA LUMPUR: UOB Asset Management (Malaysia) Bhd advises investors to accumulate healthcare, technology sectors for their earnings momentum, and the utilities sector for their defensiveness and dividend yield.

Its CEO Lim Suet Ling said in the last few months, strong-performing stocks in the healthcare sector helped to moderate the drop in the FBM KLCI.

“Looking forward, an active stock selection strategy will be key in identifying quality stocks to make up a portfolio that can help local investors ride through the market volatility,” she said in a statement on Wednesday.

In the first half of 2020, the Covid-19 pandemic has triggered a global recession and led to the FBM KLCI falling by 5.5%.

The impact of the pandemic also resulted in a significant divergence in the performance of Malaysian stocks. Stocks from financial and tourism-related sectors dipped, while those from the healthcare sectors rallied.

UOBAM (Malaysia) advocates active stock selection amid volatile equity market conditions

Lim said despite the KLCI's current lacklustre performance, she remained positive on Malaysia's long-term investment potentials.

She added while financial markets globally are still coping with the fallout from the impact of the pandemic, governments and central banks, including Malaysia, are rolling out unprecedented fiscal and monetary policies to support their economies.

For example, the PENJANA economic stimulus package will further lift the total value of the country's support packages to RM295bil.

This is coupled with Bank Negara Malaysia's recent move to reduce the overnight policy rate for banks to a record-low of 1.75%.

"Such initiatives demonstrate the government's proactive efforts in keeping the impact of the Covid-19 pandemic under control," she said.

Lim said due to the current volatile market conditions, recommended an active stock selection strategy to build a portfolio that has higher probability of outperforming the equity benchmark index.

An active stock selection strategy identifies investment opportunities in individual stocks based on their fundamental strengths.

"The strategy is key to the fund house's investment approach to aim for consistent long-term returns for the benefit of investors, and is even more critical during times of market volatility, such as these," she said.

To help investors understand current market developments and how UOBAM Malaysia generates returns through investment strategies such as active stock selection, the fund house launched "One Minute Insight", a weekly online video programme.

It features UOBAM Malaysia's investment experts who will share their insights into the latest market and investment trends with corporate and individual investors in a digital, bite-sized format.

The programme will provide an insight about global trends and also offer investors investment tips to help them make decisions to optimise their asset portfolios across local, regional and global markets.

It will be available in English, Bahasa Malaysia and Chinese. Visit www.uobam.com.my to view the pilot episode of the programme.