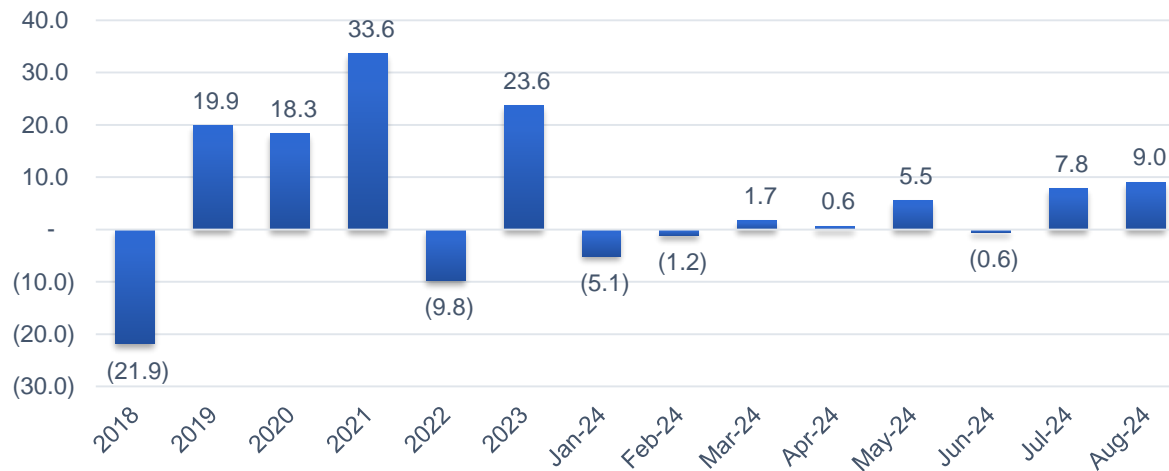
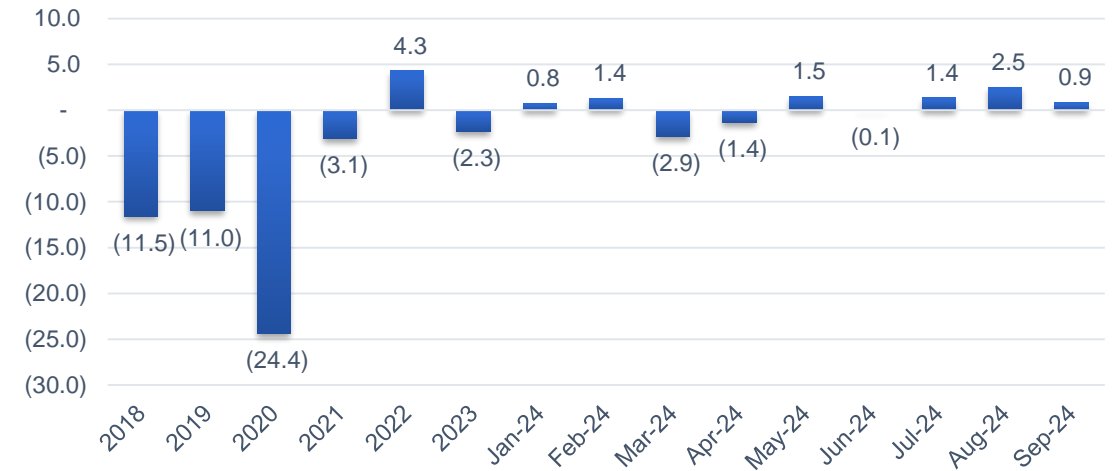


Foreign fund flows – Malaysia is in a sweet spot now.

Foreign fund flows in bonds (RM billion)



Fund flows in equities (RM billion)

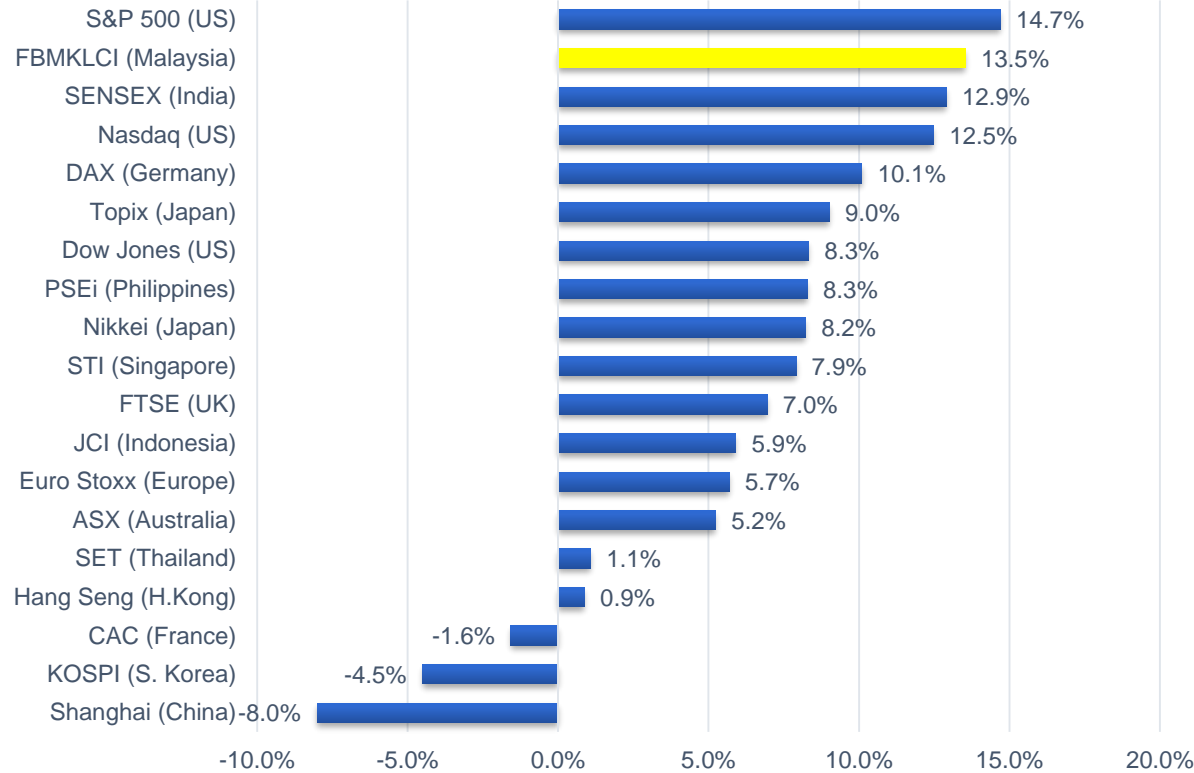


Sources: BNM, Bursa Malaysia, Maybank IB & CEIC

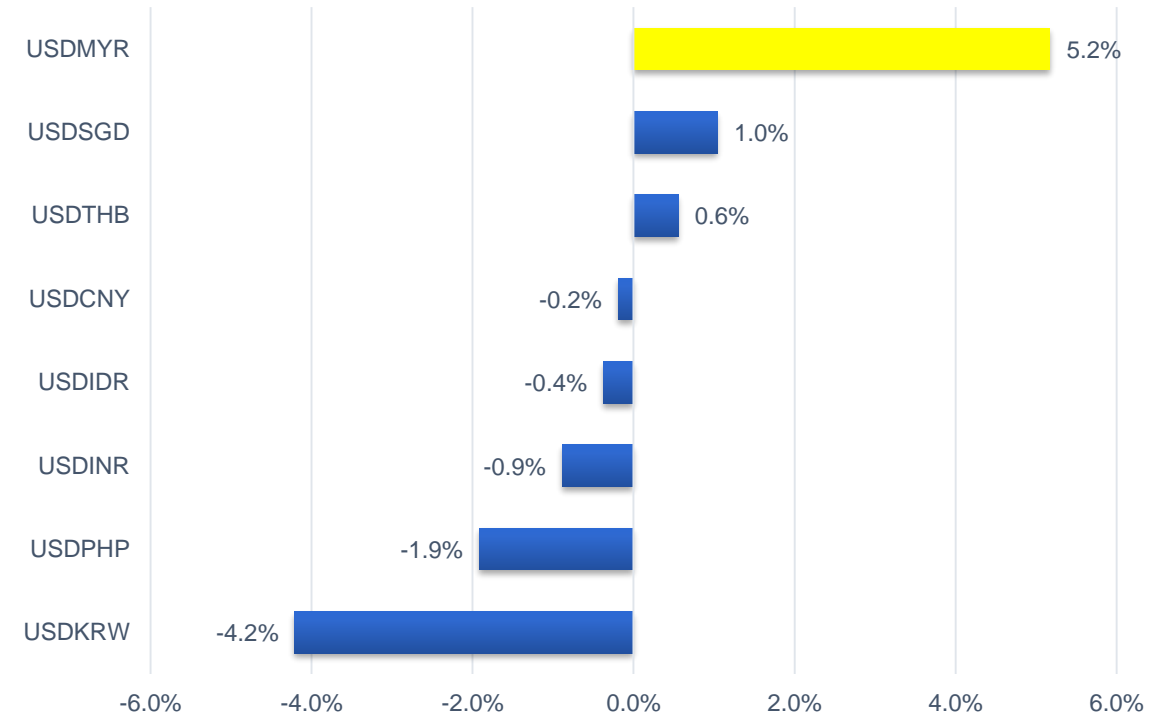
Foreign investors have become more sanguine on Malaysia’s capital market at the moment. This was premised on the net foreign fund flows which showed that foreign investors have become a net buyer in the Malaysian bonds and equities market. During August, foreign investors recorded net purchases totaling RM9.0 billion in the bonds market led by RM6.2 billion net purchases in the Malaysian Government Securities (MGS) followed by RM0.8 billion in Government Investment Issues (GII), and RM0.6 billion and RM0.7 billion in Treasury Bills (T Bills) and Malaysia Islamic Treasury Bills (MITB) respectively. Similarly, foreign investors were net buyer in the equities market amounting to RM2.5 billion in August from RM1.4 billion in the preceding month. Between 2 September and 9 September, net purchases by the foreign investors was at RM0.9 billion, suggesting the demand for Malaysian equities are on the rise among the foreign funds. Such trend was in tandem with the recent upgrades by several global investment banks which some of them have accorded an “Overweight” rating on Malaysia.

Malaysia is the top performing equities and currency

Benchmark equities index year-to-date%



Asian currencies against the US Dollar year-to-date



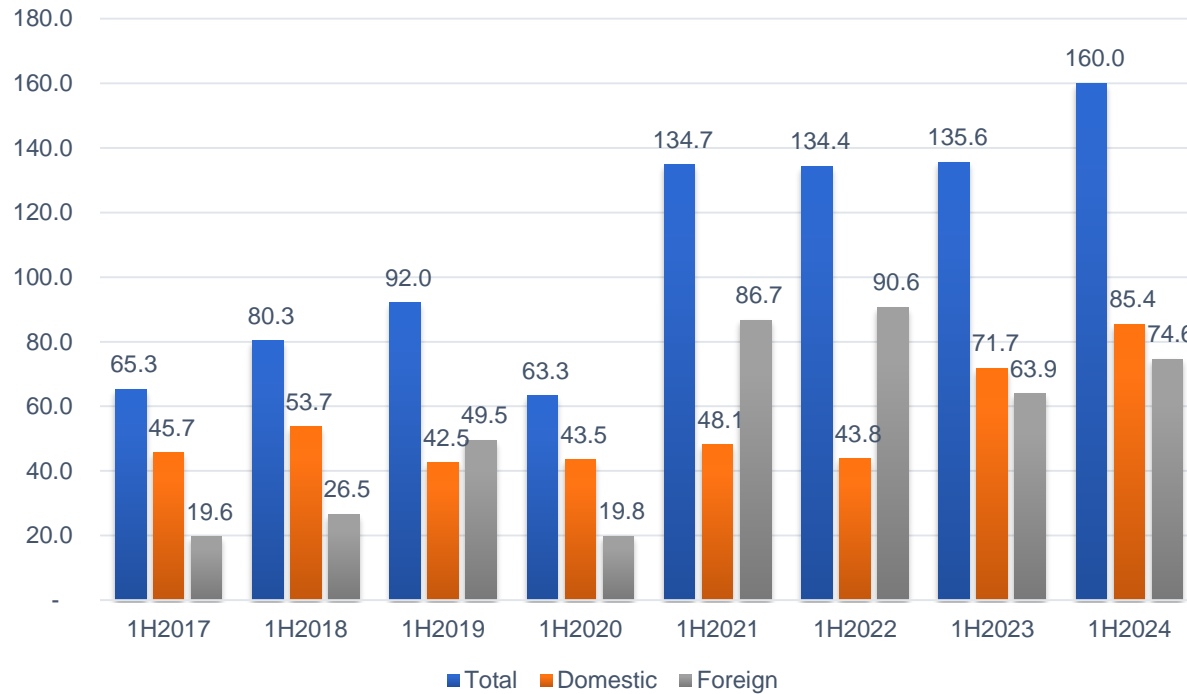
Sources: CEIC & Bloomberg

Following more inflows from the foreign funds, the FBMKLCI and USDMYR have recorded respectable gains on a year-to-date basis. The FBMKLCI gained 13.5% since the beginning of the year and become one of the best performing equities benchmark globally. Similarly, the ringgit is the top gainers against the greenback, rising 5.2% between January and September. This clearly shows that foreign investors have been extremely constructive on Malaysian financial assets. It also signals the engagement session with the foreign fund managers by the government officials along with the implementation of economic reforms have resulted improved confidence among the foreign investors.

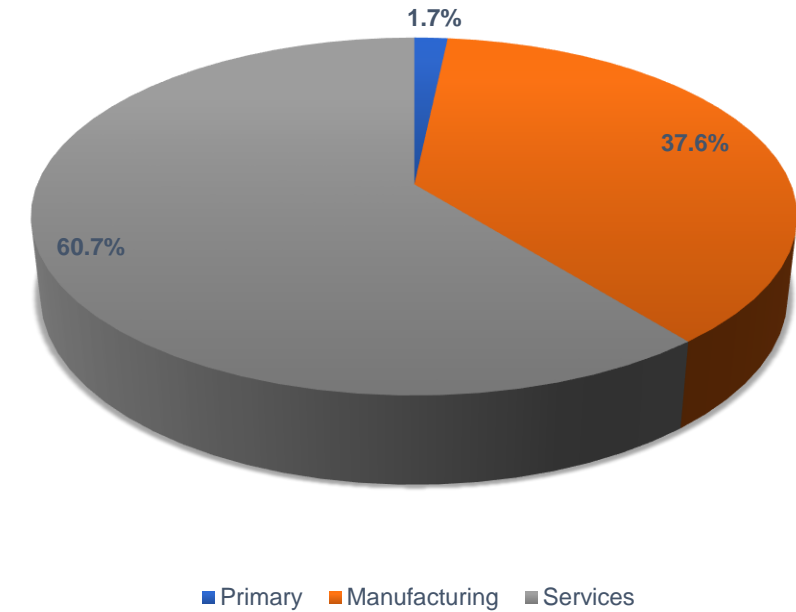
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Approved investment growing at double digit pace in the 1H2024.

Total approved investments (RM billion)



Approved investment by sector in 2Q2024



Sources: MIDA, DOSM & CEIC

While portfolio investments have recorded more inflows from abroad, investments in the real economy has also demonstrated similar trends. Total approved investment for the 1H2024 stood at RM160.0 billion, representing 18.0% growth over the same period last year. Both, domestic and foreign investment were expanding at a robust rate of 19.1% and 16.7% to RM85.4 billion and RM74.6 billion in the first six months of this year. Based on industries, services and manufacturing sector were the main driver accounting for 61% and 38% of total approved investment. Growth in the approved investments in services and manufacturing sector rose 14.4% and 34.1% to RM97.2 billion (Domestic: RM70.5 billion, Foreign: RM26.7 billion) and RM6.1 billion (Domestic: RM12.5 billion, Foreign: RM47.6 billion) respectively.

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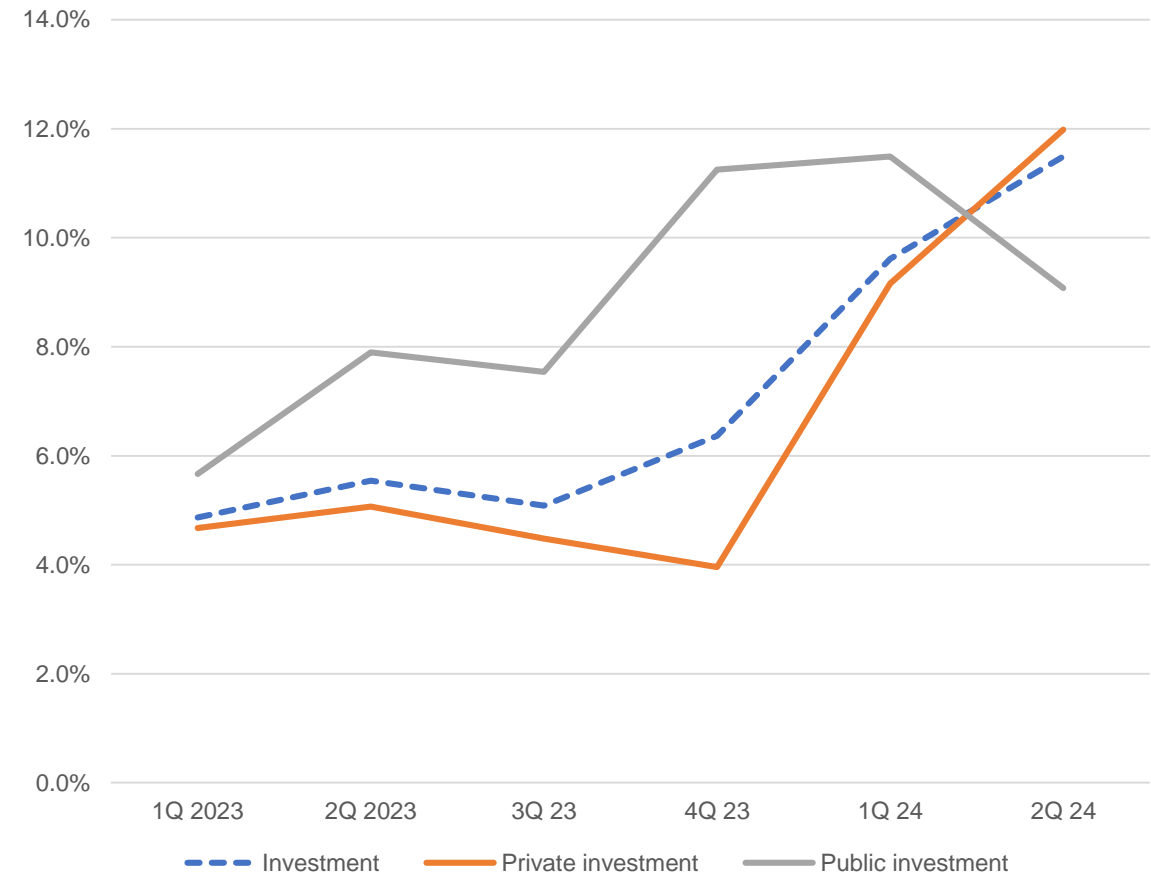
Outlook in the next 3 months.

After several years of lackluster performance especially since 2018, interests among the foreign investors towards Malaysian financial markets have improved considerably. While one might argue that this trend is still at the early days, investment activities in the real sector has also picked up, suggesting that it is not merely a superficial gain. This was premised on the realisation of the approved investments which have been commendable, leading to higher investment growth of 11.5% in the 2Q2024 (1Q2024: 9.6%) underpinned by strong growth in the private investment (12.0% in 2Q2024 vs 9.2% in 1Q2024).

Despite that, the evolving outlook on the path of interest rates especially in the US will set the tone for market sentiments. More importantly is the context for the eventual monetary easing by the US Fed. At the moment, a soft landing scenario seems to be the base case among the investing community and the policy makers.

Regardless, Malaysia is indeed in a sweet spot. The undervaluation of ringgit and the equities market suggests that the upside potential is highly visible. However, the economic reforms momentum especially on fiscal consolidation will have to be sustained. As such, we revised our USDMYR year end target from RM4.50 to RM4.40 while projection for FBMKLCI maintained at 1,680 points, taking into consideration the enthusiasm depicted by the foreign fund flows.

Investment growth



Sources: DOSM & CEIC