

## **KLCI to track corporate earnings and test 1,650 points next year, says Rakuten**

KUALA LUMPUR (Aug 29): The FBM KLCI is expected to breach 1,650 points next year, underpinned by continued better corporate earnings and stronger economic growth.

Rakuten Trade Sdn Bhd head of research Kenny Yee said that with stable foreign fund inflows, the appeal of Bursa Malaysia as a low volatility market is expected to attract more investors seeking low-risk trading.

"This year, we expect the index to exceed 1,600 or around 1,650 levels, supported by foreign fund flows. In the past few months, foreign funds have been consistently flowing in. We already have net inflows touching RM8 billion.

"I think next year, corporate earnings will perform better, because [for now] there is still some degree of uncertainty in the market due to Cukai Makmur (the prosperity tax) that the corporates will have to fork out.

"Yet, Corporate Malaysia so far have managed to increase earnings growth. Next year should be better," he told the media after the launch of Rakuten Trade's Foreign Share Trading Service that converts funds between ringgit and US dollars.

Separately, MIDF Research in its weekly fund flow report on Monday (Aug 29) said that to date, international funds were net buyers for 23 out of 34 weeks of 2022, with a total net inflow of RM7.97 billion.

It said local institutions were net sellers for 27 out of 34 weeks, with a total net outflow of RM9.76 billion.

Yee further said the inflationary pressure in the market is unlikely to deter trading activities among investors, as Malaysia's inflation numbers are relatively low compared to other regional peers, while leading indicators have been showing positive growth.

Malaysia's inflation increased to 3.4% in June, according to the **Department of Statistics Malaysia**.

On the ringgit, Yee commented that reduced concern of a recession risk in the US and higher crude oil prices are likely to extend support to the local unit.

"Over the short term, the ringgit is still in a weak cycle against the US dollar. But the ringgit is strengthening against our regional peers. Once the US Federal Reserve eases its tightening, it may allow the ringgit to stage a rebound," he said.

He added that stocks from the technology, financial services and telecommunications sectors are the most attractive to investors.

"Our investors always like tech stocks. But personally, I prefer financial stocks, such as banks. Real estate investment trusts are also doing well. Telecommunications-related stocks are underperforming, but once the uncertainty is removed, there will be an upswing in the telco sector," said Yee.

Meanwhile in the same event, Rakuten Trade chief executive officer Kazumase Mise said the enhanced feature of converting ringgit to US dollars on Rakuten's trade platform is expected to attract investors who are looking for more liquidity in the US market.

"To date, almost 25,000 US trading accounts have been activated through Rakuten Trade, with about 70,000 orders matched successfully.

"It also serves as a catalyst for new investors to test trading strategies on Bursa before diversifying into the US market. Our data shows that more than 85% of our clients trade first on Bursa before moving to the US market," said Mise.

Mise said Rakuten Trade expects to launch the same service in Hong Kong in the fourth quarter.

As of July 31, Rakuten Trade had activated more than 250,000 trading accounts and transacted more than RM105 billion in total trading value on Bursa since business day one.

Its clients' assets under trust stood at almost RM3.5 billion.

<https://www.theedgemarkets.com/article/klci-track-corporate-earnings-and-test-1650-points-next-year-says-rakuten>