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Reeling reluctant retailers in

The Star, Malaysia



STOCK MARKET

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PETALING JAYA: While retail investors are active on major exchanges, their participation has eased on Bursa Malaysia despite the market benchmark posting 8.34% gains year-to-date (y-t-d) and being within an earshot of the 1,600-point level.

MIDF Research noted that in the first three months of the year, local retailers net sold RM1.3bil worth of stocks and their trading activity fell to 19.5% of total trades in February and March from above a 25% average over 12 months prior.

The retail net-selling in March was also the ninth consecutive month of selling by local retailers and the trend continued into April.

A remisier with a local brokerage told

“Retailers are attracted by a ‘hot’ market but interest on Bursa has mainly been in big-cap stocks, which local institutional investors were buying due to a more positive outlook for the local market.”

A remisier

StarBiz he was unsure why retailers were less active, speculating it could be due to a combination of rising living cost factors, the weaker ringgit including money switching into the rally in bitcoin.

“Retailers are attracted by a ‘hot’ market but interest on Bursa has mainly been in big-cap stocks, which local institutional investors were buying due to a more positive outlook for the local market following

the politically stable environment, higher investments and policy direction.

“This has helped the benchmark index rise to a two-year high.

“Retailers are probably waiting for more certainty on a continuation of the trend before returning, but it could be a case when they might get hit by some profit-taking instead,” he said.

If true, retail trading activity could be

facing further dampening once the government rolls out its subsidy rationalisation drive likely in the second half of the year.

While retail involvement may have weakened, average daily volumes of securities on Bursa Malaysia surged 36.9% to RM2.9bil in the first quarter of 2024 (1Q24) from RM2.1bil in the same quarter in 2023, Bursa noted yesterday.

That helped the exchange operator register a net profit of RM75mil or an earnings per share (EPS) of 9.3 sen for the period, up from RM56.17mil or an EPS of 6.9 sen in 1Q23.

Revenue for the quarter hit RM187.2mil, up from RM156.5mil in 1Q23.

Chehan Perera, managing director and head and strategist, Malaysia Research at CGS International said the interest in large-cap stocks on Bursa appeared to have come at the expense of retail participation.

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Significant market interest in YTL stable of companies

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“As several large-cap stocks have also done well this year on increased volumes, the retail participation would be affected.

“I would expect retail investors to gradually increase exposure if the market remains buoyant, which is what we expect,” he said.

Names like the YTL stable of companies and blue chips like Tenaga Nasional Bhd (TNB) and banks stocks have enjoyed significant interest from institutional investors with their prices at year highs driven by new business plans and investments and policy measures like the National Energy Transition Roadmap.

YTL Power International Bhd has risen from RM2.57 in early January to RM4.60 yesterday on improved prospects for its power generation business and data centre venture.

Its parent YTL Corp Bhd is up from RM1.92 to RM3.10 over the same period.

TNB was trading at RM9.92 in early January and closed at RM11.96 yesterday.

The heavy lifting of such stocks on the local bourse has been undertaken by local institutional investors that have continued their trend of net buying for the ninth consecutive week last week with a net purchase totalling RM143.3mil, MIDF Research noted.

In April, their purchases had amounted to RM2.9bil, absorbing the net selling by retailers and foreign institutions.

Local institutions recorded a net buy of RM3.5bil in March compared with a net sell of RM721.4mil in February.

While institutional buyers appear to be manning market trajectory, would lower trading costs by online trading platform Rakuten Trade and Moomoo get local retailers to return to the market? Perera does not believe so.

“Costs are already quite low especially if you are using online trading platforms,” he said adding increased participation from both segments is always healthy for the market.

Rookie investors have become active traders in 2024 in many major markets after benchmarks hit fresh highs, according to news reports.

Trading platforms like Charles Schwab and Robinhood Markets report increased trading interest among amateur investors in the United States who were attracted by the prospects of making quick money as stocks continue to rise higher as tamer inflation and bias for interest rates to head lower.

Inflation data in the United States had risen of late, dampening the prospects of multiple interest rate cuts in the world's largest economy.

Retailer participation on Bursa had hit a high during the Covid-19 pandemic years in 2020 and 2021 at 33% to 34% of trading participation as the lockdowns sparked trading interest.

That was also at a time when local institutional involvement in the local market was lower at 27% to 30%, data revealed.