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# Market cautious on US Federal Reserve stance

**PETALING JAYA:** The local stock market started the week in the red as investors continued to digest the United States Federal Reserve's (Fed) stance to increase interest rates earlier than expected.

Market sentiment in the stock market around the world has been dented since last week after the Fed said it was targeting at least one rate hike in 2023, which is earlier than expected after the central bank upped its gross domestic product (GDP) estimates for 2021 to 7%.

The Fed also plans another five interest rate hikes in 2024 and has started talks on how to end its crisis-era bond-buying.

Yesterday, the FBM KLCI index, which measures the performance of 30 main stocks on Bursa Malaysia, tumbled 16.81 points or 1.06% to 1,572.24 points dragged down by **Tenaga**

**Nasional Bhd**, IHH Healthcare Bhd and Sime Darby Plantation Bhd.

The broader market was negative as losers hammered gainers on a ratio of 784-to-309 stocks.

The weakness in the local market was in line with key regional markets with Japan's Nikkei 225 index down 3.29%, after a selloff on Wall Street last Friday.

South Korea's Kospi also ended down 27.14 points or 0.83%, to 3,240.79, while Hong Kong's Hang Seng index dropped 312.27 points, or 1.08%, at 28,489.00.

Rakuten Trade Sdn Bhd head of equity sales Vincent Lau said investors are still adjusting to the news of the potential interest rate hike in 2023 by the Fed.

He expects the market to trade range-bound

this week depending on the US market performances.

"The interest rate hike is only in 2023 and it is likely that the Fed may be concerned about inflationary pressures. But, the rate hike is not a full consensus and could change in the next meeting as the Fed's bond-buying programme is still ongoing," he told *StarBiz*.

Lau pointed out that there are pockets of opportunity in the market for investors to buy on weakness.

"The inflationary pressure is mainly due to the spike in commodity prices, not a demand-pull inflation," he added.

MIDF Research in a report said while the Fed has begun to discuss plans to taper its asset purchasing programme, the realisation of the plans will not be happening too soon.