

# RISK OUTLOOK

The global financial market, particularly the capital market, is expected to weather various risks and vulnerabilities stemming from geopolitical conditions and the monetary policy stance of major central banks amid the persistently increasing inflationary and growth concerns. Similarly, the Malaysian capital market would be exposed to the following risk drivers:

## TIGHTENING MONETARY POLICY



The global market shifted from abundant liquidity to tighter monetary and financial conditions which is expected to create heightened volatility.



Any deterioration in market liquidity conditions would impact overall equity market performance, particularly in emerging markets, as foreign fund inflows dissipate.



On the flip side, valuations are driven lower as global investors pare down their positions in the emerging markets, which could be a consequential opportunity for Malaysia given the strong fundamentals of Malaysian public-listed companies (PLCs).

## CAPITAL MARKET ATTRACTIVENESS



The domestic capital market is expected to remain resilient. Nonetheless, keeping pace with regional peers is key to maintain market attractiveness. Greater fundraising access and diversity of investment products and services will be a distinguishing advantage for Malaysia's capital market.



Passive funds constantly track benchmark indices such as the MSCI Emerging Markets Index. Therefore, Malaysia's weightage in those indices may influence fund flow from passive investors.



Finding unique propositions and driving value creation in Malaysian PLCs would be essential to attract investors.

## ECONOMIC CONDITIONS



The International Monetary Fund (IMF) has forecasted global growth to slow down from 3.2% in 2022 to 2.7% in 2023, the weakest growth profile since 2001 apart from the global financial crisis in 2008 and the COVID-19 in 2020.



Downside risks to economic growth would add further constraints on the corporates' bottom-lines, amid volatile commodity prices, further disruptions to global supply chains and US dollar strength.



Rising interest rates would also increase the funding costs while overly leveraged firms could face increased pressure in servicing their debts.

## SUSTAINABILITY



Sustainability has garnered much attention globally especially with the adoption of the 2030 Agenda for Sustainable Development by all United Nations Member States.



Capital market investors have also increasingly emphasised the importance of environmental, social and governance in making their investment considerations.



Given countries' varying stages of implementation, disclosures and transition risk remain key challenges for capital market participants.