KAF Investment Funds Berhad

Market Insights & Perspectives – July 2026

Equity Market Outlook

Regional Markets

Global equity markets exhibited divergent performances in June 2026, reflecting sector rotations and regional macroeconomic developments. In the United States, the Dow Jones Industrial Average advanced by 2.52%, supported by the US-Iran peace agreement which eased geopolitical risks and tech-selloff triggering a rotation into value and cyclical equities. Conversely, the S&P 500 declined by 1.06% and the Nasdaq Composite retreated by 2.81%. This underperformance was primarily driven by selling pressure within technology and growth-oriented equities amid stretched valuations and profit taking activities. Meanwhile, European equities demonstrated resilience, with the STOXX Europe 600 Index advancing 2.51%.

Asian markets displayed significant variance. Japan's Nikkei 225 advanced 5.63%, continuing its robust momentum. This rally was largely underpinned by sustained institutional buying in artificial intelligence related equities. Chinese equities were mixed, with the Shanghai Composite edging up 0.63% and the Shenzhen Composite advancing 1.25%, contrasting sharply with the Hang Seng Index, which declined 9.14% amid ongoing structural market headwinds. South Korea's KOSPI ended the month completely flat at 0%. KOSPI initially started the month on a strong trajectory, advancing mid-month on the back of aggressive buying in chip related equities following robust global demand and SK Hynix's announced plans for a significant Nasdaq listing. However, the index subsequently fell flat as investors engaged in heavy profit realization and trimmed positions amid mounting valuation concerns within the technology sector.

Southeast Asian equities recorded mixed performances throughout the month. The Philippine PSEi was a standout outperformer, advancing 4.65%. Thailand's SET index added 1.46%, and Singapore's STI recorded a gain of 2.63%. Vietnam's VNX index recorded a marginal decrease of 0.19%. Conversely, Indonesia's Jakarta Composite Index emerged as the region's primary laggard, declining 7.9%. Investor sentiment toward Indonesian equities was severely dampened by escalating fears that the market could face a potential downgrade from its current emerging market status to a frontier market by global index provider MSCI.

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Local Markets

In Malaysia, the FBM KLCI fell 1.13% in June, weighed down by persistent foreign selling, regional technology weakness, and pre-election risk aversion ahead of upcoming state elections. The broader market reflected this downward trajectory, with the FBM Emas Index declining 1.55% and the FBM Small Cap Index dropping 0.42%. Market sentiment saw brief improvement following the signing of the United States and Iran peace agreement, though concerns over global interest rate trajectories persisted.

Foreign investors remained net sellers for a second consecutive month, recording net outflows of RM2.38 billion. This brought foreign shareholding by market capitalisation to a record low of 18.3%. Conversely, local institutional investors acted as a stabilizing force, absorbing the selling pressure as the largest net buyers with net inflows of RM2.89 billion. Local retail investors also provided support, recording net inflows of RM453 million. Average daily trading value experienced a month-on-month decline, falling to RM3.0 billion.

Sectoral equity performance exhibited significant divergence throughout the period. The Plantation sector emerged as the primary outperformer, registering a gain of 4.18%, driven by upward momentum in constituents such as Hap Seng Plantations and Sarawak Oil Palms advancing 11.96% and 10% respectively. The Construction sector followed with a 1.69% expansion, bolstered by heavyweights including Gamuda increasing 4.05% in June. Conversely, the Property, Healthcare, and Industrial Products sectors constituted the most significant market laggards, contracting by 10.09%, 9.02%, and 8.69%, respectively. Moving into the second half of the year, the broader market trajectory will likely remain contingent upon domestic political developments, corporate earnings visibility, and external macroeconomic indicators.