Wealth Management Digest

December 2022

Exclusively for AmBank SIGNATURE Priority Banking Customers

AmBank
SIGNATURE
PRIORITY BANKING

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Market Overview

Total Returns (%) Year-To-Date (At Month End)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
MSCI Global Equities	-4.89%	-7.32%	-5.25%	-12.80%	-12.64%	-19.97%	-14.35%	-17.47%	-25.33%	-20.80%	-14.62%
MSCI Developed Market Equities	-5.27%	-7.63%	-5.03%	-12.88%	-12.75%	-20.28%	-13.92%	-17.49%	-25.11%	-19.72%	-14.09%
MSCI Emerging Markets Equities	-1.90%	-4.85%	-6.96%	-12.12%	-11.72%	-17.53%	-17.68%	-17.31%	-26.96%	-29.22%	-18.71%
MSCI Asia ex Jn Equities	-4.35%	-5.38%	-5.85%	-11.89%	-11.32%	-16.96%	-15.47%	-16.23%	-26.07%	-27.51%	-16.63%
S&P 500 (US) Equities	-5.17%	-8.02%	-4.60%	-12.92%	-12.76%	-19.97%	-12.59%	-16.15%	-23.88%	-17.72%	-13.12%
STOXX 600 (EU) Equities	-3.81%	-6.92%	-5.87%	-6.41%	-6.98%	-14.42%	-7.78%	-12.42%	-18.05%	-12.83%	-6.80%
CSI 300 (China) Equities	-7.62%	-7.26%	-14.53%	-18.64%	-16.95%	-8.30%	-14.10%	-15.79%	-21.40%	-27.47%	-20.34%
HSI (HK) Equities	1.73%	-2.92%	-5.66%	-9.54%	-7.60%	-4.82%	-11.79%	-12.47%	-23.98%	-35.17%	-17.81%
MSCI Malaysia (MY) Equities	-3.14%	2.49%	2.88%	3.61%	1.83%	-5.94%	-2.72%	-1.65%	-8.04%	-3.48%	-1.19%
Bloomberg Global IG Bond	-2.05%	-3.21%	-6.16%	-11.30%	-11.06%	-13.91%	-12.08%	-15.55%	-19.89%	-20.44%	-16.69%
Bloomberg Global HY Bond	-2.54%	-4.87%	-5.69%	-10.02%	-10.10%	-16.87%	-13.51%	-14.81%	-19.15%	-17.41%	-13.56%

Source: Bloomberg, as of 30 November 2022

GLOBAL EQUITIES

Sentiments improved globally as investors expect the US Central Bank to increase interest rates at a slower pace compared to previous month. This allayed worries that the aggressive monetary policy tightening would push the economy into a deep recession, creating a challenge for the country's recovery. Softer increases to US interest rates also allow other global central banks to take a less aggressive approach towards managing inflation. Investors understand that interest rates are unlikely to turn accommodative, but slower hikes will eventually lead to a pause in tightening, which will improve financial stability and translate into better economic performance. Markets are also running higher on the expectations that interest rates could be cut by the end of 2023 or towards the first half of 2024, as inflationary pressures start to ease and the economy cools.

ASIA PACIFIC EQUITIES

Asian equities closed the gap in November, powered by stronger returns in China. Stimulus support announced by Beijing, through accommodative central bank monetary policy, as well as targeted initiatives for the property sector has raised hopes that growth outlook can improve in the coming year. While November remained volatile, as investors reacted to continued COVID lockdowns and protests against President Xi Jinping's governance during the pandemic, the softer tone by policymakers raised hopes that the lockdowns could end sooner rather than later. Across the rest of Asia, healthy earnings in the third quarter as well as expectations for growth momentum to be sustained as inflationary pressures start to ease and global central banks start to talk about alleviating the liquidity crunch in the market has also boosted optimism and reduced the intensity of capital outflows.

MALAYSIAN EQUITIES

Malaysian equities inched closer towards positive territory in November after 5-months in the red on a year-to-date basis, boosted by the appointment of Anwar Ibrahim as the 10th Prime Minister of the country. The led up to the appointment had caused volatility in the market, but investors are now hoping that political stability would lead to better policymaking and a focus on rebuilding the structural pillars of the economy.

Source: AmBank Retail Wealth Management Advisory & Research (as at 30 November 2022)

News Topics – Business & Economy

Malaysia's Elections Ends With Anwar Ibrahim As PM10

5-days of uncertainty post-election day ended with Anwar Ibrahim securing the appointment as the 10th Prime Minister (PM10) of Malaysia. The move comes after the Yang di-Pertuan Agong selected the veteran politician to build a unity government following the mixed results of the election where 2 main parties commanded the votes and raced to form the next government.

PM10's administration is set focus on overcoming the cost-of-living issues that Malaysians are facing. The administration aims to cut out cartels, ensuring sufficient supplies of key food products and boosting employment in the agricultural sector to ensure national food security.

Beyond that, the new government has also pledged to make structural repairs to build trust in local institutions, safeguarding parliamentary sovereignty and improving media freedom and the rakyat's freedom of expression.

The new government is also expected to pass the Budget 2023 previously introduced by PM9's administration, but with some tweaks to manage out policies that can stoke inflationary pressure higher. Focus will also be on increasing geographical competitiveness.

PM10's party, Pakatan Harapan, has pledged to implement the Malaysia Agreement 1963 and the Inter-Governmental Committee Report to empower peace and prosperity in Sabah and Sarawak.

In the near-term, the focus will be on the shape of the new unity government with several parties joining Pakatan Harapan, such as Barisan Nasional, Gabungan Parti Sarawak and Gabungan Rakyat Sabah, with invitations extended to other parties such as Perikatan Nasional.

PM10 has pledged to chop the bloated cabinet from the previous administration, and to take a pay-cut. The new government will test its majority in its first sitting on 19th December 2022.

Source: FMT, NST, The Star (November 2022)

Malaysia's Inflation Reading Hits 4% Year-On-Year In October

Malaysia's consumer price index (CPI) rose 4% year-on-year in October 2022. The figures were above market consensus for the reading to come in at 3.9%. While October's figures remain elevated, it is lower compared to September's 4.5% reading.

Core CPI, which measures inflationary pressures of all goods and services except for volatile items such as fresh food and administered prices of goods by the government, rose by 4.1% in October.

Since the start of the year, inflation has increased 3.3% compared to the previous year. The figure is above Bank Negara Malaysia's inflation target of between 2-3% for the whole of 2022. Inflation has averaged 2.7% so far this year.

The softer reading in October, as compared to September, was attributed to slower increase in housing, water, electricity, gas, and other fuel costs. September's inflation reading was also boosted due to the previous year's low base effects, as utility costs were managed lower through the launch of the People's Well-Being and Economic Recovery Package (Pemulih) from July to September 2021.

Apart from utilities, costs were generally higher for most other categories, with restaurants and hotels recording a 6.8% increase, while transportation costs rose 5.2%. Controlled goods such as poultry also rose, up 4.8% in October compared to the 3.7% increase in September. The average price of standard chicken in Peninsular Malaysia in October 2022 rose to RM 9.46 per kg, compared to RM 9.17 per kg in September 2022. This figure is also above the control price set by the government, at RM 9.40 per kg.

The rise in inflation with be a challenge for the incoming administration to address and will also be watched closely by Bank Negara officials, to decide how and when they would need to tweak monetary policy to avoid an overheating in the domestic economy.

Source: DOSM, The Star (October 2022)

News Topics – Business & Economy

Fed Minutes Say, "Smaller Rate Hikes" Coming Soon

The release of the US Fed's November meeting minutes has been a cause for celebration for markets, confirming expectations that policymakers are starting to consider slowing the pace of interest rate hikes moving forward.

While inflationary pressures are showing signs of slowing, this isn't the main reason for policymakers to reconsider their position. Instead, concern for financial and economic stability has been on investors minds.

Markets are now expecting the Federal Open Market Committee (FOMC) to hike by 50 basis points in the December meeting instead of 75 basis points. The central bank has hike rates by 75 basis point consecutively the past 4 meetings leading to December.

Members of the FOMC also intended to assess the impact of previous interest rate hikes on bringing inflationary pressure down – with some officials indicating that they are seeing few signs of inflation abating so far.

Markets are currently pricing in rate hikes to continue up till the first quarter of 2023, before officials pause. At this point, the benchmark interest rate is set to be around 4.75%-to-5.00%. By the fourth quarter of 2023, the central bank is likely to start cutting interest rates according to the current market expectations. However, markets are only pricing in 25 basis point hikes at every meeting instead of the Fed's guidance of 50 basis points.

US inflation data remains elevated, with the reading in October at 7.7% compared to a year ago. This figure is the lowest reading since January 2022 but is still above the long-term Fed target of 2%.

The aggressive rate hikes since the start of the year is pushing the US economy deeper towards a recession, and these risks are set to remain in place as policymakers keep their foot on the pedal to contain inflation risks.

Fed Chair Jerome Powell indicated that the central bank is willing to risk slowing the economy in order to ensure long-term stability.

Source: CNBC (November 2022)

US Retail Sales Rebounds In The 4th Quarter

US retail sales rose more than expected in October up 1.3% year-on-year. The stronger figures were supported by a pick-up in motor vehicle purchases and a range of other goods, which is a good indicator that consumer spending is enduring.

This comes despite inflationary pressures staying near 40-year highs and as consumers deal with rising borrowing costs as the US central bank hikes interest rates.

Inflation reading has softened to 7.7% in October, its lowest reading since the start of the year, which has helped improve consumer purchasing power. While the figures have been encouraging, it does not mark a shift in the economy, which is expected to enter a recession in the next 12-months.

Recession risk has emerged as the economy faces an environment of higher costs amid the supply crunch and higher commodity prices pressing down on consumer and business confidence, while the pick-up in interest rates has also weighed down on borrowing costs.

Despite this, October was a positive month for retail sales largely due to tax refunds in some states, while companies such as Amazon.com held its Prime Day promotion, which helped underpin sales for the month.

This momentum is expected to continue in November and December as we enter the holiday season, with discounts and inventory clearance sales are set to help consumers stretch their budgets for the month and alleviate the pain from inflationary pressures, albeit temporarily.

The National Retail Federation has forecasted holiday sales to growth between 6-8%. While this figure is a step down from the 13.5% recorded in 2021, it is still above the 4.9% average over the past 10-years.

Consumers spending is expected to remain resilient but growing at a slower pace compared to the initial boost in the post-pandemic environment.

Source: Reuters (November 2022)

News Topics – Business & Economy

China Announces 16-Point Rescue Plan For The Property Market

Beijing announced plans to support the property market, which has been hit by regulatory pressures since the end of 2020. Initiatives includes:

- Financial institutions to boost lending to developers that have sound governance.
- Lower down payment requirements and mortgage rates for homebuyers.
- Continuous and stable fundraising for construction companies.
- Outstanding loans to developers to be extended for 6-months.
- Government to support bond issuances by quality developers. Room for negotiations.
- Trust companies encouraged to lend to property developers for M&A activity.
- Policy banks to increase bridging loans for project completion.
- Delayed residential projects to get further financial assistance.
- Financial institutions to support acquisition of property projects from weaker rivals.
- Asset managers encouraged to restructure debt on residential property.
- Banks to negotiate with homebuyers to extend mortgage payments.
- Government to protect buyers credit scores to improve confidence.
- Easing of bank lending restrictions to property developers.
- Financing rules have been eased for acquisitions.
- Financial institutions to ramp up support for rental properties.
- Banks to issue bonds dedicated to building rental properties.

Source: The Business Times (November 2022)

China's State Council To Cut RRR, Boosting Economic Recovery

China's State Council, led by Premier Li Keqiang, has indicated that it would make cuts to the reserve requirement ration (RRR) in order to boost liquidity in the local economy.

The RRR determines the amount of funds that banks keep in reserve. By cutting the RRR, the government is encouraging banks to boost lending to both consumers and businesses. The higher liquidity at banks could also lower lending rates.

China has been facing a downturn in the economy, hurt by COVID-19 restrictions and the contraction in the property market. The country has been struggling to recover since the start of the year.

There have been some policy efforts by officials to boost the recovery prospects, but so far the results have been lacklustre. The State Council has indicated that the fourth quarter of the year will be a crucial period to achieve full-year growth targets.

Cuts to the RRR is expected towards the end of November, or in December. The PBOC last cut the RRR - the amount of cash that banks must hold as reserves - by 25 basis points in April when commercial hub Shanghai entered a citywide lockdown.

Despite this, the central bank is not turning all the liquidity taps – with the PBOC keeping benchmark lending rates unchanged for the third straight month in November, due to the weaker yuan and continued outflows from the country as investors chase higher yields in the developed markets. This limits the PBOCs ability to adjust interest rates.

Officials have indicated that China's economic operations are still within a reasonable range and strive to achieve relatively good results, with the previous fiscal and financial policies were having an effect but still had great potential.

Source: Reuters (November 2022)

Economic Events – Commentary & Charts

Malaysia:

Signs Of Slowing External Trade Becomes Apparent

Highlights

Moving into 4Q22, Malaysia's total external trade surged 21.1% y/y to RM245.2bn (Sept'22: 31.3%) in October 2022, marking the 21st straight months of double-digit growth. But it was the slowest pace since Feb'22.

Export-wise, it rose 15.0% y/y to RM131.6bn (Sept'22: 30.1%), which brings the total exports for the first 10-months of 2022 to RM1.29tn (28.5% y/y) the highest level on record. Imports grew faster as it expanded 29.2% y/y to RM113.5bn (Sept'22: 32.8%), which translates to a total import of RM1.08tn (35.4%) over the same period.

On monthly basis, exports fell 8.7% m/m (Sept'22: 2.1%) while imports grew marginally by 1.0% m/m (Sept'22: -9.5%). Hence, our trade balance narrowed to RM18.1bn, sharply lower than RM31.8bn in the previous months.

Exports was supported by manufactured products, up 12.6% y/y (Sept'22: 28.6%) — petroleum products (Oct'22: 80.9%, Sept'22: 83.3%), and E&E products (Oct'22: 19%, Sept'22: 39.9%).

Mining grew 85.9% y/y (Sept'22: 89.0%), buoyed by crude petroleum (Oct'22: 103.4%, Sept'22: 74.3%) and LNG (Oct'22: 127.8%, Sept'22: 142.0%).

However, agriculture sector declined 7.0% y/y (Sept'22: +8.1% y/y), marking the first contraction since Jan'21, due to the decrease of natural rubber at -34.1% y/y (Sept'22: -10.1%) and decrease of palm-oil at -12.5% y/y (Sept'22: +8.3%).

Meanwhile, strong imports came from intermediate goods up 26.3% y/y (Sept'22: 35.2%), capital goods rose 42.1% y/y (Sept'22: 28.0%), and consumption goods gain by 21.6% (Sept'22: 28.2%).

Key Takeaways

Despite the healthy growth, our exports seem to be showing signs of slowdown. This can be seen from the manufacturing sector — certain sub products are coming off from their peaks including wood products and metal products which declined by 11.7% and 8.1% m/m, respectively.

Both have been contracting for the fourth consecutive month. Manufacturing of rubber products are already down to its pre-pandemic level at around RM2.0bn compared to its peak of RM7.5bn in Apr'21. The dissipating low base effects have helped eased exports growth. And more export components are now posting single digit or even contracting annual growth as well.

Meanwhile, imports are still looking healthy as it continues to post more than 20% annual growth for the past eight months. This could be attributed to re-exports. Throughout 2019, the average share of reexports of all the gross imports value was around 20.1% and in JanOct'22, it rose to 25.3%. This is amidst the steady falling segment of consumption goods (7.5% in Oct'22 vs. 8.3% in Oct'19).

With the YTD exports growth average now at 26.4% y/y, we revise upwardly our export growth projection for 2022 to 25.5% - 26.5% (previous 24% - 25%) where the growth will be slower in 4Q22 due to high base (Nov and Dec'21 average at 31.4%) and slowing global growth. We maintain our 2022 GDP growth at 8.5% - 9.0%.

Source: AmBank Research

Economic Events – Commentary & Charts

Chart 1: Malaysia Exports & Imports (% y/y)

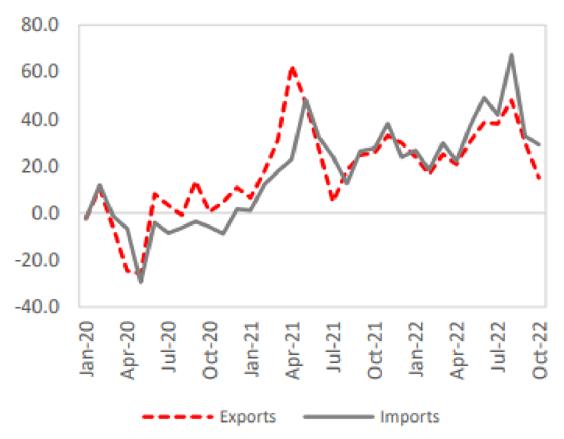


Chart 2: Malaysia Total Trades (RM'bn)

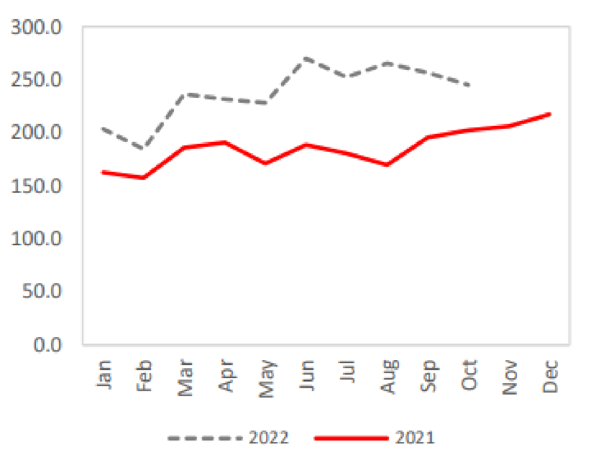


Chart 3: Exports By Sectors (Jan'20 = 100)

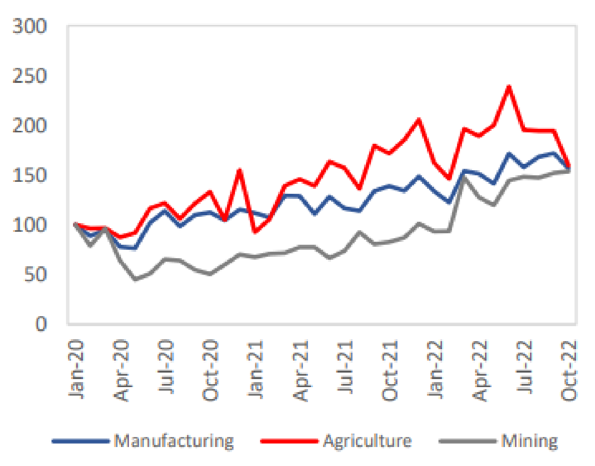


Chart 4: E&E Exports & Global Net Billing (%y/y)

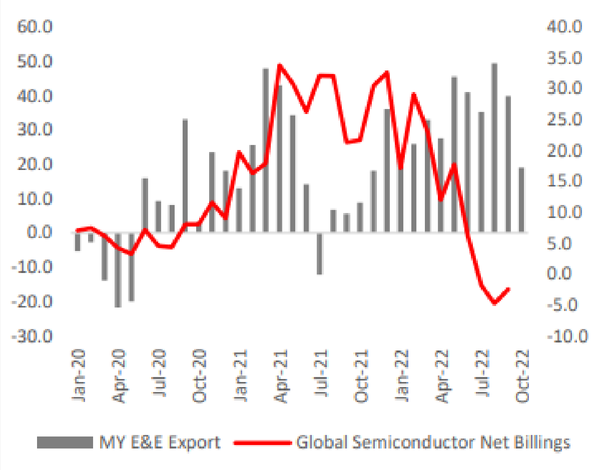
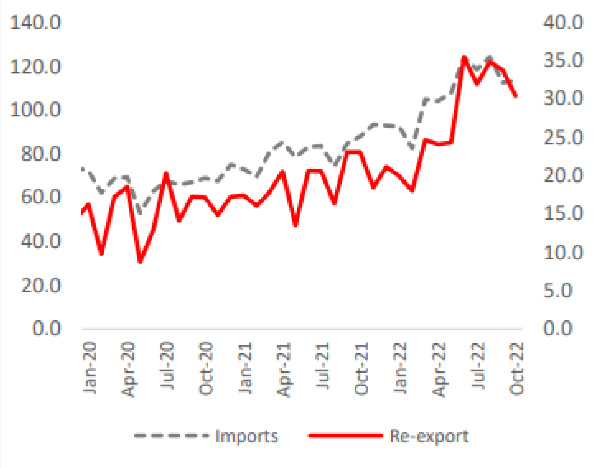
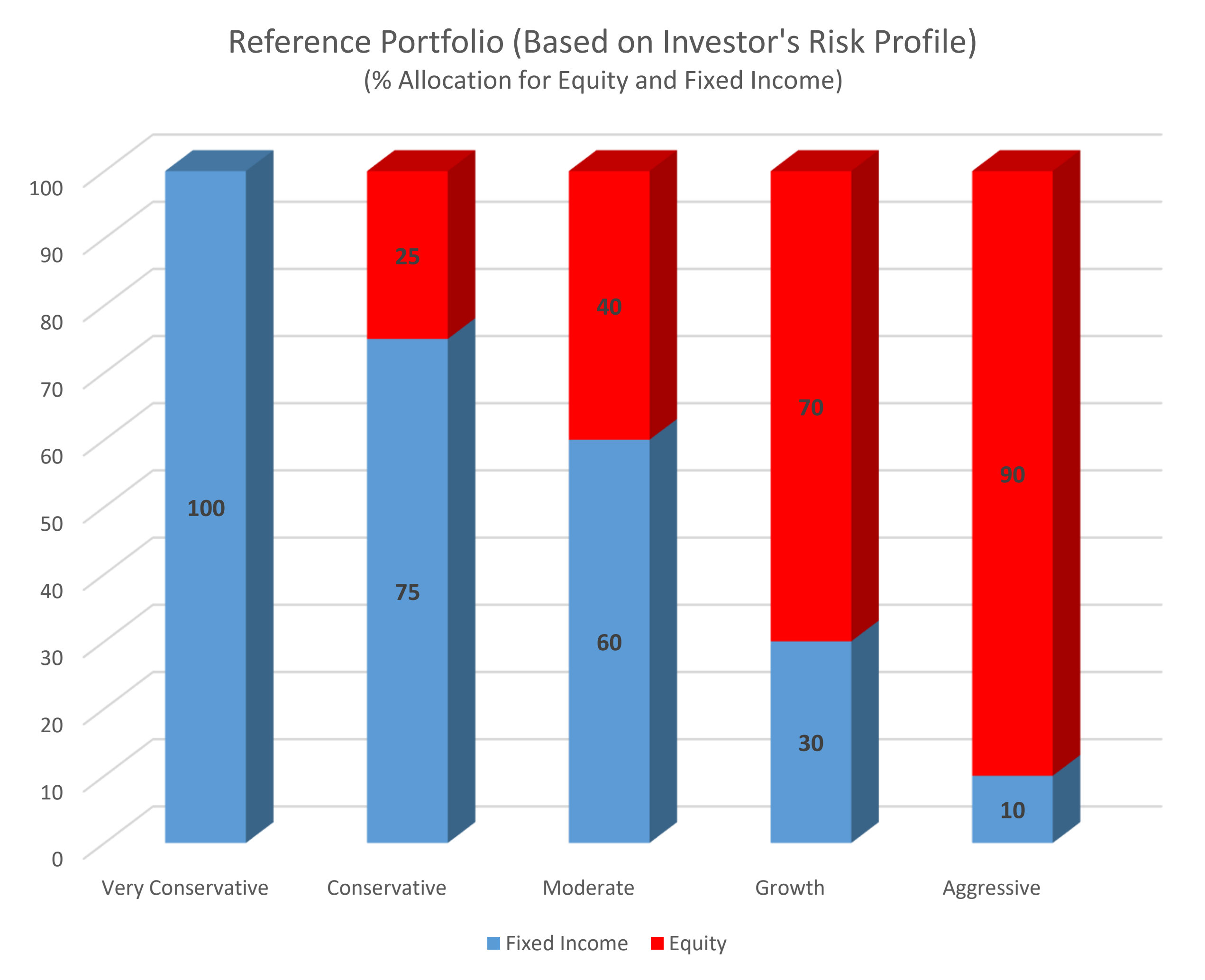


Chart 5: Malaysia Re-Exports & Imports (RM'bn)



Fund Focus – 4th Quarter 2022



Source: AmBank

Fund Focus – 4th Quarter 2022

Region / Category	Fixed Income	Equities	Mixed Asset
Global / Developed Markets	Affin Hwang WS Global Income Maybank Bluewaterz Total Return	Global Agribusiness Global Dividend Global Property Equities TA Global Technology Abrdn Islamic World Equity A Affin Hwang WS Global Infrastructure Sustainable Series – Nutrition Sustainable Series – Health Care Principal US High Conviction Equity Affin Hwang Aiiman Gbl Multi Thematic	Maybank Global Mixed Assets-I United-i Global Balanced
Asia ex Japan / China	RHB China Bond	AmChina A-Shares Principal Greater China Equity AmAsia Pacific REITs B (Am) Asia-Pacific Property Equities Principal Asia Pacific Dynamic Income Principal Islamic Asia Pacific Dynamic EQ (Am) Hong Kong Tech Sectorial MAMG All China Focus Equity Maybank Global Sustainable Equity-I RHB Pacific Technology TA Asia Absolute Alpha United ASEAN Discovery	Affin Hwang Select SGD Income Eastspring Investments Asia Sel Income Principal Asia Pac Dynamic Mixed Asset
Malaysia	Affin Hwang Select Bond AmBond AmDynamic Bond AmTactical Bond Principal Lifetime Bond	Affin Hwang Select Opportunity AmDividend Income Eastspring Investments Small-Cap TA Islamic	Principal Islamic Lifetime Balanced Eastspring Investments Dana al-Islah

Source: AmBank as of October 2022

Top 5 Best Performing Funds YTD 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmBond	Bond-Malaysia	Retail	0.06	0.48	1.55
AmIncome	Bond-Malaysia	Retail	2.14	2.40	2.44
AmIncome Management	Bond-Malaysia	Retail	1.53	1.86	2.48
Global Agribusiness	Equity-Global	Retail	9.16	10.79	12.13
RHB Resources	Equity-Asia Pacific	Retail	11.40	9.85	5.53

Top 5 Worst Performing Funds YTD 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmChina A-Shares MYR	Equity-China	Wholesale	-29.74	-30.28	7.68
Eastspring Investments Islamic China A-Shares	Equity-China	Retail	-24.63	-25.30	0.00
Pan European Property Equities	Equity-Europe	Retail	-35.73	-36.33	-2.11
RHB Asian High Yield-MYR	Bond-Asia Pacific	Wholesale	-37.48	-39.36	-17.78
AmChina A-Shares MYR H	Equity-China	Wholesale	-36.13	-36.33	4.16

Source: Lipper fund performance as at 21 November 2022, applicable to funds distributed by AmBank
Past performance does not indicate future returns

Definitions

AAA/BBB	Currency Pair of AAA and BBB. Number of units of AAA (Base currency) that one unit of BBB (Quote currency) will buy.
AUD	Australian Dollar
Bosvepa	Brazil Stock Index
CAD	Canadian Dollar
CHF	Swiss Franc
CNY	Chinese Renminbi
CPI	Consumer Price Index
DAX	German Stock Index
DJIA	Dow Jones Industrial Average
EPFR Global	Emerging Portfolio Fund Research, Inc.
ETF	Exchange Traded Funds
EUR	Euro
FocusEconomics	FocusEconomics is a leading provider of economic analysis and forecasts for 127 countries in Africa, Asia, Europe and the Americas, as well as price forecasts for 33 key commodities.
GBP	UK Pound Sterling
GDP	Gross Domestic Product
German IFO	German **I**nformation and **Fo**rschung (research).
HSI	Hong Kong's Hang Seng Index
IIF	Institute of International Finance
IHS	Information Handling Services is a company based in London, United Kingdom. IHS provides information and analysis to support the decision-making process of businesses and governments.
IHS Markit	A merger between IHS and Markit Ltd.
Indonesia's JSX	Indonesia's Jakarta Stock Exchange
I/B/E/S	'Institutional Brokers' Estimate System
INR	Indian Rupee
JPY	Japanese Yen
KOSPI	South Korea's Stock Index
Malaysia's KLCI	FTSE Bursa Malaysia Index
Markit Ltd	A global financial information and services company founded in 2003 as an independent source of credit derivative pricing.
MICEX	Russian Stock Index
MYR	Malaysian Ringgit
Philippines PSE	Philippines' Stock Index
PSEi	The Philippine Stock Exchange, Inc
PMI	Purchasing Managers' Index
PRC	People's Republic of China
Q1,Q2,Q3,Q4	Quarter 1, Quarter 2, Quarter 3, Quarter 4
SCI	China's Shanghai Composite Index
SGD	Singapore Dollar
Singapore STI	Singapore's Strait Times Index
TAIEX	Taiwan's Stock Index
Thailand's SET	Thailand's Stock Index
U.K.	United Kingdom
U.S.	United States of America
U.S. Fed	United States Federal Reserve
USD	U.S. Dollar
YOY	Year-on-year
YTD / y-t-d	Year to date

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