Wealth Management Digest

July 2022

Exclusively for AmBank SIGNATURE Priority Banking Customers

AmBank
SIGNATURE
PRIORITY BANKING

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Market Overview

	Current Price	52-Week Low	52-Week High	YTD TRR (%)	5D Change (%)	6M Change (%)	1YR Change (%)	Consensus TP	Upside (%)
Global Equities MSCI ACWI Index	612.67	580.55	761.21	-17.89%	4.52%	-18.89%	-15.13%	780.98	27.47%
DM Equities MSCI World Index	2619.48	2467.27	3261.66	-18.01%	4.99%	-19.09%	-13.40%	3,327.42	27.03%
EM Equities MSCI EM Index	1011.18	982.71	1382.73	-16.88%	1.08%	-17.24%	-26.70%	1,330.75	31.60%
US Equities S&P 500 Index	3911.74	3636.87	4818.62	-17.32%	6.68%	-18.36%	-8.62%	4,951.15	26.57%
European Equities MSCI Europe Index	138.4	134.03	164.33	-12.30%	2.47%	-14.04%	-8.79%	178.26	28.80%
China Equities MSCI China Index	74.84	58.68	111.1	-10.41%	3.99%	-10.13%	-32.07%	96.62	29.10%
Japan Equities MSCI Japan Index	1144.4	1076.36	1297.8	-6.01%	2.46%	-6.62%	-4.98%	1,400.69	22.40%
Asia x Jn Equities MSCI Asia x JN Index	659.21	627.58	894.21	-15.67%	1.59%	-15.68%	-26.08%	871.29	32.17%
Malaysian Equities MSCI Malaysia Index	456.83	454.28	517.9	-6.45%	-0.11%	-6.44%	-9.48%	565.42	23.77%

Source: Bloomberg, as of 28 June 2022

GLOBAL EQUITIES

Global equities continued to be depressed in June, as investors fixate on inflation and central bank policy moves, which have dictated market direction the past 6-months. Signs that major developed economies could face a recession also put investors on edged, leading broad selling. Defensive sectors performed better but fail to offset overall downward momentum. Fresh catalyst emerging as we enter the second half of 2022, with G7 countries pledging infrastructure spending to boost development in the emerging markets, and as supply demand dynamics start to normalize cooling inflation pressures, boosting consumption and profit margins.

ASIA PACIFIC EQUITIES

Asian equities performance remained lacklustre for the most part of June, as regional investors took cues from the US and China markets, which remained volatile. Growth forecast cuts in the developed markets has also weighed on expectations for the regional market, which is highly dependent on consumption from major countries to support export growth. Talks of a developed market recession has caused Asian investors to reassess their expectations of local economic and corporate earnings growth, given the inter-dependency of the global economy.

MALAYSIAN EQUITIES

Malaysian equities dropped below the 1,500-levels, amid foreign selling. Investors are chasing higher, safer yields in the US markets as benchmark interest rates rise. The selling was also sparked by global and local market uncertainties. Globally, a recession in the US could weigh on Malaysia's export momentum, potentially dampening the recovery momentum. In the local market, the lack of catalyst has put investors on the side lines, while the prospects of the upcoming General Election has intensified the "wait-and-see" strategy.

Source: AmBank Retail Wealth Management Advisory & Research (as at 28 June 2022)

News Topics – Business & Economy

BIS Warns That Leading Economies Set To Fall Into High Inflation Trap

The Bank of International Settlements (BIS) indicated that major economies are set to tip into a high inflation world where rapid increase in prices pressures would be considered normal and part of daily life.

Such an environment would also be very difficult to reverse.

BIS recommended that central banks continue the path of aggressively hiking interest rates in order to avoid such a situation.

While such a move could damage the economy in the short-term, BIS indicated that the possibility of a recession should not deter policy action as leaving inflation unchecked could lead to a worse off environment.

Inflation has been steadily increasing, against the backdrop of higher commodity prices, bottlenecks in the supply chains and food and energy shortages stemming from the Russia-Ukraine conflict.

Rising prices amidst slowing growth prospects is leading major economies towards an environment of stagflation. This contrasts with the past 10-years of low, almost absent, inflationary pressures in wake of the global financial crisis (2008).

Previous inflation readings were more balanced, with some goods becoming cheaper due to productivity gains and more streamlined supply chains, while some other goods rose in costs.

But the overall reading remained benign which allowed central banks to keep interest rates accommodative.

However, the current environment is a departure from the past decade's norm, as prices are rising across all major categories, weighing on household spending power and eroding savings built up during the pandemic.

The keyway to protect longer-term growth would be for central banks to keep a firm hand on monetary policy levers and not fall behind the curve in clamping down on inflation pressures.

Source: Financial Times (June 2022)

Recession Fears Spark Flight To Government Bonds

Global government bonds rallied as investors reacted to economic data that increasingly highlights slowdown across the US, Europe and other major developed markets, as inflationary pressures bite into business and consumer activity.

The flight to safety was intensified by US Federal Reserve Chairman, Jerome Powell's testimony that the US could be heading towards a recession as the central bank withdraws liquidity support.

US government debt prices jumped higher, with the yield on the 10-year dropping to its lowest levels in 2-weeks, while the yields on the 2-year government bonds, which generally jumps higher in periods of recession, dropped as traders bet that the US Fed would slow the pace of interest rate hikes as economic data starts to slow.

Despite the recession warnings, policymakers have indicated that their respective economies are in better shape to stomach a contraction without causing deep damage to economic fundamentals.

Fed Chair Powell indicated that as the Fed makes an unconditional commitment to drag inflation down from its reading of 8.6% in May 2022, the stronger employment data, robust manufacturing output and steady post pandemic normalisation should allow the US economy to fend off the worst-case scenario of a deep and pro-longed recession.

Similarly, across Europe, German bunds edged lower as recession worries, coupled with the Russia challenges has sent investors scurrying towards assets that can deliver steady yields.

The 10-year German bunds effective yield stood at 1.42%, slightly lower compared to its reading in early June, and comes despite the European Central Bank signalling its intention to start hiking interest rates as well to stop its asset purchase program in order to keep a lid on inflationary pressures.

Source: Financial Times (June 2022)

News Topics – Business & Economy

Consumer Stocks Start To Pick-Up As Investors Turn Back To Basics

While major sectors in the stock market have turned sour as news of a potential recession broke-out in the US and other global markets, one sector continues to show promise, the consumer staples segment.

Shares of companies selling essential goods (groceries, food, canned goods etc.) have been resilient and offsetting losses from other parts of investors' portfolios, as markets shift towards more defensive assets.

Consumer staple stocks are set to continue benefitting from spending cycles, generating consistent cashflow for the target companies and creating value for its shareholders. The sector has historically trailed behind high growth sectors, like technology, in periods of unimpeded economic progress.

However, the current environment of rising interest rates and higher inflation is working against the appeal of the technology sector and is instead driving demand for consumer stocks higher.

While investors overall portfolio composition is set to continue holding technology, healthcare and financial sectors that tend to generally benefit from growth environments, investors will lean increasingly towards defensive sectors that will help preserve overall portfolio value. Staples are attractive due to its durable business model, steady profit margins and brand equity with consumers, making it a good place for investors to hide out while waiting for market conditions to improve.

In a bear market, which is defined as a 20% drop from the market peak, the core goal is to minimize losses so that investors can rebalance assets sooner once market prospects improve with a shorter time span to breakeven. The S&P 500 Consumer Staples Index is currently trading at 19.79x price-to-earnings, compared to the 15.98x of the overall S&P 500 index, indicating that investors have bought up the sector strongly in recent months.

Source: Wall Street Journal (June 2022)

G7 Allies Plan To Counter China's Infrastructure Loans Globally

The US and its allies have initiated the Partnership for Global Infrastructure & Investment, which aims to invest hundreds of billions of dollars for infrastructure projects in developing countries.

The partnership is expected to raise a total of US$ 600 billion by 2027 to fund its infrastructure projects across the world.

Key projects that have already been initiated or is in the process of negotiation includes a US$ 2 billion solar project in Angola, a US$ 600 million submarine telecommunication cable connecting Singapore to France and other key projects in the emerging markets.

The move comes as means to challenge China's Belt and Road Initiative (BRI), which has been part of China's soft approach towards expanding its influence in the emerging markets.

BRI was launched in 2013 and has since been characterized as an infrastructure model that sells debt traps to low-and-middle income countries, leading to a build-up in hidden debt, environmental hazards, and corruption.

The G7's infrastructure spending will focus on climate resilient projects, securing information and building-up communications technology among other priorities, which includes promoting gender equity and modernizing health systems to better combat future pandemics.

Despite trying to become an alternative to China's infrastructure funding, the G7 views China as a key partner in solving important global issues, which includes fixing climate change and strengthening global supply chains, considering the scale and expertise that China brings to the table.

China's for its part has welcomed the G7's move to support the development of emerging markets that can be beneficial to global growth.

Source: Wall Street Journal (June 2022)

News Topics – Business & Economy

Global Minimum Tax Faces Hurdles In Europe and The US

US and European officials are facing hurdles in their respective countries when it comes to passing the global minimum tax which was proposed back in 2021 when President Joe Biden took over the White House.

140 countries have agreed to impose the 15% minimum tax rate on large companies, which would ensure that corporates do not slip to tax havens and are contributing towards the development of the countries that they are operating in and where they generate revenues.

Hungary has been the roadblock in Europe, with the country backing out from the global minimum tax proposal against the backdrop of current economic challenges.

The country's effective tax rate is 9%, which is much lower compared to the 15% imposed under the global minimum tax agreement.

Implementation in the US has also been slow, with policymakers still tussling over policy details.

The US currently taxes companies 10.9% for foreign derived income, which is lower compared to the new proposed rate.

But Democrats are not satisfied with the new minimum rate, preparing to launch policy that would effectively raise taxes higher, as Biden looks to fund his infrastructure spending bills.

So far democrats have disagreed on the policy language but are likely to work out the policy before the mid-term elections in November, where the party could lose its sim majority in the Senate or the House of Representatives, further stalling Bided and the Democrats agenda.

Overall, the implementation of the new minimum tax policy could be delayed as countries rework their requirements against the backdrop of the current market challenges, and as globalization resumes in the post-pandemic recovery period.

Source: Wall Street Journal (June 2022)

China To Support Economy Through Easy Monetary Policy

The People's Bank of China (PBoC) indicated that it would strike an accommodative tone when managing monetary policy in order to support economic development post the lockdown cycle in major cities across China.

Governor Yi Gang noted that the country faced a potential contraction due to the COVID-19 challenges and external market shocks, which warranted continued policy support.

China is able to adjust its monetary policy levers lower given that inflationary pressures are under control, with consumer prices up 2.1% year-over-year in May 2022, while producer prices were up 6.4% in the same period, which is contained compared the figures in the developed markets.

However, the central bank has been cautious in adding liquidity support to the market, in order to avoid sparking inflationary pressures higher, which has darkened the outlook in developed economies.

The central bank is turning to unconventional monetary policy tools, such as pushing domestic banks to increasing borrowing in the domestic market, as well as shortening the approval process for key loans to consumers and SMEs.

PBOC governor Yi Gang indicated that the central banks key priorities would be to maintain price stability and to maximize employment in the market, with policies also focused on stabilizing small businesses and funding green projects, which is in line with China's overall growth plans.

Source: Bloomberg (June 2022)

Economic Events – Commentary & Charts

Malaysia – Inflation increased to 2.8%

Highlights

Malaysia's overall inflation in May 2022 stood at 2.8% y/y. This brings the first five months average inflation to 2.4% y/y. On month-on-month, overall prices increased by 0.6%.

Core inflation accelerated from 2.1% y/y in April 2022 and 2.4% y/y in May 2022. Hence, the average first five months inflation is 2.0%.

Main impetus for the high inflation was higher food & non-alcoholic beverages, up 5.2% y/y (April 2020: 4.1% y/y). Specifically, meat prices rose by 9.5% y/y (April 2020: 6.2% y/y), milk, cheese and eggs increased by 8.0% y/y (April 2020: 7.2% y/y) and vegetables increased by 8.1% y/y (April 2020: 8.1% y/y).

Transportation prices in increased from 3.0% y/y in April to 3.9% y/y in May. Petrol prices were flat, where RON95 and diesel were priced at RM2.05/litre and RM2.15/litre respectively. RON97 was higher by 50% y/y, priced at around RM4.00/litre in May.

Key takeaways

The government had decided not to remove the ceiling price for chicken but introduce a new ceiling price. Currently, the price ceiling for a standard whole chicken is RM8.90/kg.

But despite the current ceiling price of chicken is at RM8.90/kg, the average price for chicken in June 2022 was RM9.70/kg. This implies the sellers are selling above the price ceiling by 9.0%. This would certainly have an impact directly and indirectly on overall underlying inflation of household.

We expect the new ceiling price to somewhat mirror the current actual market price for chicken of between RM10 to RM12/kg. This would mean the mere should not be any further material increase in the chicken price.

We hope by reintroducing the new ceiling price for chicken, sellers will be able to accommodate this new price without still eating into their cashflow that has resulted to some winding up. Also by adhering, there would be less pressure both directly and indirectly on the cost of living of households. The weightage of chicken (meat) is 2.5% of overall CPI basket (8.8% of overall food).

Initially, around RM700mil was allocated for controlling the price ceiling for chicken, but only 10% was utilised by chicken breeders. We believe this was the reason the government decided to continue with the price ceiling anyway.

Eggs ceiling price will be removed. Currently, the price ceiling for eggs is around RM0.40/each for eggs depending on the grade. This removal will see a marginal impact on the overall CPI as it accounts of 0.4% of the weightage (1.4% of overall food).

Besides, subsidy for palm cooking oil will be removed. The current price of cooking oil is RM6.70 per 1kg bottle. It is estimated that the bottled cooking oil is costing the government around RM20 mil a month. While this would have some impact on the M40 and T20, the government will maintain subsidy for cooking oil sold in polybag packages at RM2.50 per pack. This would help the B40 segment. The oil segment accounts for 0.50% of overall CPI basket (1.8% of overall food).

We see these changes will bring minimal impact to the overall consumer price index. The food component currently carries 28.4%, where eggs and oil only weigh around 0.9% of overall consumer price index basket.

Also, the government will provide additional Bantuan Keluarga Malaysia (BKM) cash assistance to the B40 with an additional RM100 and RM50 for singles individuals. The payment will benefit around 8.6 million beneficiaries of which including 4 million households 3.4 million single people.

This means it would be an additional RM630 million of cash assistance on top of the second phase of BKM payments of RM1.1 billion.

Plus, the government has also decided that there will be no water and electricity tariff hikes for Peninsular Malaysia.

So, a rebate of 2 cents/kWh is maintained for all consumers in Peninsular, and a surcharge of 3.70 cents/kWh is maintained for commercial and industrial consumers. It is estimated that the government will spend around RM5.8bil.

The weightage of water supply and electricity is around 4.4% of overall consumer price index basket.

Cost-push factors have been factored in, including higher commodity prices and input prices due to external factors. We now think the risk is coming from higher private spending which would put pressure from the demand side.

Looking at spending indicators, credit card increased by 19.7%, debit card spending by 63.7%, loan growth picked up to 5.0%, and distributive trade increased by 10.0%.

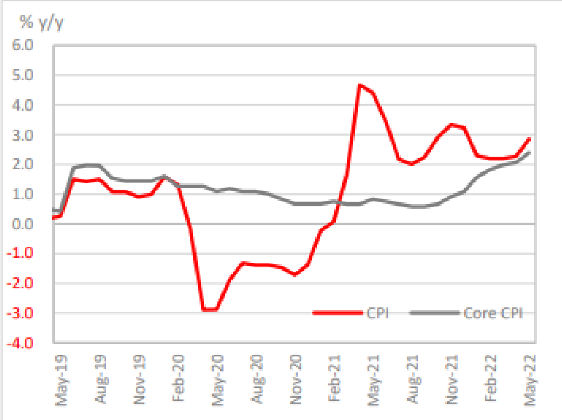
We now expect BNM to increase the OPR by 50bps in the upcoming meeting in July, bringing the OPR to 2.50%.

We expect inflation to be between 2.8% - 3.0% for 2022. With first five months average at 2.4%, to achieve our target of 2.8%-3.0%, the next 7 months average should hover between 3.0% and 3.5% which is seen within our target. Last year's average between June 2021 to December 2021 was 2.8%.

Source: AmBank Research

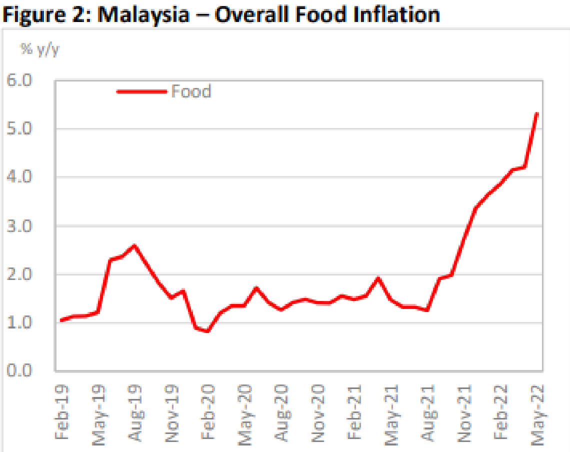
Economic Events – Commentary & Charts

Figure 1: Malaysia - Inflation



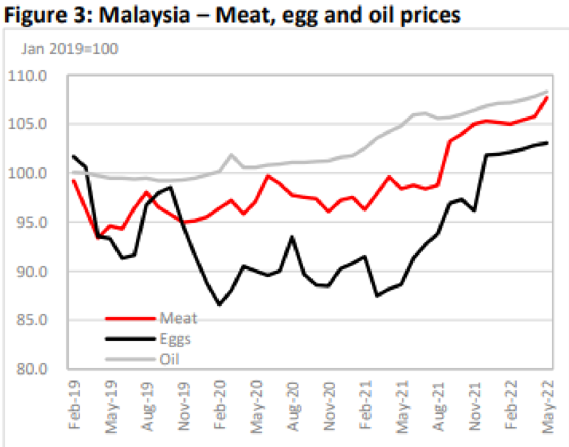
Source: CEIC, AmBank Research

Figure 2: Malaysia – Overall Food Inflation



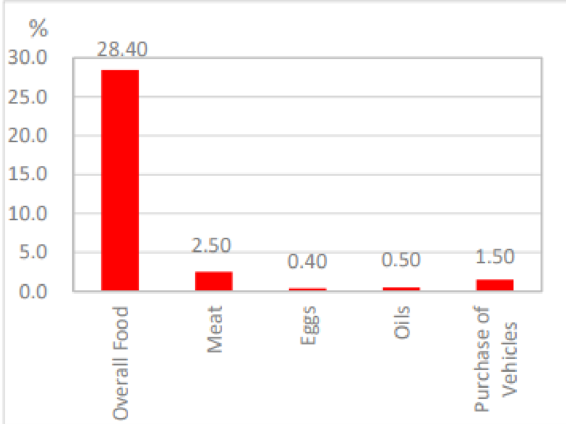
Source: CEIC, AmBank Research

Figure 3: Malaysia – Meat, egg and oil prices



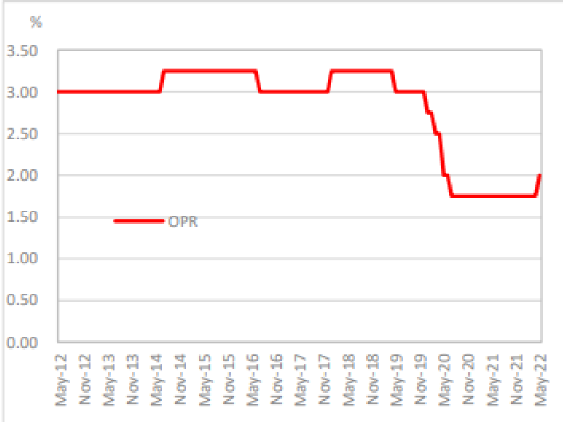
Source: CEIC, AmBank Research

Figure 4: CPI Weightage of Selected Items



Source: CEIC, AmBank Research

Figure 5: OPR



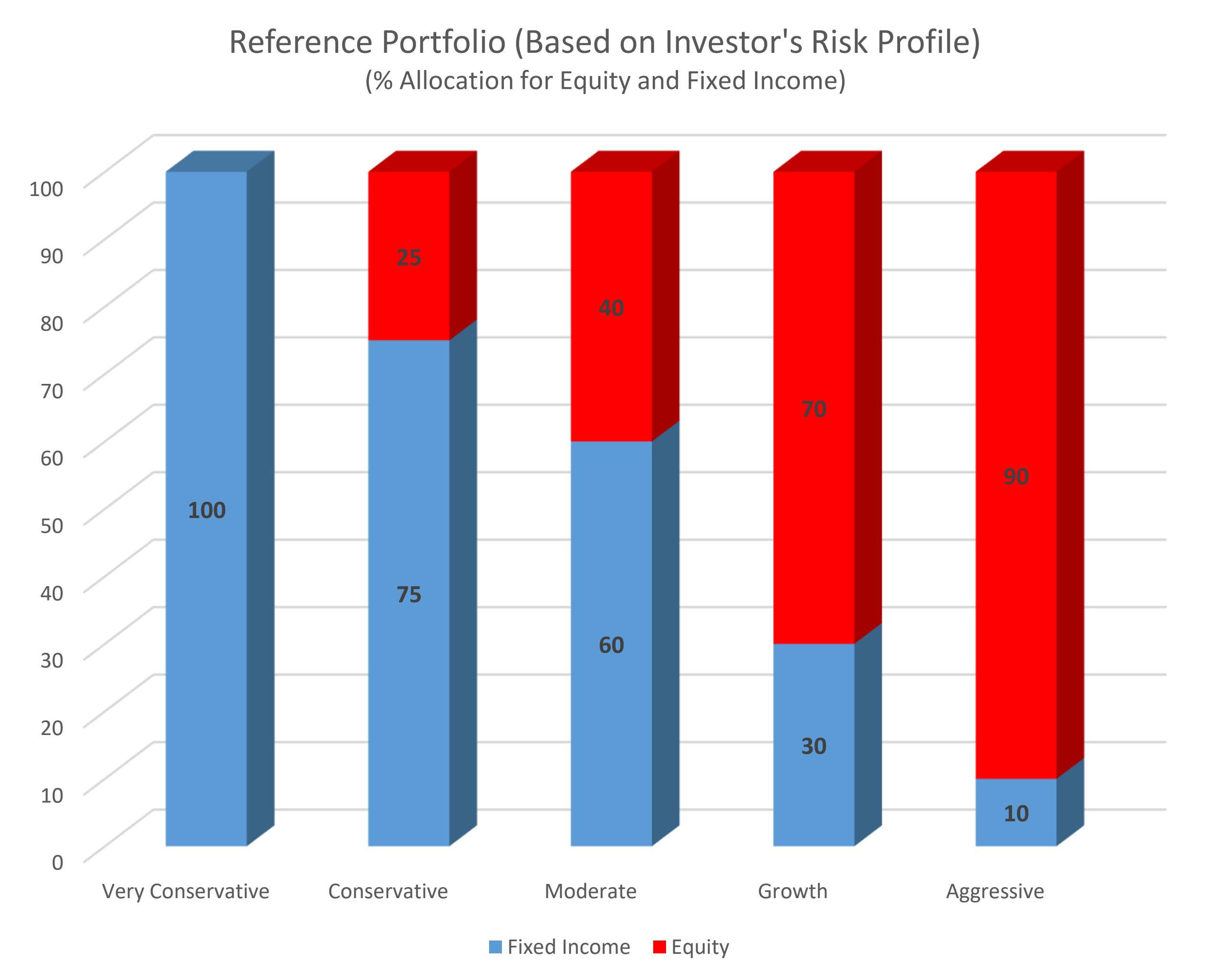
Source: CEIC, AmBank Research

Table 1: Estimated allocation for subsidy/cash transfer

	RM bil
Water and Electricity Rebate	5.80
Chicken subsidy	0.73
Additional BKM	0.63
Total	**6.96**

Source: AmBank Research

Fund Focus – 2nd Quarter 2022



Source: AmBank as of September 2021

Fund Focus – 2nd Quarter 2022

Portfolio	Asset Type	Conventional/Islamic (I)	Multi Classes
Core Fund of Focus	Fixed Income		
	Asia	AmTactical Bond B MYR	
		Affin Hwang Select Bond MYR	USD
		Maybank Bluewaterz Total Return Fund	USD
		RHB Asian High Yield-MYR	AUD, USD
	Malaysia	Principal Lifetime Bond	
		AmDynamic Bond	
	China	RHB China Bond	USD, SGD, AUD, GBP, RMB
	Global	United Sustainable Series - Global Credits Income	USD, SGD, AUD, GBP, RMB
		Affin Hwang World Series - Global Income MYR	USD, SGD, AUD, GBP
	Equity		
	Asia	Maybank Asiapac Ex-Japan Equity-I	
		Principal Asia Pacific Dynamic Income MYR	USD,SGD
		TA Asia Absolute Alpha MYR H	USD, SGD, AUD, GBP
		Principal Islamic Asia Pacific Dynamic Equity (I)	
	China	Principal Greater China Equity MYR	
		MAMG All-China Focus Equity Fund	USD
		Eastspring Investments Dinasti Equity (I)	
	Global	United Global Quality Equity MYR H	USD, SGD
		Aberdeen Standard Islamic World Equity A (I)	
		Global Dividend	USD
		Principal Global Millennial Equity	SGD, USD
		ASN Equity Global	
	Malaysia	Affin Hwang Select Opportunity	
		Affin Hwang Aiiman Growth (I)	
	Mixed Asset		
	Global	United-i Global Balanced (I)	
		Affin Hwang World Series-Global Balanced MYRH	USD SGD, AUD
		Maybank Global Mixed Assets-I MYR H (I)	USD SGD, AUD
	Asia	Eastspring Investments Asia Select Income	
		Principal Asia Pacific Dynamic Mixed Asset MYR	USD
	Malaysia	Affin Hwang Select Balanced	
		East spring Investments Dana al-Islah	
		Principal Islamic Lifetime Balanced	
		Affin Hwang Select Balanced	

Source: AmBank as of April 2022

Top 5 Best Performing Funds In Q2 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Global Agribusiness	Equity - Global	Retail	2.87	8.28	8.74
Affin Hwang Select SGD Income MYR	Mixed Assets - Singapore	Wholesale	1.32	1.28	4.26
RHB Gold RM	Commodity - Global	Wholesale	1.09	2.90	7.52
AmIncome	Bond - Malaysia	Retail	1.02	2.17	2.52
AmAl-Amin	Bond - Malaysia	Retail	0.97	2.09	2.54

Top 5 Worst Performing Funds In Q2 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Affin Hwang WS-Glo Disruptive Innovation MYR H	Equity - Global	Retail	-57.56	-65.94	0
RHB Global Artificial Intelligence MYR H	Equity - Global	Wholesale	-42.11	-41.87	7.89
Principal Global Technology MYR H	Equity - Global	Wholesale	-41.27	-35.08	6.43
Affin Hwang World Series - Global Quantum MYR H	Equity - Global	Retail	-40.86	-34.69	-2.80
Sustainable Series-Positive Change MYR H	Equity - Global	Retail	-38.16	-39.16	0

Source: Lipper fund performance as at 28 June 2022, applicable to funds distributed by AmBank
Past performance does not indicate future return

Definitions

%	Percentage
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

Definitions

U.S. Fed	United States Federal Reserve
USD	U.S. Dollar
YOY	Year-on-year
YTD / y-t-d	Year to date

Disclaimer

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