

Wealth Management Digest September 2022

Exclusively for AmBank SIGNATURE Priority Banking Customers



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Market Overview

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
MSCI Global Equities	-4.89%	-7.32%	-5.25%	-12.80%	-12.64%	-19.97%	-14.35%	-15.93%
MSCI Developed Market Equities	-5.27%	-7.63%	-5.03%	-12.88%	-12.75%	-20.28%	-13.92%	-15.43%
MSCI Emerging Markets Equities	-1.90%	-4.85%	-6.96%	-12.12%	-11.72%	-17.53%	-17.68%	-19.77%
MSCI Asia ex Jn Equities	-4.35%	-5.38%	-5.85%	-11.89%	-11.32%	-16.96%	-15.47%	-17.50%
S&P 500 (US) Equities	-5.17%	-8.02%	-4.60%	-12.92%	-12.76%	-19.97%	-12.59%	-13.27%
STOXX 600 (EU) Equities	-3.81%	-6.92%	-5.87%	-6.41%	-6.98%	-14.42%	-7.78%	-11.26%
CSI 300 (China) Equities	-7.62%	-7.26%	-14.53%	-18.64%	-16.95%	-8.30%	-14.10%	-15.76%
HSI (HK) Equities	1.73%	-2.92%	-5.66%	-9.54%	-7.60%	-4.82%	-11.79%	-16.52%
MSCI Malaysia (MY) Equities	-3.14%	2.49%	2.88%	3.61%	1.83%	-5.94%	-2.72%	-5.34%
Bloomberg Global IG Bond	-2.05%	-3.21%	-6.16%	-11.30%	-11.06%	-13.91%	-12.08%	-14.71%
Bloomberg Global HY Bond	-2.54%	-4.87%	-5.69%	-10.02%	-10.10%	-16.87%	-13.51%	-13.90%

Source: Bloomberg, as of 26 August 2022

GLOBAL EQUITIES

Global equities remained suppressed in August as anticipation of a recession and central bank interest rate hikes kept investors out of the market. Risk off appetite as central banks expected to continue hiking interest rates even as inflationary pressures start to fall. Recession risk also raises questions about corporate earnings growth which has sparked some profit taking after strong results in the second quarter.

ASIA PACIFIC EQUITIES

Asian equities continued to drop, taking cues from the China market, which is dominated by weakening consumer and business sentiments as China holds strong to its zero-COVID policy and as property market and technology regulations scares investors away. Asia's export-oriented economy also facing pressures from the potential recession in the developed markets, which could limit export growth in the coming year, causing investors to pare down expectations on companies that derive revenues from exports.

MALAYSIAN EQUITIES

Malaysian equities declined in August, amid profit taking after the strong second quarter growth results. Investors also turning risk off ahead of crucial election announcements, and as foreign investors exit the Malaysian market to chase higher yields in the US as interest rates rise.

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

News Topics – Business & Economy

Malaysia Records Fastest Quarterly Growth In Q2 2022

Malaysia's economy grew by 8.9% year-on-year in the second quarter of 2022, marking the fastest annual expansion on record. The figures for the second quarter beat economist expectations of a 6.7% expansion and the previous quarters growth of 5%, highlighting a robust post-pandemic recovery for the country.

Key contributors to growth were the uptrend in domestic demand and the resilient export momentum. Bank Negara Malaysia indicated that domestic demand continued to be supported by the steady recovery in the jobs market, as well as ongoing fiscal policy support.

The removal of lockdown restrictions, as well as government promise to avoid nationwide lockdowns has also provided consumers a better view of the future, which has boosted spending appetites. Consumers are utilising savings made during the two years of lockdowns to fund spending in the recovery period.

On the export front, Malaysia continues to play a pivotal role in the global electronics supply chain, with demand from both the US and China growing strongly. The country's agricultural and commodity exports have also grown significantly, which has contributed to overall GDP expansion in 2022.

The stronger performance in the second quarter is a sign that Malaysia is on the right path to recover from the pandemic. In the first half of 2022, the Malaysian economy expanded by 6.9% which puts the central banks target of 5.3% to 6.3% target for the year within reach for the country. The country would just need to average 4% growth in the second half of 2022 in order to achieve the lower range of the full year growth target.

The central bank has indicated that while Malaysia's export performance could soften following weaker external demand as the developed markets face potential recessions, domestic demand can help offset export weakness, especially as Malaysia's inflation is less severe compared to other countries due to the governments subsidy policies which has helped reduce the increase in overall costs.

Source: Reuters, TheStar, BNM (August 2022)

US Fed Says Rate Hikes To Continue Even As Inflationary Pressures Slow

After the Jackson Hole symposium, Federal Reserve Chairman, Jerome Powell indicated that the central bank would not take its foot off the pedal when it comes to hiking interest rates as inflationary pressures remain above the long-term targets.

Powell indicated that 2-months of declining inflation data is not a clear indicator that inflationary pressures were normalising, and that the Fed could not risk allowing higher prices to spiral out of control, wrecking the economy.

Inflation as measured by the Personal Consumption Expenditure Index (PCE Index), which is the Fed's preferred inflation measure, dropped to 6.3% in July, compared to June's 6.8% reading, highlighting easing in costs.

However, the figures are still above the 2% long-term inflation target that the Fed has set, which explains why policymakers are not easing up even when inflationary pressures are falling.

Central bankers globally are working to get ahead of inflation before it becomes rooted in the economy, which could impact consumer behaviour moving forward. If consumers come to expect costs to remain high, they could shift their spending behaviour to spend less, which would have a negative impact on domestic consumption leading to weaker economic expansion in the future.

For these reason, central banks are moving aggressively in order protect future economic growth, even at the risk of a recession today. Policymakers find that bolstering growth post-recession is a less difficult challenge compared to fixing consumer behaviour that has been influenced by higher costs.

Markets have been expecting the US Federal Reserve to slow down its interest rate hike plans and potentially start cutting interest rates in 2023 in face of a recession.

However, Powell's comments at Jackson Hole seems to indicate that there is a disconnect between markets and policymakers' expectations which has led to volatility in risk assets.

Source: CNBC (August 2022)

News Topics – Business & Economy

US-China Avert Delisting Risk For Chinese Corporates

The US and China have signed an agreement to enable the US audit regulator access to financial and other required documents of Chinese companies. This marks the biggest progress between the US and China on the delisting issue since it was raised back in 2020.

The Public Company Accounting Oversight Board (PCAOB) has been demanding access to audit papers of Chinese companies listed in the US but have been facing challenges in getting these corporations to comply due to Beijing's national security laws that prevent these corporations from sharing sensitive information.

In December 2020, the US government passed the Holding Foreign Companies Accountable Act (HFCAA) which has set out requirements for all foreign corporations listed on the US markets to comply with audit requirements or face expulsion from the stock exchange. The law mostly targets Chinese companies due to high levels on non-compliance.

The US has already identified 163 Chinese corporations that are listed in its stock exchanges and are not in compliance with its audit requirements, with Alibaba, Baidu, JD.com, NIO and Yum!China among the companies on the governments watchlist.

The PCAOB will now have access to financial records and other relevant paperwork to ensure that Chinese corporations are providing investors a clear picture of their financial health. China's Securities Regulatory Commission (CSRC) has also been proactive in solving the audit issue and avoid the passive delisting for companies from the US stock market.

The agreement does not guarantee that companies will not be delisted from the US exchanges, as any audit issues could force the US regulator to proceed with delist the guilty company. But this move does provide better clarity for investors, as well as allow legitimate businesses to stay listed on the US markets. Chinese stocks that are listed on the US stock exchanged rebounded after the agreement was signed between the US and China on the audit cooperation.

Source: CNN (August 2022)

China Pledges To Do More In The Second Half Of 2022

Beijing has indicated that it would step up measures to boost domestic demand and stabilize the jobs market in the second half of 2022 in order to support economic growth.

This pledge comes as the country faces constricted growth as the wave of lockdowns due to a resurgence in COVID-19 cases caused consumers and business sentiments to falter, while property market and rural banks liquidity issues added to challenges.

Premier Li Keqiang indicated that China has rolled out "more forceful" economic policies in 2022 compared to 2021, in order to support economic recovery. Beijing has announced a 1 trillion yuan (US\$ 145 billion) 19-point stimulus plan which aims to bolster growth.

The funding is meant to boost investment and consumption, as well as provide more flexibility to local governments to support the real estate market. There is also funding to support businesses restart from the lockdowns by easing logistical hurdles.

Development banks have been allocated 600 billion yuan to invest in infrastructure projects, while local governments have 500-billion-yuan quota to raise special bonds which will be used to fund projects to boost growth locally.

Despite these initiatives, analyst is not convinced that these efforts are enough to boost China's growth in 2022. Analyst at Goldman Sachs Group have indicated that the current measures will not be enough to lift the overall growth rate from the current 3% that they are predicting for 2022.

Analysts have indicated that more intense easing would be required to offset the deterioration in economic growth and that the return of domestic consumption will be key to China's recovery in 2023.

A Bloomberg consensus shows that economist polled are expecting China to grow by around 4% in 2022, much lower compared to the government's official target of 5.5%.

Source: Bloomberg (August 2022)

News Topics – Business & Economy

Singapore’s Central Bank To Tighten Crypto Trading Requirements

The Monetary Authority of Singapore (MAS) is planning to roll out new regulations that would make it more difficult for retail investors to trade cryptocurrencies. The move comes as investors are oblivious to the risk of trading crypto assets, only focused on the prospects of sharp investment gains in the short-term.

New policies could include customer suitability tests, restrictions on leverage and credit facilities relating to cryptocurrency trading. The move by the central bank comes as some global cryptocurrency corporations, some of whom are even headquartered in Singapore, have defaulted due to the wide swings in crypto prices the past year.

Singapore has been trying to increase its appeal to money flows into the crypto space by providing licenses to crypto companies to operate in the city state, but the recent issues with terraUSD, Three Arrows Capital and Hodlnaut among others, have raised questions about consumer protections.

Major crypto players have applied to operate in Singapore, with Binance, Gemini, Coinbase and Crypto.com among the applicants, on the view that Singapore was more welcoming to crypto innovation and had lower taxes. In 2021, investment in Singapore’s crypto and blockchain companies surged to a record high of US\$ 1.48 billion, with was 10x more compared to the previous year, and accounted for nearly half the inflows into Asia Pacific according to KPMG.

The change in regulatory tone could dampen Singapore’s appeal as a crypto haven, as companies would need to contend with more regulations which could limit growth.

MAS has already restricted crypto players from promoting their services in public, with Bitcoin ATMs and advertising on public transportation being removed. MAS has stressed that cryptocurrencies are not a “viable form of money or investment asset” due to its extreme price volatility

Source: Financial Times (August 2022)

China Selling Excess LNG Reserves To Europe, Easing Energy Crisis

China, who is the world’s largest buyer of liquified natural gas (LNG) is selling some of its surplus LNG reserves to Europe.

In the first 6 months of 2022, Europe’s imports of LNG grew by 60% and has brought Europe’s gas-storage occupancy rate up to 77%, nearing its goal of 80% by November.

This likely means that Europe will be able to soften the energy crisis it is facing since its access to Russian gas has been reduced, either through sanctions on Russia over its invasion of Ukraine, or supply cuts by Russia to punish Europe for its sanctions.

Russia is only supplying Europe 20% of the previous year’s gas quantities.

China has been willing to offload surplus LNG reserves due to weak demand in the local economy, as waves of lockdowns has weighed on consumption appetite.

Additionally, the higher spot prices also allow China to net a profit. Beyond that, China’s regulators are also pushing the country to become energy independent, by boosting coal and gas production.

Europe’s dependence on China for LNG exports can also be seen as a double edge sword. While China’s LNG supplies can ease the energy shortage that Europe is facing in the short-term, it does increase Europe’s dependence on China.

The export momentum could slowdown once China’s economy starts to rebound and the country sells less gas on the market, in order to ensure that there are sufficient supplies for its domestic needs.

Additionally, the higher dependence on China could put Europe at odds with its western allies like the US, who are looking to reduce China influence in global trade, be it due to human rights issues or basic competition between the countries.

Source: Financial Times (August 2022)

Economic Events – Commentary & Charts

Malaysia – Inflation Quickens To 4.4% As Expected

Highlights

Malaysia's inflation increased by 4.4% y/y, which is a faster pace relative to the previous month's 3.4%. On a month-on-month basis, prices rose by 0.4%. This brings the year-to-date inflation to 2.8%, which is within our forecast of 2.8–3.2% for this year.

Core inflation, which excludes volatile prices, accelerated to 3.4% y/y from 3.0%. The main impetus was higher food prices, which accelerated from 6.1% to 6.9% in July, in response to some changes on subsidized food items made by the government. The highest increases were prices for meat (12.0% y/y), followed by milk, cheese and eggs (9.1% y/y).

Also, transportation component prices rose 5.6% y/y (June 2022: 5.4% y/y). Prices for RON95 and diesel were stable throughout the year, priced at RM2.05/litre and RM2.15 litre respectively. RON97, which was priced at RM4.75/litre, was 73% higher than last year, which was the main driver for higher transportation prices.

Despite price caps for several food items, including chicken (price ceiling at RM9.40/kg) and eggs (price ceiling depends on the grade), we saw that these prices were being priced above the ceiling throughout the year. In July, the actual price for a 1kg chicken was RM9.94/kg, which was 5.7% higher than the price ceiling. Prices for eggs were also higher, where all grades A, B, and C eggs were 3 sen higher than the respective price ceilings (43 sen/egg, 41 sen/egg, and 39 sen/egg, respectively).

States that charged higher than the price ceiling were Terengganu, Selangor and KL. This was because chicken producers believed that the price was being set at their cost levels, hence the final consumer prices were raised so that retailers could obtain some profit.

Supply issues might have receded beginning July since the supply chain stress indicators have been showing a downward trend throughout the month. Plus, the global commodity prices and global food prices have declined to the same level before the

Russia/Ukraine war broke out. These could be the downward pressure factors for the inflation. Also, the Producer Price Index (PPI) eased to 7.6% y/y, the slowest pace since March 2021.

Nevertheless, the upside pressure can come from the depreciation of the ringgit which could push importation costs higher. The US dollar is benefitting from the aggressively hawkish US Federal Reserve and safe-haven play induced by the heightened geopolitical situation.

Secondly, concerns are more on demand pull inflation that is coming from the improving labour market.

Employment grew fast by 4.2% in June, which is the highest increase since 2014. Also, total vacancies in the labour market were high at 460 thousand vacancies, 4 times higher than the pre-pandemic average of 100 thousand vacancies.

Wage growth in crucial sectors was also high, including the manufacturing sector by 2.4% in June 2022 (past 4-year average of 0.7%, and services sector by 4.2% vs. 5-year average of 1.3%) in June 2022. A combination of these factors could put pressure on demand pull inflation, something BNM is watching closely.

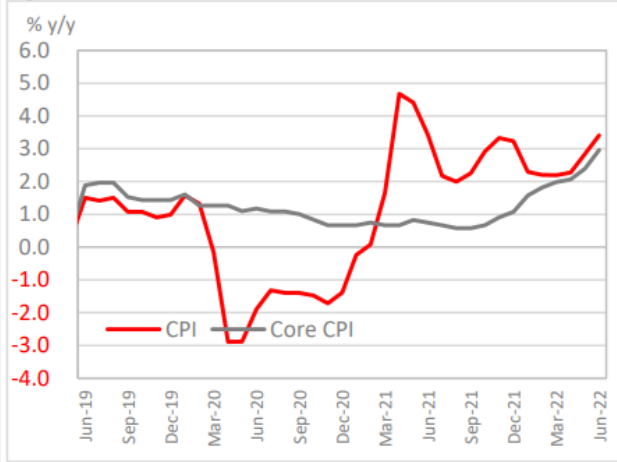
Because of this, we believe BNM will take another pre-emptive measure of hiking another 25bps in the next meeting September, and perhaps another 25bps (40% probability) in the November meeting this year, bringing the OPR to 2.75% by the end of this year.

For the full year of 2022, we maintain our inflation projection to be between 2.8% and 3.2% this year and will ease to 2.6% in 2023.

Source: AmBank Research

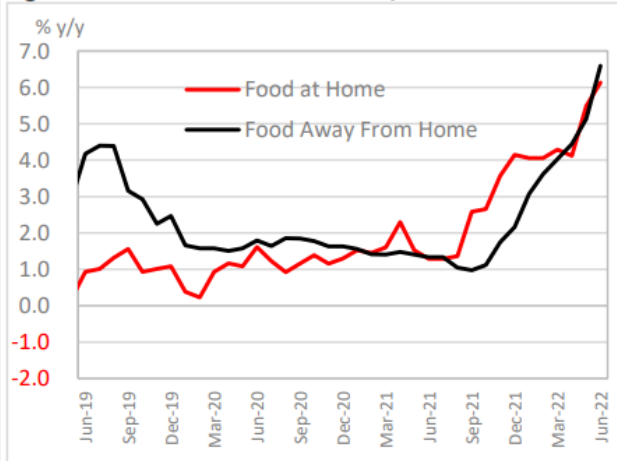
Economic Events – Commentary & Charts

Figure 1: CPI and Core CPI



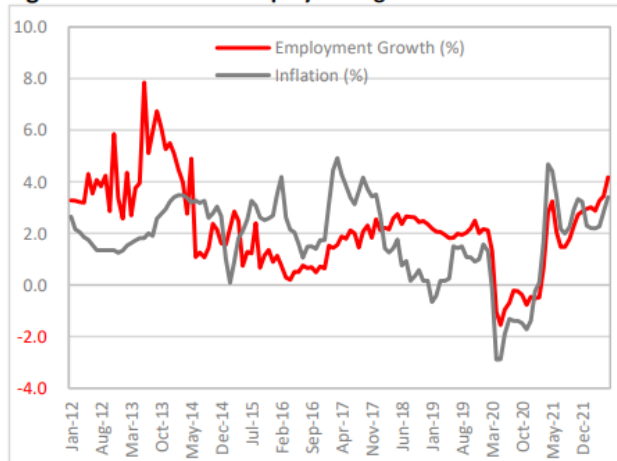
Source: CEIC, AmBank Research

Figure 2: Food at home and food away from home



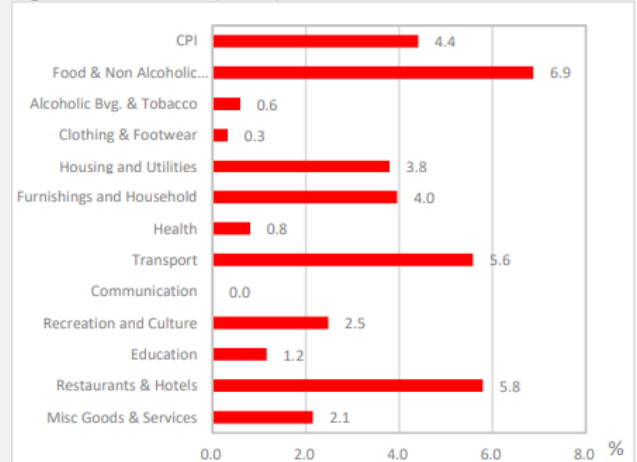
Source: CEIC, AmBank Research

Figure 3: Inflation and employment growth



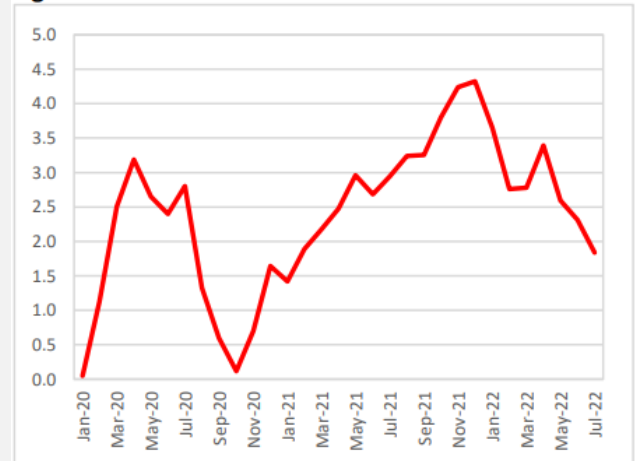
Source: CEIC, AmBank Research

Figure 4: Inflation by component



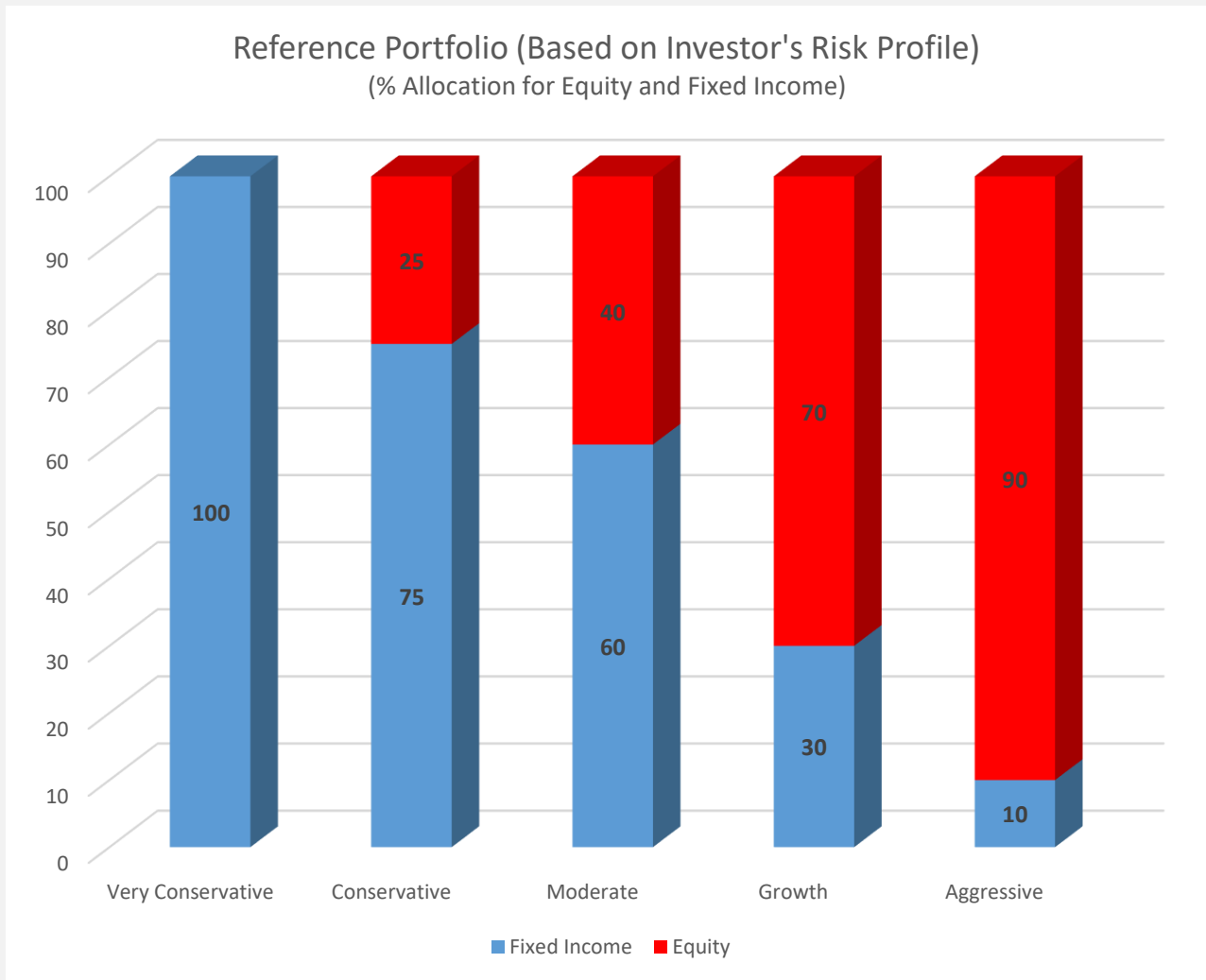
Source: CEIC, AmBank Research

Figure 5: New York Fed's GSCPI



Source: CEIC, AmBank Research

Fund Focus – 3rd Quarter 2022



Source: AmBank

Fund Focus – 3rd Quarter 2022

Region/Category	Fixed Income	Equities	Mixed Asset
Global / Developed Markets	Affin Hwang WS Global Income Maybank Bluewaterz Total Return	Abrdn Islamic World Equity A Affin Hwang Aiman Global Multi Thematic Affin Hwang WS Global Infrastructure Income Global Dividend Global Property Equities Global Agribusiness Maybank Global Sustainable-i Principal US High Conviction Sustainable Series - Nutrition TA Global Technology	Maybank Global Mixed Assets-i United-i Global Balanced
Asia ex Japan / China	RHB China Bond	AmAsia Pacific REITs AmChina A-Shares (Am) Asia ex Japan Equity Maybank All-China Focus Equity Maybank Asiapac ex Japan Equity-i Maybank Singapore REITs Principal Asia Pacific Dynamic Income Principal Greater China Equity Principal Islamic Asia Pacific Dynamic Equity TA Asia Absolute Alpha United ASEAN Discovery RHB Pacific Technology	Affin Hwang Select SGD Income Principal Islamic Lifetime Balanced
Malaysia	AmDynamic Bond AmBond AmBond Islam	Affin Hwang Aiman Growth Affin Hwang Select Opportunity AmDividend Income TA Islamic	Affin Hwang Select Balanced Eastspring Investments Dana al-Islah

Source: AmBank as of July 2022

Top 5 Best Performing Funds YTD 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Affin Hwang Select SGD Income MYR	Mixed Assets-Singapore	Retail	3.0	2.4	4.8
Affin Hwang World Series-Glo Infra Inc MYR H	Equity-Global	Wholesale	6.0	-	-
AmIncome	Bond-Malaysia	Retail	1.5	2.3	2.5
Global Agribusiness	Equity-Global	Retail	12.2	18.5	12.2
RHB Resources	Equity-Asia Pacific	Retail	9.8	7.0	6.6

Top 5 Worst Performing Funds YTD 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Affin Hwang World Series - Global Quantum MYR H	Equity-Global	Wholesale	-34.6	-34.0	1.2
Affin Hwang WS-Glo Disruptive Innovation MYR H	Equity-Global	Wholesale	-51.4	-62.1	-
Principal Global Technology MYR H	Equity-Global	Wholesale	-30.4	-29.3	13.2
RHB Asian High Yield-MYR	Bond-Asia Pacific	Wholesale	-31.3	-40.2	-14.8
RHB Pacific Technology MYR H	Equity-Asia Pacific	Wholesale	-32.2	-33.6	-

Source: Lipper fund performance as at 30 August 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 Information and F orschung (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

Definitions

USD	U.S. Dollar
YOY	Year-on-year
YTD / y-t-d	Year to date

Disclaimer

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