

Wealth Management Digest **December 2023**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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Market Overview

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

	2022	Aug-23	Sep-23	Oct-23	Nov-23
MSCI Global Equities	-17.95%	15.22%	10.51%	7.21%	17.16%
MSCI Developed Market Equities	-17.71%	16.55%	11.57%	8.36%	18.58%
MSCI Emerging Markets Equities	-19.81%	4.80%	2.11%	-1.85%	6.01%
MSCI Asia ex Jn Equities	-16.80%	6.22%	3.67%	-0.70%	7.07%
S&P 500 (US) Equities	-18.13%	18.72%	13.06%	10.68%	20.79%
STOXX 600 (EU) Equities	-9.88%	11.06%	9.24%	5.31%	12.31%
CSI 300 (China) Equities	-19.83%	-0.55%	-2.50%	-5.52%	-7.51%
HSI (HK) Equities	-12.56%	-4.36%	-6.83%	-10.47%	-10.61%
MSCI Malaysia (MY) Equities	-0.39%	-1.05%	-1.62%	-0.27%	0.48%
Bloomberg Global IG Bond	-16.25%	0.74%	-2.21%	-3.38%	1.50%
Bloomberg Global HY Bond	-12.71%	6.74%	5.05%	4.05%	9.63%

Source: Bloomberg, as of 30 November 2023

GLOBAL EQUITIES

Global equities were reinvigorated in November, jumping higher as traders expected interest rate cuts to materialise sooner rather than later. This has driven up demand for risk assets. The recent resilient Q3 earnings results also boosted demand for equities, with investors expecting the momentum to continue amid supportive economic outlook.

ASIA PACIFIC EQUITIES

Asia ex Japan pushed higher, with returns in South Korea, India and ASEAN offsetting losses in China. Stronger foreign direct investments, low valuations and robust corporate earnings supported by stronger demand from the West amid decoupling from China aided overall performance. China remains sluggish as property market woes and lack of meaningful stimulus from Beijing weighs on market sentiments.

MALAYSIAN EQUITIES

Malaysian equities ended marginally higher as investors continue to monitor local economic conditions. Local investors emerged as net buyers, while foreign investors sold off assets as they chased higher yields in the developed markets ahead of the interest rate cut cycle in 2024. Fund flows should favour Malaysia in 2024 as interest rate cuts are set to spark a hunt for yield in Asia.

Source: AmBank Retail Wealth Management Advisory & Research (as at 04 December 2023)

News Topics – Business & Economy

Consumer Defaults Rise In China, Delaying Recovery

Ongoing economic turbulence in China has given rise to consumer defaults, adding to the recovery challenge.

A total of 8.54 million people, between the ages of 18 and 59 were blacklisted by the government for missing payments on borrowings, which includes home mortgages payments, to personal loans and business loans.

The figure is worse compared to the pandemic era, where only 5.7 million defaulters were recorded as the economy faced the pandemic challenge and household incomes were impacted by ongoing lockdown and pandemic restrictions. Some banks have reported a 26% increase in credit card payments compared to 2022.

China's laws could further worsen the economic situation, as defaulters are not allowed to purchase airplane tickets, and are blocked from making payments through mobile apps such as WeChat or Alipay. Some states may also bar consumers from using toll roads.

Such regulations could delay the recovery process, keeping more consumers on the sideline. Consumers confidence have already been dragged lower by depressed property valuations.

Analyst believe that the situation in China is set to get worse before things improve, indicating that the current challenges may take awhile to be resolved by the government.

Source: Financial Times (November 2023)

Traders Bet Rate Cuts Will Materialize In Early 2024

The drop in inflationary pressures in the US has primed expectations that interest rates should be adjusted lower sooner than has been guided by central bank policymakers.

Traders are currently pricing in interest rate cuts as early as March 2024, as economic conditions start to falter under the weight of higher interest rates and high costs the past few months.

However, policymakers at the US Federal Reserve have been quick to push back against such expectations, citing that inflationary pressures still pose a risk to the economy.

Central banks are concerned that prematurely removing restrictive monetary policy would lead to inflationary pressure creeping higher, not only damaging the economy but also the central banks credibility. This has led to policymakers taking a more cautious approach to unwinding its previous tightening efforts.

Despite this, policymakers are no longer taking a hawkish stance on interest rates. Federal Reserve chairman Jerome Powell was observed saying in previous meetings that policy should continue to tighten to ensure that inflation is arrested, but in the most recent meeting, the Fed chairman indicated that monetary policy is sufficiently restrictive. This suggest that even policymakers believe that they have done enough, and are adopting a wait and see game on how inflationary pressures will react.

Source: Financial Times (November 2023)

News Topics – Business & Economy

November Stock Market Rally: Best Month In 3-Years

Global stocks have recorded their best month in November 2023, with the MSCI All-Country World index rising 9%. This is its best month since November 2020, when a vaccine for COVID-19 was announced.

The gains in 2023 was mostly attributed to expectations that the US Federal Reserve would cut interest rates sooner rather than later. Prospects of increased liquidity in the economy raised optimism of healthier growth and sparked buying of risk assets by investors.

Additionally, economic data remains sound, driving up hopes that the US could avoid a recession. Instead a goldilocks type economy is emerging, where growth is neither too hot nor too cold, expanding at a slow but steady pace.

Bonds have similarly benefitted in recent months, as investors try to lock in high yields on investment grade credits. Data from EPFR shows that almost US\$ 17 billion has flowed into corporate bond funds, the most since July 2020.

Volatility in the market, as measured by the Vix index, is also at its lowest point since before the pandemic started, highlighting investors confidence in the current environment.

However, some risks remains. Robust economic data in the US could keep the Fed's hand still, delaying interest rates cuts, which could sour investors mood.

Source: Financial Times (December 2023)

Rating Agencies Upgrade Greece To Investment Grade

Credit rating agencies S&P Global and Fitch have lifted Greece's credit rating from BB+ to BBB-, making the shift from high yield to investment grade.

The move comes as Greece improves its credit fundamentals which were wrecked in 2009 due to reckless state spending and misreporting of fiscal data, sparking the Green debt crisis.

The country experienced 8-years of austerity measures required by three successive bailouts worth €289 billion to stave off the collapse of its €300 billion debt mountain.

Economic reform initiated by creditors has helped to stabilized fiscal conditions. Debt to GDP is expected to decline further as the government reins in fiscal spending and focus on servicing debt.

The steadier political backdrop and fiscal discipline suggest that this trend will continue and contributed to steadier growth over the longer-term.

Greece's success highlights that prudent fiscal management can lead to sustainable growth outcomes and indicates that the European model is working.

While Europe has been buffeted by high inflation and interest rates in 2023, the upcoming year holds new opportunities as consumption rebounds and amid stronger fiscal and monetary policy support.

Source: Fitch, AP (December 2023)

News Topics – Business & Economy

Global Ad Spending Takes A Hit As Economy Stutters

Global advertising spending is expected to slow in 2024, rising 5.3% compared to the 5.8% growth expected in 2024. The figures exclude US political advertising in the Presidential Election year.

Slowing advertising is impacted by several factors:

- 1) High interest rates which impacts consumer and business spending, leading to advertising agencies expecting lower sales conversion from their marketing activities.
- 2) Economic contraction could also discourage advertising, as businesses cutback on costs to boost profit margins. Chinese companies that are seeking to expand internationally are also cutting back on spending due to economic challenges at home and poor reception for Chinese brands amid ongoing trade war with Western powers.
- 3) Advertising also becoming more focused and targeted amid rising costs and lower sales. Marketing teams are more choosy on platforms that they advertise with, aiming to reach the right customers to ensure higher conversion rates.

Global advertising spending is set to hit US\$ 889 billion in 2023, and US\$ 936 billion in 2024 based on market forecasts. The top 5 global sellers of ads includes Alibaba, Amazon.com, Bytedance, Meta Platforms and Google.

Source: WSJ (December 2023)

Cloud Spending Picks Up Amid AI Innovation

Business leaders are expecting to increase cloud spending in 2024 in order to tap into the generative artificial intelligence trend, which is set to create new opportunities in the economy.

Success of some companies such as Eli Lilly, have used generative Ai to aid drug discovery, have encouraged other companies to join the race in using Ai to improve operations and streamline growth potential.

Estimates by Ganter indicates that investment in the global cloud market could reach US\$ 678.8 billion in 2024, a 20.4% increase from the US\$ 563.6 billion expected for 2023.

However, spending will likely stay muted as companies balance cost while making investments in the cloud-Ai space, to balance out growth potential.

Most companies are still in the process of integrating Ai services into their operations, while developing a suitable pricing model to charge customers for their Ai enable services.

Some companies are still cautious on adopting the technology given that Ai is still in its early stages of development and prefer to wait for the segment to mature before committing further investments.

Source: WSJ (November 2023)

Economic Events – Commentary & Charts

Ringgit Corporate Bonds – Spreads Likely To Remain Relatively Tight

Our expectation is that in 2024, ringgit credit spreads will remain tight near their current range, though lifted slightly as spreads rebound from record levels.

We base our outlook on the following factors: 1) improvements in credit health alongside firm GDP growth; 2) continued accommodative monetary policy; and 3) modest increase in net issuance of PDS set for 2024.

Continued improvements in credit health amongst corporate bond issuers. Steadier Malaysia GDP growth from this year and into 2024-2025 offers expectations of better corporate sector returns and healthier cashflows, and thus providing little impetus for repricing of credit risks.

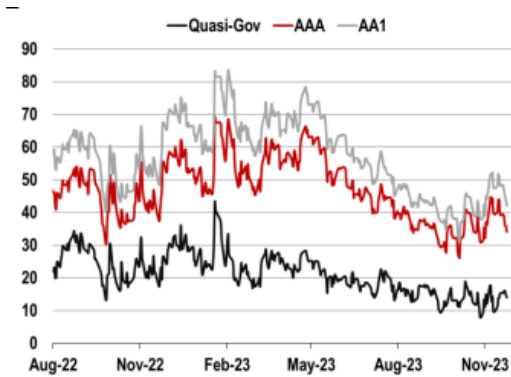
- Corporate balance sheets levels are showing improvements while cash flows remain healthy, based on data from Bloomberg on KLSE Emas Index as well as the Construction Index companies up to end 3Q2023. Assets continued to grow, outpacing liabilities, while debt-to-equity levels remained controlled at below 90%. For the KLSE Construction Index members, debt-to-equity levels were near the 89% level.
- Rating downgrades look contained while Positive rating outlooks look encouraging. RAM and MARC numbers show debt facilities downgrades totaling 11 YTD 2023 (2022: 8), while upgrades total 13 in YTD 2023 vs 14 in 2022. Meanwhile, rating outlook change to Positive is five (5) in YTD 2023 vs two (2) in 2022 though there are three (3) facilities placed on Negative watch in YTD 2023.

Monetary policy will remain accommodative and financial conditions should improve, supporting sentiment in the bond market. Alongside moderate inflation outlook and end to global and domestic monetary tightening, our forecast for sustained OPR up to end 2024 at 3.00% and anticipation that MGS yields will undergo a modest decline in 2024, will continue to support sentiment for PDS.

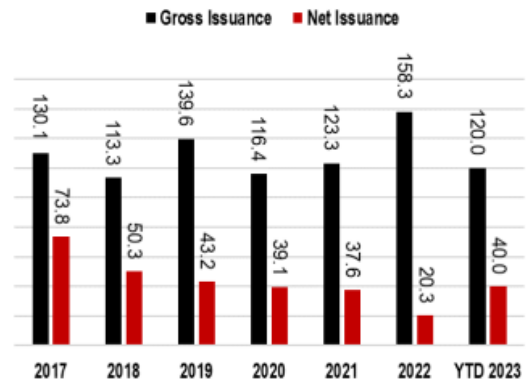
- Inflation expectation – Inflation in 2024 is expected to fall within a range of 2.5% to 3.5%, considering the effects of subsidy rationalization and the impact of the services tax increase. However, there is an upside risk to this outlook if (or when) the scope of rationalization extends to RON95 fuel.
- Growth view for 2024 – Our GDP growth forecast for Malaysia remains at 4.0% for 2023 and is expected to pick up to 4.5% in 2024. The weak export sector is anticipated to recover in 2024 due to easing inflationary pressures in major economies. On the domestic front, measures announced in Budget 2024, particularly those aimed at boosting consumption, are anticipated to support growth.
- Financial conditions are anticipated to loosen, thereby financing costs should decline in 2024. Banking sector lending rates, which is now about 5%, should consolidate to below that level in 2024 if interbank rates also show impetus to slide slightly in anticipation of OPR cuts post-2024. .

Economic Events – Commentary & Charts

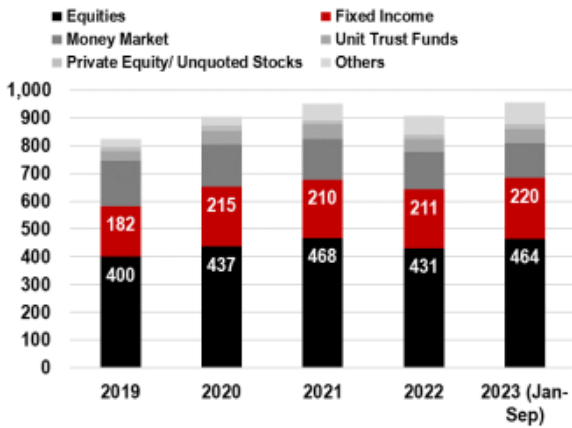
Credit Spreads vs MGS



Gross & Net Issuances of MYR Corp Bonds



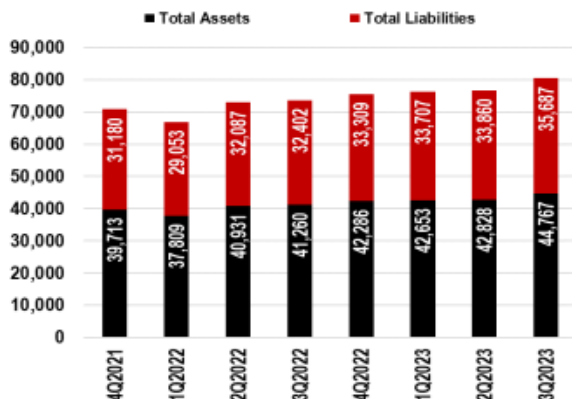
Asset Allocation of Malaysia's Fund Management Industry (MYR billion)



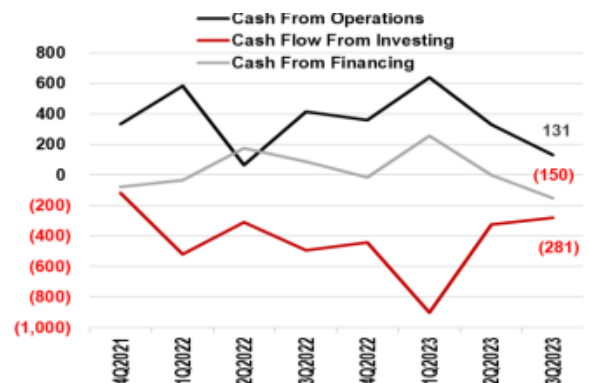
RAM & MARC Rating Actions 2022-YTD 2023 (Number of Rated Facilities)

	2022	2023 (Jan-Nov)
Rating Upgrades	14	13
Rating Downgrades	8	11
Revised Outlook - Positive	2	5
Revised Outlook - Stable	17	6
Revised Outlook - Negative	2	4
Placed on Watch - Developing	1	2
Placed on Watch - Negative	0	3

Total Assets & Liabilities of KLSE Emas Index Members (MYR per Share)

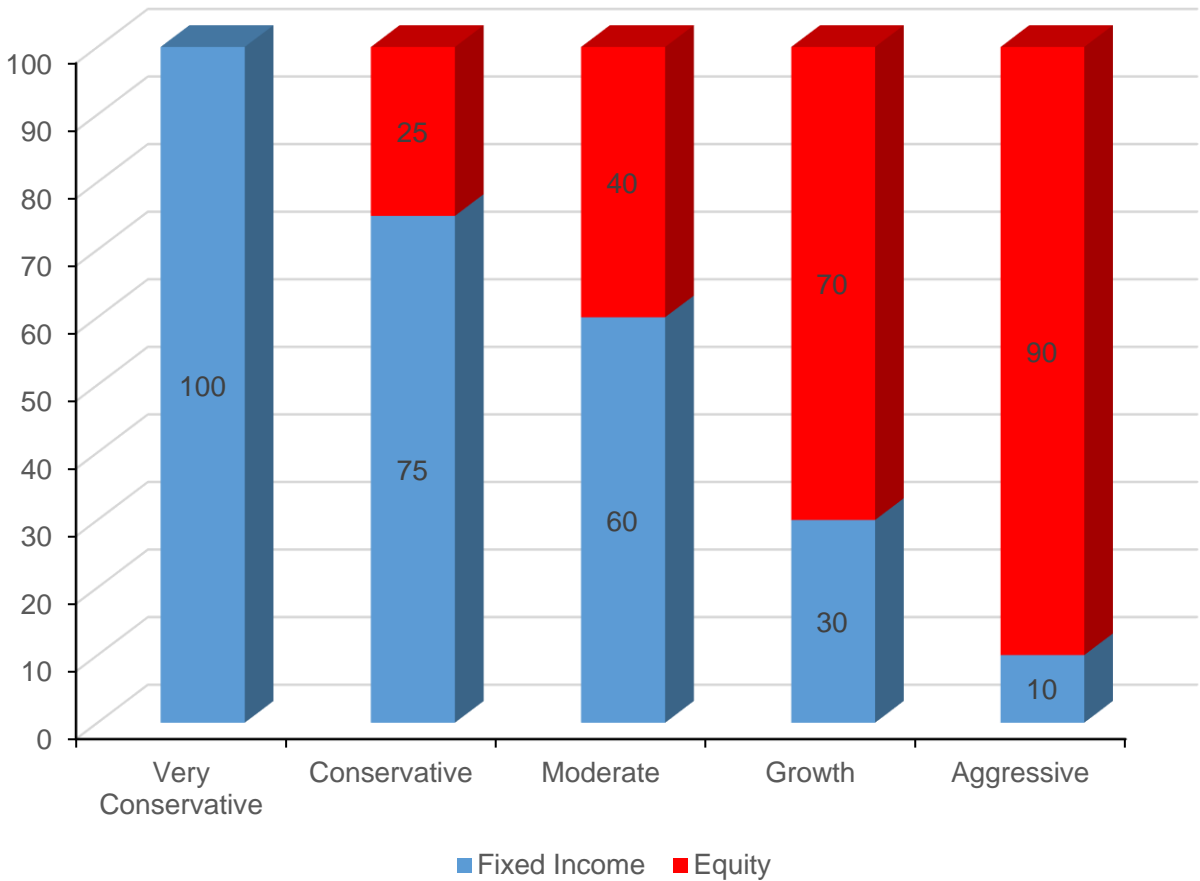


Cash Flows of KLSE Emas Index Members (MYR Per Share)



Asset Allocation Strategy

Reference Portfolio (Based on Investor's Risk Profile)
(% Allocation for Equity and Fixed Income)



Source: AmBank

Fund Focus – 4th Quarter 2023

	Retail	Wholesale
Fixed Income	AmBond	Affin Hwang World Series - Global Income
	AmDynamic Bond	Maybank Bluewaterz Total Return
	AmBond Islam ⓘ	
	Principal Lifetime Bond	
US / DM Equity	abrdn Islamic World Equity A ⓘ	Global Dividend
	Maybank Global Sustainable Equity-I	Principal Global Technology
	TA Global Technology	RHB European Select
		TA Sustainable Water & Waste
Asia ex Jn Equity	Maybank Asiapac Ex-Japan Equity-I ⓘ	
	Principal Asia Pacific Dynamic Income	
	Principal China-India-Indonesia Opportunities	
	Principal Islamic Asia Pacific Dynamic Equity ⓘ	
China Equity	Principal Greater China Equity	Affin Hwang World Series - China A Opp
		AmChina A-Shares
Malaysia Equity	AHAM Select Opportunity	
	AmDividend Income	
	Eastspring Investments Equity Income	
Mixed Assets	AHAM Select SGD Income	Income and Growth
	Eastspring Investments Asia Select Income	
	Principal Islamic Lifetime Balanced ⓘ	
Alternatives	Maybank Global Mixed Assets-I ⓘ	Hong Kong Tech Index
	Principal Global Millennial	Manulife India Equity
	TA Global Select Equity	Manulife Shariah Global REIT ⓘ
	United ASEAN Discovery	Principal Islamic Global Technology ⓘ
	United Golden Opportunity	RHB Global Artificial Intelligence

ⓘ : Islamic

Note: Funds are selected using a quantitative filter. Best scoring funds across key categories have shortlisted to be in the fund of focus. Based on Wealth Advisory & Research and Wealth Product Managers PM discretion & experience, new funds and tactical ideas maybe added as required to capture fast moving market trends.

Source: AmBank as of October 2023

Top 5 Best Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Affin Hwang WS-Glo Disruptive Innovation MYR H	Equity-Global	Wholesale	41.55	16.74	-27.48
Principal Global Technology MYR H	Equity-Global	Wholesale	38.66	28.38	-0.85
TA Global Technology MYR	Equity-Global	Retail	48.14	38.83	8.37
Principal Islamic Global Technology MYR	Equity-Global	Wholesale	58.23	46.84	0.00
Principal Islamic Global Technology MYR H	Equity-Global	Wholesale	45.76	34.94	0.00

Top 5 Worst Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmChina A-Shares MYR H	Equity-China	Wholesale	-23.48	-22.84	-18.85
MAMG All-China Focus Equity MYR H	Equity-China	Wholesale	-22.50	-19.08	0.00
Principal China Multi Asset Income MYR H	Mixed Assets-China	Wholesale	-18.88	-14.48	-20.06
New China Sectors Index MYR	Equity-China	Wholesale	-43.19	-46.29	0.00
New China Sectors Index MYR H	Equity-China	Wholesale	-48.47	-51.41	0.00

Source: Lipper fund performance as at 04 December 2023, 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 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
USD	U.S. Dollar
YOY	Year-on-year
YTD / y-t-d	Year to date

Disclaimer

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