Wealth Management Digest

April 2023

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)

	2020	2021	2022	Jan-23	Feb-23	Mar-23
MSCI Global Equities	16.87%	19.04%	-17.95%	7.20%	4.16%	7.44%
MSCI Developed Market Equities	16.53%	22.38%	-17.71%	7.11%	4.58%	7.88%
MSCI Emerging Markets Equities	18.79%	-2.36%	-19.81%	7.90%	0.91%	3.97%
MSCI Asia ex Jn Equities	20.36%	-1.13%	-16.80%	7.86%	1.58%	4.84%
S&P 500 (US) Equities	18.39%	28.68%	-18.13%	6.28%	3.68%	7.48%
STOXX 600 (EU) Equities	-1.44%	25.82%	-9.88%	6.76%	8.78%	8.58%
CSI 300 (China) Equities	29.89%	-3.51%	-19.83%	7.38%	5.14%	4.67%
HSI (HK) Equities	-0.24%	-11.84%	-12.56%	10.42%	0.03%	3.51%
MSCI Malaysia (MY) Equities	1.94%	-2.90%	-0.39%	-0.40%	-2.81%	-3.43%
Bloomberg Global IG Bond	9.20%	-4.71%	-16.25%	3.28%	-0.15%	3.01%
Bloomberg Global HY Bond	7.03%	0.99%	-12.71%	4.18%	2.21%	3.15%

Source: Bloomberg, as of 31 March 2023

GLOBAL EQUITIES

Global equities rebounded in March 2023, on the back of stronger risk appetite as financial stability was restored after regulators stepped-in to address the Silicon Valley Bank issue among other challenges in the global financial markets. Resilient economic fundamentals and rising hopes that central banks are nearing the peak interest rates also boosted deployment of reserve funds into the market for bargain hunting.

ASIA PACIFIC EQUITIES

Asian equities were similarly rising, boosted by China's recovery. Regional Asian countries benefitted from expectations that the tourism rebound would boost earnings performance for consumer related sectors. Several Asian central banks pausing interest rate hikes also bolstered risk taking appetites, leading to more aggressive positioning in the local market. Investors were also taking cues from the healthy economic data in the developed markets, which suggest that export momentum would continue in 2023, despite the US and Europe's recession risk.

MALAYSIAN EQUITIES

Malaysian equities bucked global recovery trends to end lower in March 2023. As foreign buying continues to elude the local market, and as local investors focus on the small-mid cap segment of the market, large cap companies facing selling pressures as investors wait for catalyst to push risk assets higher.

Source: AmBank Retail Wealth Management Advisory & Research (as at 31 March 2023)

News Topics – Business & Economy

Banking Turmoil Raises Questions On Central Bank Interest Rate Hikes

The collapse of Silicon Valley Bank (SVB), Signature Bank and the planned closure of Silvergate Capital has raised hopes that the US Federal Reserve would have a change of heart on its planned interest rate hike cycle.

Central to the banking turmoil is the mark-to-market devaluation of the banks bond holdings, especially in the US treasury markets, which we're hit by waves of selling as interest rates rose. Investors seeking higher yields were abandoning the bonds space in favour of higher yield cash assets.

The drop in asset value raised concerns over the banking sectors financial health, leading to waves of panic as investors try to determine which banks are at most risk in this environment. This caused a sell-off in the market.

However, the silver lining from this development is that the US central bank is set to consider slowing the pace of interest rate hikes moving forward to ensure financial stability in the global economy.

Central bank officials have indicated that the current banking challenges would naturally cause lenders to become more conservative in their lending practices, leading to less liquidity in the market which should help address the rise in costs across the economy.

Federal Reserve chairman Jerome Powell indicated that that he "no longer anticipates that the ongoing rate increases will be appropriate to quell inflation."

The statement suggest that the current interest rate hike cycle is peaking, with policymakers relying on the combination of rapid rate increases since 2022, falling commodity prices and softer consumption deflating inflationary pressures.

Markets are currently pricing in an 81% chance that the US Federal Reserve would keep interest rates steady at its May 2023 meeting, at 4.75-5.00%, with only 19% of market participants anticipating a 25-basis point interest rate hike.

Source: Financial Times (March 2023)

China Boost Liquidity In Economy With First RRR Cut For 2023

China's central bank has injected US$ 72.6 billion into the local economy by cutting reserve requirement ratios (RRR) for local banks.

The People's Bank of China had cut the RRR rate by 25 basis points and comes as economic data in China appears to be mixed at the initial recovery period.

China has just fully reopened the economy in 2023, following 3-years of lockdowns and COVID-19 restrictions. While initial data has been encouraging, consumers and businesses remain cautious, causing the initial burst of growth to start to soften.

Policymakers at the central bank indicated that economic indicators were positive in January and February of 2023, but that fundamentals remain soft, requiring the central bank to intervene.

The move comes after the National People's Congress, where President Xi Jinping has solidified his position as China's leader for a third term and as new government leaders were appointed to helm the next stage of China's transformation.

Beijing did indicate that it would stay conservative on fiscal policy while aiming to hit the 5% growth target for 2023. This prompted the central bank to act and support the economy with more precise policy without agitating inflationary pressures, as seen in the developed markets.

While the PBOC has introduced new liquidity in the market, it has kept borrowing rates unchanged, with the 1-year loan prime rate and the 5-year loan prime rate steady at 3.65% and 4.30% respectively. The loan prime rates are based rates used to price short-term and long-term loans to consumers and businesses.

Keeping borrowing rates unchanged is part of the PBOC's efforts to control the debt binge in the market, while still ensuring that the economy has access to ample liquidity as required. Support is being directed towards the property sector which was one of the hardest hit parts of the economy since 2020.

Source: Reuters (March 2023)

News Topics – Business & Economy

UK Joins TPP, Diversifying Away From Europe Trade Dependence

The UK government has made headway in strengthening the countries trade ties by joining the Comprehensive & Progressive Agreement for Trans-Pacific Partnership (TPP).

Joining the TPP, the UK has effectively established trade agreements with 12 Pacific Rim, which includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and Canada.

The United States was also party to the initial negotiations for the trade agreement, but eventually pulled-out from negotiations under the leadership of President Donald Trump.

Britain's push to join the trade agreement marks the first European country to join the deal, and also marks the country's move to diversify from trade reliance on European countries.

In the post-Brexit environment, the UK has faced an uphill battle to rebuilding trade relationships with global economies, having previously rode on deals arranged under the European Union.

The UK estimates that the TPP will boost GDP output by 0.08% over the next 15-years, and that figure is set to grow further as more parties join the trade partnership.

Joining the agreement would also allow the UK to expand its influence over the Asian region, in absence of the US, as China continues to take on a leadership role in the region.

The UK's membership in the TPP will further increase the blocs ability to negotiate with major economic powers seeking to join the trade pact. China has applied to join the TPP in 2021 and is in the review and negotiating process.

However, Britain's membership to the TPP is unlikely to fix its trade woes of exiting the European Union. Based on the government's analytics, UK overall trade will be 15% lower in the long run after its exit from the EU.

Source: Wall Street Journal (March 2023)

Advertisement Spending In US To Grow Despite Recession Risk

Advertisers in the US are expected to continue spending in 2023, even as recessionary risk emerges within the economy, highlighting expectations of resilient consumption within the country.

Ad revenues are expected to grow by 3.4% to US$ 326 billion in 2023, based on a report by Magna. Spending on advertisements is expected to pick-up in the second half of 2023, once economic data stabilizes and there is more clarity over the scope of the recession and contraction.

The US economy so far has not shown any signs of distress, with the jobs market staying tight while manufacturing and services data hold steady. While developments in the banking sector sparked a rise in anxiety for both consumers and businesses, the impact is muted and unlikely to be prolonged.

Consumers and businesses are also sitting on a cash pile built up since the pandemic started, estimated at around US$ 3-4 trillion based on commercial deposits reported to the US Federal Reserve. Advertisers are targeting these savings buffers as they deploy marketing campaigns to spur spending.

Key contributor to advertising spending is expected to come from the automotive sector, as supply disruptions ease and production rebounds. Advertisers are aiming to tap into the pent-up demand for vehicles, as low production volumes limit sales in 2021 and 2022, even as prices rose.

Advertisers are likely to tap into the new ad-supported streamlining services to target relevant audiences, alongside increase in spending on traditional media such as billboards, as consumers hit the roads to satiate their travel appetite.

Technology upgrades by traditional retailers also provide advertisers new avenues to identify and select specific demographics to target with their ad campaigns, which should contribute to higher overall ad-spending.

Source: Wall Street Journal (March 2023)

News Topics – Business & Economy

Alibaba Plans Split of Business Units As Regulatory Pressures Fade

Alibaba Group Holdings has announced that it will split itself into six independently run companies in the future. These units are China e-commerce, global e-commerce, digital mapping, food delivery, logistics and media & entertainment.

Each business would operate separately, with its own CEO and board of directors, and can raise capital independently through IPOs when the business matures.

The move allows Alibaba Group, which will become an investment holding company, to extract more value from its shares in the individual business units.

Alibaba's management indicated that the move would allow the company to compete better against rivals and be more agile in reacting to developments in their respective fields.

A spilt would also put Alibaba in good terms with regulators, which have pushed for fairer competition in the market, and to move away from a model where one or two big conglomerates control large parts of the sector.

Regulators in Beijing have been making efforts to revive entrepreneurs' confidence following the last two years of regulatory clampdowns on the technology sector, as well as COVID-19 restrictions, which had weighed on sentiments.

Alibaba's Ant Group was the first victim of the crackdown, as regulators cancelled the firms IPO, and subsequently launched a probe into Alibaba for its alleged anti-competition practices. Many China technology companies have since been fined by regulators. Markets reacted to the news by wiping out nearly US$ 1 trillion in market value from China's largest publicly listed tech companies.

Alibaba's decision to break-up its business to stay ahead of the competition and in line with regulatory wishes, raises hope that there is less obstruction ahead for technology companies.

Source: Financial Times (March 2023)

World Bank Warns That US-China Decoupling Hurts Global Innovation

Trade wars, lack of communication and technology bans between US and China will become a bottleneck for future innovation, according to the World Bank.

The continued challenges create barriers to knowledge generation and innovation, which poses a threat for long-term global growth.

Data shows that US-China diplomatic relations are at their lowest point since 1979, when both nations first established cooperation.

China's assertive moves towards Hong Kong, threats against Taiwan and support to Russia is set to draw the ire of the United States, potentially leading to an escalation in tensions.

China has decried the US actions to impose trade tariffs on China exports to the country, technology bans, threats to delist China companies from US markets, as well as barring/discouraging investments by US entities into China.

While the initial decoupling would be a positive for Asian countries, who would benefit from the supply chain diversification of multinational companies, that benefit could be short lived, as the cost of compliance to separate rules implemented by both China and the US could disrupt profit margins, and reduce overall investment flows in the long-term, weighing on the region's growth prospects.

Lowered knowledge sharing and technology access could also be detrimental to overall growth in the emerging markets and on climate goals.

With the US and parts of the developed markets implementing defensive tools to protect sensitive technologies, this could block technology access in the emerging markets, due to fears that China could access it through proxies. Without cooperation between the two countries, growth could face hurdles.

Source: Financial Times (March 2023)

Economic Events – Commentary & Charts

Malaysia:

BNM expects economy to grow by 4.0 – 5.0% in 2023

Global GDP is likely to enter a soft patch period in 2023 as impact from cumulative interest rate hikes in major economies which came at a very steep pace to take its toll.

Furthermore, inflation has been very sticky based on the year-to-date (YTD) observation thus far as they remain well above the desired levels. In the United States, the unemployment rate continued to hover at multiple decades low with a reading of 3.6% as at February 2023, a sign that the job market is still in overheating territory.

Inflation in the UK and Eurozone have not shown significant improvement either, explaining why the Bank of England (BOE) and European Central Bank (ECB) joining the US Federal Reserve (Fed) to remain on the tightening trajectory.

Bank Negara Malaysia (BNM) forecasts the Malaysian economy to grow by between 4.0% - 5.0% in 2023 (2022: 8.7%).

The projection is within our expectation where we are looking at 4.5% GDP growth over the same period. Private consumption which is seen growing at 6.1%, underpinned by improvement in the labour market, cash handout by the government and robust consumer balance sheets to some extent. Against the backdrop of global headwinds, domestic activity is anticipated to play its role in sustaining the economic growth.

The output gap, which measures the difference between the potential output and the actual output, is expected to turn into positive in the 2H2023 with GDP growth in 2023 to be supported by the following factors:

- Continued improvement in labour market and income levels.
- Implementation of new and existing investment projects.
- Persistent recovery in tourism sector.
- Selected government assistance, including Sumbangan Tunai Rahmah, income tax deduction for selected income group, and tax cut for SMEs.

Moderating factors to growth outlook for 2023 are as follows:

- Elevated inflation
- Slower trading activities
- Elevated cost of living and input costs.
- Potential tightening in global financial conditions

Private consumption is expected to grow by 6.1% in 2023, which is similar to our forecast (2022: 11.3%), driven by the continuous improvement in the labour market and income level, implementation of RM1,500 minimum wage on small firms, revision on the individual income tax rates announced in the Budget 2023, coverage of employees entitled for overtime pay, and cash transfer programme.

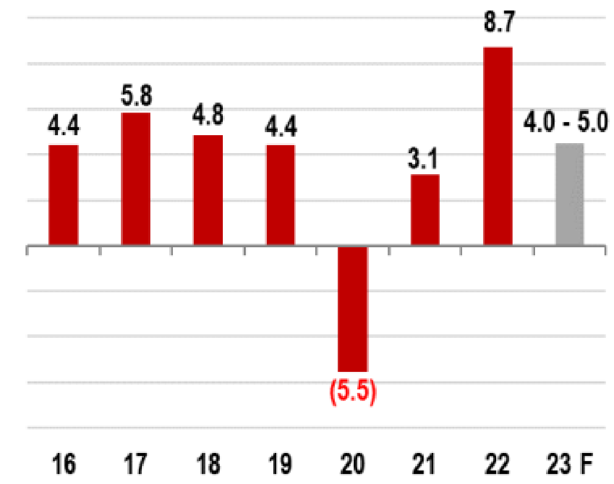
Private investment will grow by 5.8% in 2023 (2022: 7.2%), supported by key infrastructure projects including Malaysia Digital Economy Blueprint (MyDIGITAL), construction activities in both residential and non-residential.

Public consumption is expected to grow by 1.3% (2022: 3.9%), where the moderation is due mainly to contraction in supplies and services spending due to the lapse in COVID related expenditure. Public investment to grow by 7.0% in 2023 (2022: 5.3%), driven by continuous infra-projects including ECRL, LRT3, and Pan Borneo Highway. Exhibit 5 shows the current project currently in pipeline and their progress.

Source: AmBank Research

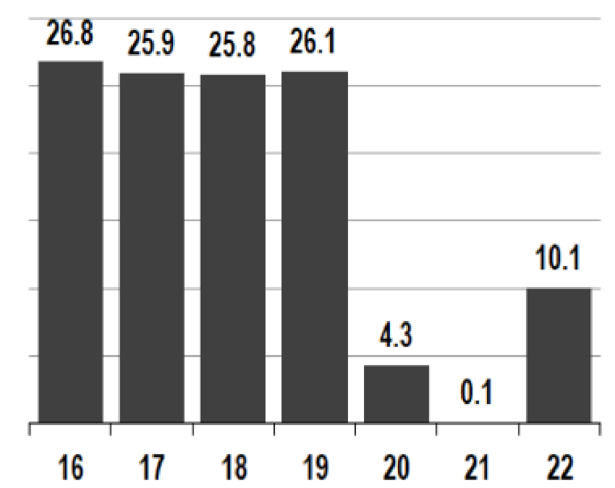
Economic Events – Commentary & Charts

Exhibit 1: Malaysia Annual GDP Growth (% y/y)
Support to come from improving job market, realisation from existing investments and tourism recovery



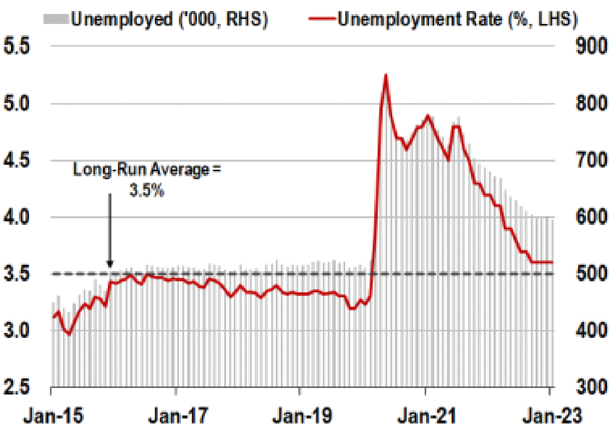
Source: CEIC, AmBank Economic Research

Exhibit 2: Tourist Arrival (million)
After two years of shutdown, tourist arrivals rose in 2022 and expect this to continue in 2023



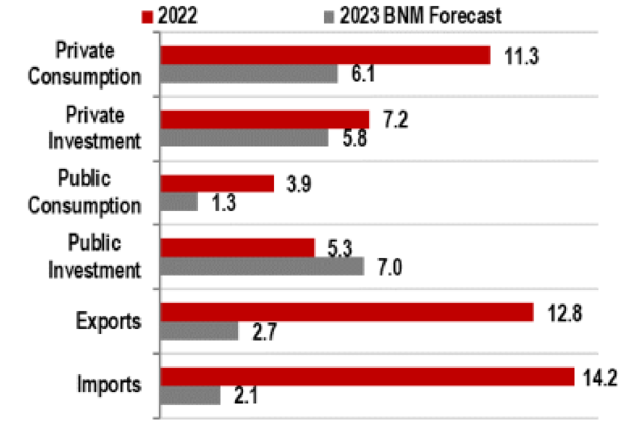
Source: CEIC, AmBank Economic Research

Exhibit 3: Malaysia Unemployment Rate (%)
Persistent recovery since the full-reopening



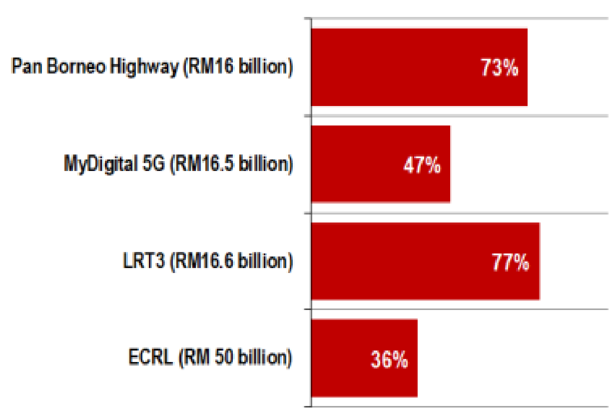
Source: CEIC, AmBank Economic Research

Exhibit 4: Annual GDP Growth by Sector (% y/y)
Slower pace than 2022's level across all segments



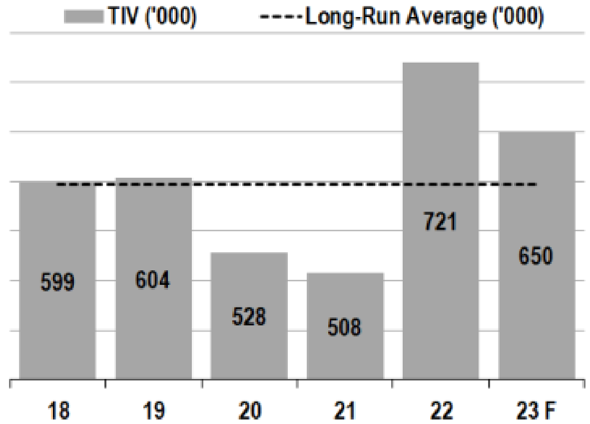
Source: CEIC, AmBank Economic Research

Exhibit 5: Key Infra Projects Completion Status
Realisation from existing projects to support growth



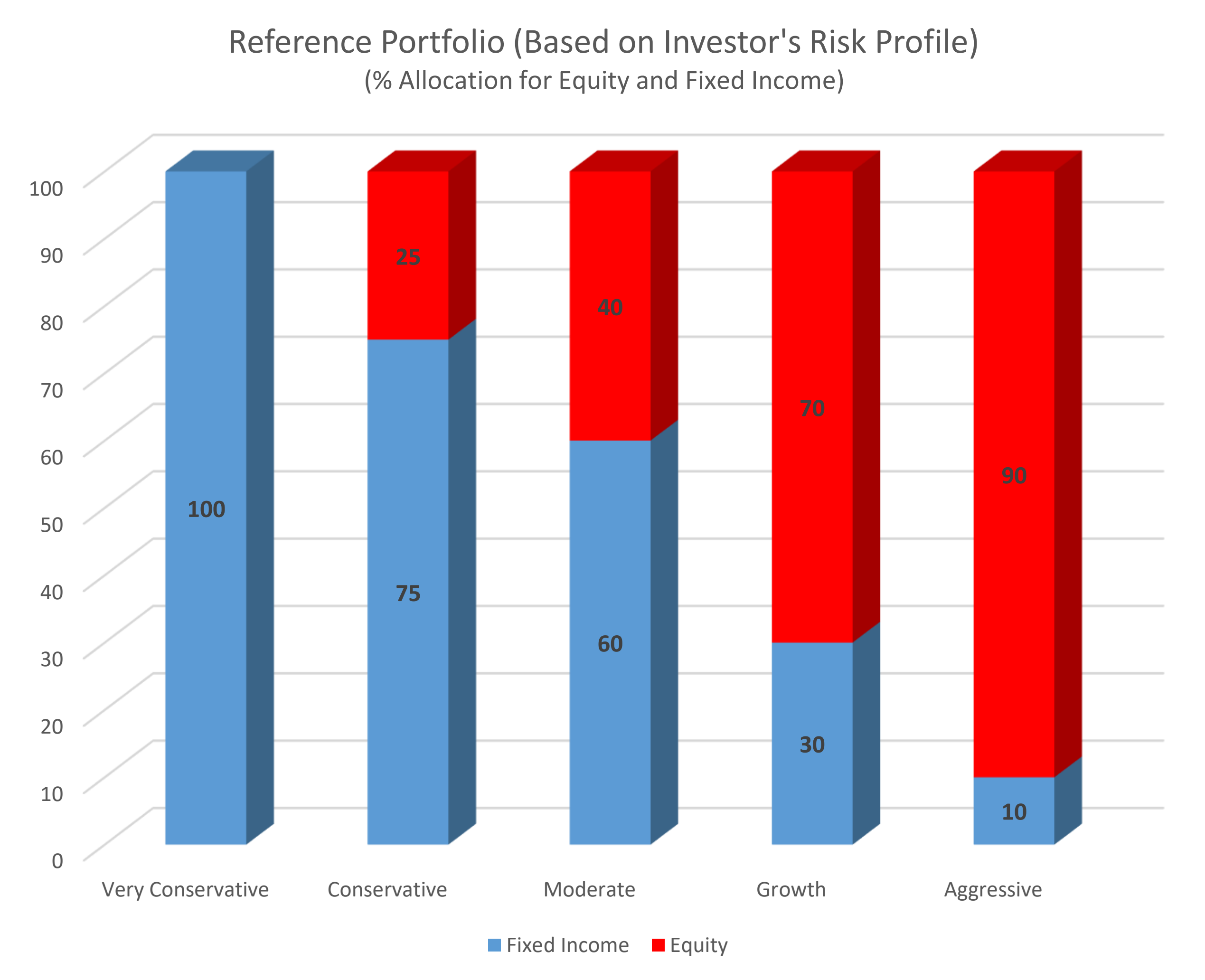
Source: CEIC, AmBank Economic Research

Exhibit 6: Malaysia Vehicle Sales
Vehicle sales in 2023 to remain above average



Source: CEIC, MAA, AmBank Economic Research

Fund Focus – 1st Quarter 2023



Source: AmBank

Fund Focus – 1st Quarter 2023

	Fund Name	Focus	Asset Class	Category	Islamic
Core	abrdn Islamic World Equity	Global	Equity	Retail	Islamic
	AmDividend Income	Malaysia	Equity	Retail	Conventional
	AmDynamic Bond	Malaysia	Bond	Retail	Conventional
	Global Dividend	Global	Equity	Wholesale	Conventional
	Maybank Global Mixed Assets-I MYR	Global	Mixed Assets	Retail	Islamic
	Maybank Bluewaterz Total Return MYR	Asia Pac ex Japan	Bond	Wholesale	Conventional
	Principal Asia Pacific Dynamic Income	Asia Pac ex Japan	Equity	Retail	Conventional
	Principal Lifetime Bond	Malaysia	Bond	Retail	Conventional
	TA Global Select Equity	Global	Equity	Retail	Conventional
	United-i Global Balanced MYR	Global	Mixed Assets	Retail	Islamic
Satellite	AmChina A-Shares	China	Equity	Wholesale	Conventional
	Global Agribusiness	Global	Equity	Retail	Conventional
	Global Property Equities	Global	Equity	Retail	Conventional
	Hong Kong Tech Index	China	Equity	Wholesale	Conventional
	Principal China-India-Indonesia Opportunities	Asia Pac ex Japan	Equity	Retail	Conventional
	Principal Greater China Equity	China	Equity	Retail	Conventional
	RHB European Select	Europe	Equity	Wholesale	Conventional
	RHB Global Artificial Intelligence	Global	Equity	Wholesale	Islamic
	TA Islamic	Malaysia	Equity	Retail	Conventional
	United ASEAN Discovery	Asia Pac ex Japan	Equity	Retail	Conventional

Source: AmBank as of March 2023

Top 5 Best Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Europe Equity Growth	Equity-Europe	Wholesale	14.25	3.36	17.59
RHB European Select	Equity-Europe exc UK	Wholesale	13.59	9.19	16.34
RHB Gold and General	Equity-Global	Retail	8.66	-11.09	15.29
TA Dana Global	Other-Global	Retail	6.49	-8.51	7.15
abrdn Islamic World Equity A MYR	Equity-Global	Retail	8.56	-4.30	13.77

Top 5 Worst Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmAsia Pacific REITs B MYR	Equity-Asia Pacific	Retail	-1.21	-14.89	5.36
AmDividend Income	Equity-Malaysia	Retail	-1.60	-4.10	14.57
Asia-Pacific Property Equities	Equity-Asia Pacific	Retail	-1.32	-12.46	3.05
Pan European Property Equities	Equity-Europe	Retail	-2.91	-34.59	-0.32
AmPRS-Asia Pacific REITs D	Equity-Asia Pacific	Retail	-1.05	-14.42	3.41

Source: Lipper fund performance as at 28 February 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 **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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