

Wealth Management Digest **August 2023**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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Market Overview

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

	2022	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
MSCI Global Equities	-17.95%	7.20%	4.16%	7.46%	9.05%	7.95%	14.27%	18.49%
MSCI Developed Market Equities	-17.71%	7.11%	4.58%	7.90%	9.84%	8.82%	15.44%	19.35%
MSCI Emerging Markets Equities	-19.81%	7.90%	0.91%	4.01%	2.85%	1.15%	5.06%	11.65%
MSCI Asia ex Jn Equities	-16.80%	7.86%	1.58%	4.93%	3.85%	2.85%	6.42%	11.62%
S&P 500 (US) Equities	-18.13%	6.28%	3.68%	7.48%	9.16%	9.64%	16.88%	20.64%
STOXX 600 (EU) Equities	-9.88%	6.76%	8.78%	8.58%	11.42%	8.84%	11.50%	13.92%
CSI 300 (China) Equities	-19.83%	7.38%	5.14%	4.67%	4.14%	-1.65%	0.45%	5.83%
HSI (HK) Equities	-12.56%	10.42%	0.03%	3.51%	0.99%	-6.94%	-2.76%	4.22%
MSCI Malaysia (MY) Equities	-0.39%	-0.40%	-2.81%	-3.43%	-3.64%	-5.64%	-6.40%	-0.77%
Bloomberg Global IG Bond	-16.25%	3.28%	-0.15%	3.01%	3.46%	1.44%	1.43%	2.13%
Bloomberg Global HY Bond	-12.71%	4.18%	2.21%	3.15%	3.80%	2.61%	5.23%	7.29%

Source: Bloomberg, as of 31 July 2023

GLOBAL EQUITIES

Global equities continued to push higher, supported by healthy earnings reports and prospects of an interest rate pause materializing soon. Investors are also increasingly convinced that the US economy would be able to engineer a soft landing, avoiding a recession all together in 2023, with a mild contraction only likely in 2024 as growth moderates. This has sparked buying in key equity markets in order to not miss out on further gains,

ASIA PACIFIC EQUITIES

Asian equities almost double their returns in July compared to June, on the back of bets that the China government would introduce comprehensive stimulus policy to revive consumption and growth across the China economy. Rest of Asia rose alongside China, on spill over effect hopes which would spur activity across the region. Asia ex-China has benefitted from stronger foreign direct investments as more developed market countries seek out locations in Asia to diversify their supply chains and build new production and manufacturing facilities.

MALAYSIAN EQUITIES

Malaysian equities narrowed its losses further as foreign investors return to the local market as the US dollar weakened. This sparked buying interest from local retail and institutional investors, leading to more sizeable gains in the market. Gains were moderated due to the upcoming state elections which would introduce more volatility to the market, but investors remain optimistic about Malaysia's outlook given the strong performance and stability of the economy so far in 2023.

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

News Topics – Business & Economy

Malaysia's Inflation On The Downtrend

Consumer price index (CPI) in Malaysia fell to its lowest level since the start of the year, coming in at 2.4% in June 2023. The reading was much lower compared to May's 2.8% and January's inflation reading of 3.7%.

Data shows that costs are falling across all key categories, especially in the food at home and food away from home categories. Food related inflation fell to 4.7% in June 2023, compared to the previous months 5.9%. Improving supplies and moderating demand has led to easing cost pressures.

Inflation across 10 states increased but remained below the national level of 2.4%. 6 states recorded inflation higher than the national level.

However, Malaysia's inflation reading remains below the Asia-Pacific region. Malaysia's inflation is under control compared to South Korea, Indonesia and the Philippines, and in much better shape compared to the developed markets, such as the United States, Europe and the United Kingdom.

The drop in inflationary pressures is set to have a positive effect in several ways:

- 1) Boosting household disposable income and driving up consumer spending which can be a growth driver for the economy.
- 2) Discouraging further interest rate hikes by Bank Negara Malaysia (BNM). Inflation coming under control reduces the need for aggressive interest rate tightening.

Source: DOSM, TheSun (July 2023)

Malaysia's PM10 Introduces Madani Economic Framework

Malaysia's 10th Prime Minister Anwar Ibrahim has introduced the Madani Economic Framework that aims to strengthen key structures across the economy across all segments.

The government aims to break the cycle of "high costs, low wages, low profits and a lack of competitiveness", indicating that economic benefits are not being distributed equitably across different household groups.

The new framework seeks to address several key issues which includes;

- 1) Competitiveness of the local economy in the global arena, which would boost Malaysia's appeal as a investment destination. This would ensure the country captures opportunity amid US-China trade tensions.
- 2) Rising standard of living for consumers. Given the fact that income has not increase in tandem with economic growth. 50% of Malaysia workers earn less than RM 2,250 per month.
- 3) Reducing overall budget deficit to 3% of GDP, in order to lower fiscal sustainability and improve overall financial stability of the government.
- 4) Increasing innovation and technological adoption across the manufacturing and the services sector, which can revitalise and bolster economic growth, as well as unlock new growth opportunities.

The government has set aside RM 5 billion to kickstart the Madani framework.

Source: NST (July 2023)

News Topics – Business & Economy

China Stimulus Expected As Economic Outlook Darkens

As economic data across all segments of the economy deteriorates, markets are increasingly expectant of new stimulus measures to be introduced by the Chinese government moving forward, which aims to boost growth towards the government's 5% GDP growth target for 2023.

Beijing has announced a couple of initiatives alongside policies announced by local and state governments to aid the recovery process. Most policies are aimed at restoring momentum in the property market, a key proponent of the China economy.

The property market has slumped since before the pandemic, as Beijing's harsh 3-red line policy pushed several prominent developers towards bankruptcy. As Chinese household wealth is tied to the property market, a crash in home values has significantly hit consumer confidence, leading to an anaemic spending recovery.

Recent government policies are aimed at boosting activity in the property market, by easing restrictive policies that dampened transactions in the segment, as well as boosting liquidity support through interest rate cuts.

The government aims to create employment opportunities, amid reports of youth unemployment hitting 21.3% in June. Failure to act appropriately could dampen overall outlook for China.

Beijing is expected to introduce sufficient stimulus to jumpstart the economy, but the scale of spending is unlikely to match the pandemic packages, as Beijing maintains a prudent stance on ensuring stability.

Source: Reuters, GlobalTimes (July 2023)

China's Q2 2023 GDP Misses The Mark

China's Q2 2023 GDP grew by 6.3% year-on-year, which is much lower compared to estimates for a 7.3% expansion. The weaker growth performance has put China at risk of missing the government's 5% growth target for the year.

While government officials are still confident that the economy would hit its 5% growth target, the weaker economic data suggests that growth could struggle moving forward.

- Retail sales remains soft as a result of weaker consumer sentiments. The initial burst of spending during the holiday season has faded, with consumers turning increasingly frugal due to the challenged economic outlook. Retail sales for June 2023, fell 3.1%, which is below market expectations for a 3.2% increase.
- Manufacturing activity dipped, recording nearly 6-months of contraction, as demand from key export markets fell as recession worries weighed on overall orders to factories. This has led to a drop in productivity across the economy.
- Unemployment rate in China stood at 5.2% in June, but unemployment in the youth category came in at 21.3%, a new record high. Weaker employment gains is set to cap household disposable income growth and keep productivity levels capped across key economic segments.

The weaker growth prospects is expected to drive up calls for Beijing to deliver a comprehensive stimulus package to support the recovery process in China.

Source: CNBC (July 2023)

News Topics – Business & Economy

Fitch Ratings Downgrades US Credit Rating

The US long-term foreign currency issuer default trading has been downgraded by one notch from 'AAA' to 'AA+' as challenges in the US economy intensify.

The downgrade occurred for several reasons:

- Governance challenges – continued stand-off between political parties has caused the debt ceiling to be taken hostage, increasing the risk of a potential technical default of the US government, worsening the credit outlook.
- Higher fiscal debt load as most governments across the world tapped into credit lines during the pandemic to finance massive stimulus policies to support the economy. Focus on new agenda would also result in further expansion of deficits, straining cashflows.
- Government income has been eroded, with big back lash on raising taxes. Tax cuts in 2017 have impacted government income streams, leading to ballooning deficits.
- Higher benchmark interest rates is also making debt more expensive and raising interest costs on new debt issuances.

Fitch Ratings expects the US fiscal deficit to widened from as estimated 6.6% in 2024 to about 6.9% in 2025. With 2024 being the next US Presidential election, deficits are unlikely to consolidate in the near-term.

Source: Fitch Ratings (July 2023)

Health Q2 2022 Earnings Across The US Large Cap Space

51% of the S&P 500 companies have completed the earnings announcement exercise as of the start of August 2023. Results so far has been encouraging, highlighting resilience of US corporations and the strength of the underlying economy.

Highlights based on companies in S&P 500 that have reported earnings so far.

- 80% of companies have reported a positive EPS surprise which is much better versus the 5-year average of 77% and the 10-year average of 73%. Companies are reporting earnings that are 5.9% above market estimates,
- 64% of companies have reported stronger than expected revenue performance. The figure is below the 5-year average of 69%, but is marginally better versus the 10-year average performance of 63%.
- Positive earnings performance recorded in the Consumer Discretionary, Communication Services and Information Technology sectors.
- In Q3 and Q4 of 2023, analyst are expecting earnings of the S&P 500 to grow by 0.2% and 7.5% respectively, indicating challenges ahead of US corporations as demand wanes and fluctuating currency movements impact overall earnings performance.
- The 12-month forward P/E on the index stood at 19.4x, versus the 5-year average of 18.6x and 10-year average of 17.4x.

Source: FactSet (July 2023)

Economic Events – Commentary & Charts

Malaysia Key Data Points

Economic Development Highlights

Inflation – Malaysia's headline inflation continued its downward trend, easing to 2.4% y/y in June 2023 (May 2023: 2.8% y/y). This brings the year-to-date inflation to 3.2%. Core inflation (excluding volatile items and controlled prices) also eased to 3.1% y/y in June 2023 (May 2023: 3.5% y/y).

Industrial Production – Malaysia industrial production (IP) for May 2023 grew by 4.7% y/y (April 2023: -3.3%). On month-on-month basis, IP improved by 7.3% (April 2023: -10.8%). By sector, the manufacturing sector grew by 5.1% y/y (April 2023: -3.0% y/y), electricity grew by 5.0% y/y (-2.0% y/y), and the mining sector also grew by 2.9% y/y (April 2023: -4.9% y/y).

Wholesale & Retail – In May 2023, the sales value of wholesale & retail trade reached RM138.0 billion, showing a year-on-year growth of 6.6%. All sub-sectors, including Motor Vehicles (22.0%), Retail Trade (5.0%), and Wholesale Trade (4.4%), contributed to this positive growth.

External Indicator Exports – Malaysia's total trade declined by 16.3% y/y (May 2023: -2.0% y/y) to RM222.1 billion, with exports falling by 14.1% y/y (May 2023: -0.9% y/y) to RM124.0 billion and imports declined by 18.9% y/y (May 2023: -3.7% y/y) to RM103.8 billion. The trade surplus widened to RM25.8 billion (May 2023: RM15.7 billion). For the first six months of 2023, exports now declined by 3.7% on average, and imports declined by 3.6% on average.

Sector Development Highlights

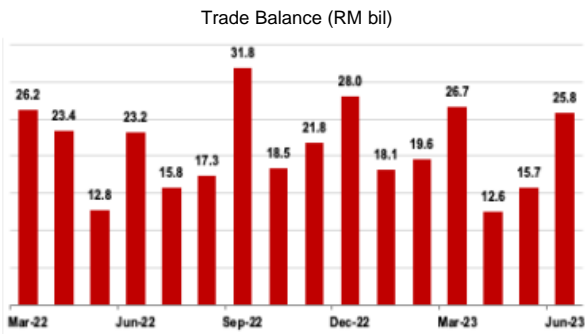
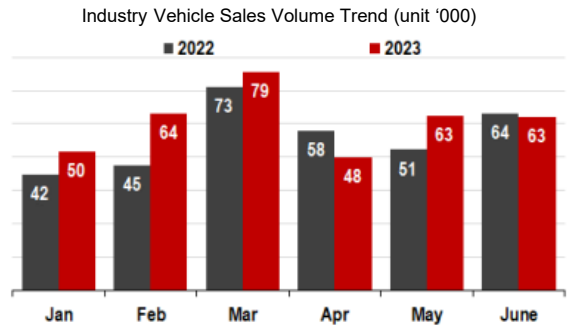
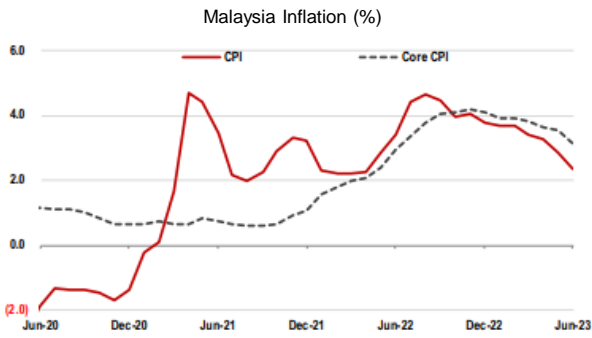
Utility – The government has launched the National Energy Transition Roadmap which underlines 10 flagship catalyst initiatives to transform Malaysia's economy. As one of the strategic energy transition projects, UEM Group, in collaboration with a local investor and potential participation of several foreign investors, is developing a 1GW hybrid solar photovoltaic power plant. The country will also introduce a mechanism that allows households to earn income by leasing out rooftops for solar panel installations.

Automotive – The Malaysian Automotive Association (MAA) has revised upwards its car sales forecast to 725,000 units for 2023, up 11.5% from its initial 650,000 units projected. The revision was made after the total industry volume (TIV) showed upward momentum in 1H2023. TIV in 1H2023 rose 10.3% y/y to 366,037 units. 2022 TIV of 720,658 units was a record high.

Construction – MyHSR Corp seeks concept proposals to revive KL-SG HSR. MyHSR Corp is seeking concept proposals from local and international firms and consortia to develop and operate the Kuala Lumpur-Singapore High Speed Rail (KL-SG HSR) project via a public-private partnership model with new funding mechanisms and implementation models.

Source: AmBank Research (June 2023)

Economic Events – Commentary & Charts

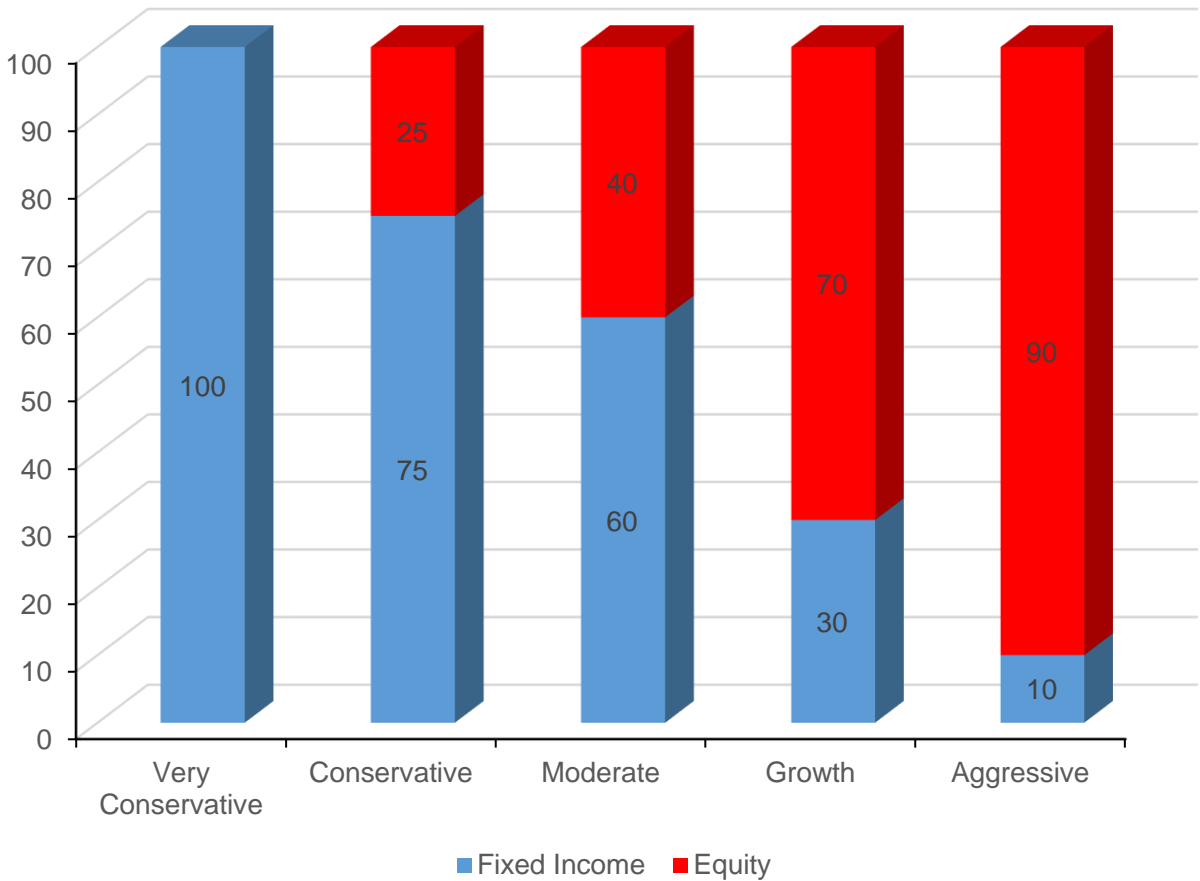


New Energy Transition Roadmap Part 1

Flagship Catalyst Projects and Initiatives	
6 Energy Transition Levers	10 Flagship Catalyst Projects
Energy Efficiency	Efficient Switch
Renewable Energy	Renewable Energy Zone
	Energy Storage
	Energy Secure
Hydrogen	Green Hydrogen
	Hydrogen for Power
Bioenergy	Biomass Demand Creation
Green Mobility	Future Mobility
	Future Fuel
Carbon Capture, Utilisation and Storage	Carbon Capture Storage for Industry

Asset Allocation Strategy

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



Source: AmBank

Fund Focus – 3rd Quarter 2023

	Retail	Wholesale
Fixed Income	AmBon Islam ⓘ AmDynamic Bond Principal Lifetime Bond United-i High Quality Sukuk ⓘ	Affin Hwang World Series - Global Income MYR Maybank Bluewaterz Total Return MYR RHB China Bond MYR
US / DM Equity	Abrdn Islamic World Equity A RHB US Focus Equity TA European Equity TA Global Technology MYR United Global Durable Equity	Global Dividend MYR Principal Global Technology MYR H
Asia ex Jn Equity	Maybank Asiapac Ex-Japan Equity-I ⓘ Principal Asia Pacific Dynamic Income MYR Principal Islamic Asia Pacific Dynamic Equity MYR ⓘ United ASEAN Discovery	Hong Kong Tech Index
China Equity	Eastspring Investments Islamic China A ⓘ Principal Greater China Equity MYR	Affin Hwang World Series - China A Opp MYR AmChina A-Shares MYR
Malaysia Equity	AHAM Aiiiman Growth ⓘ AmTotal Return TA Islamic ⓘ	
Mixed Assets	AHAM Select SGD Income MYR AHAM Select Balanced Principal Islamic Lifetime Balanced ⓘ Eastspring Investments Asia Select Income	US-Canada Income and Growth
Alternatives/ Tactical	AHAM Select Asia (ex Japan) Quantum MYR Eastspring Investments Small-cap Maybank Global Mixed Assets-I MYR Principal China-India-Indonesia Opportunities Principal Global Millennial Equity MYR TA Global Select Equity	Principal Islamic Global Technology ⓘ RHB European Select RHB Global Artificial Intelligence MYR H Sustainable Series - Global Lower Carbon

Source: AmBank as of June 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	47.21	2.23	0.00
RHB Global Artificial Intelligence MYR H	Equity-Global	Wholesale	36.45	9.68	3.24
TA Global Technology MYR	Equity-Global	Retail	41.49	22.33	11.00
Principal Islamic Global Technology MYR	Equity-Global	Wholesale	48.02	18.33	0.00
Principal Islamic Global Technology MYR H	Equity-Global	Wholesale	42.07	14.44	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	-11.39	-25.12	-9.71
Eastspring Investments Global Target Income	Bond-Global	Retail	-10.79	-14.20	-7.41
Principal China Multi Asset Income MYR H	Mixed Assets-China	Wholesale	-12.35	-14.60	-15.27
New China Sectors Index MYR	Equity-China	Wholesale	-22.79	-81.35	0.00
New China Sectors Index MYR H	Equity-China	Wholesale	-26.76	-87.59	0.00

Source: Lipper fund performance as at 31 July 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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