Wealth Management Digest

February 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	Month on Month Returns Oct-22	Nov-22	Dec-22	Jan-23
MSCI Global Equities	16.9%	19.0%	-18.0%	-20.8%	-14.6%	-18.0%	7.2%
MSCI Developed Market Equities	16.5%	22.4%	-17.7%	-19.7%	-14.1%	-17.7%	7.1%
MSCI Emerging Markets Equities	18.8%	-2.4%	-19.9%	-29.2%	-18.7%	-19.9%	7.9%
MSCI Asia ex Jn Equities	20.4%	-1.1%	-16.8%	-27.5%	-16.6%	-16.8%	7.9%
S&P 500 (US) Equities	18.4%	28.7%	-18.1%	-17.7%	-13.1%	-18.1%	6.3%
STOXX 600 (EU) Equities	-1.4%	25.8%	-9.9%	-12.8%	-6.8%	-9.9%	6.8%
CSI 300 (China) Equities	29.9%	-3.5%	-19.8%	-27.5%	-20.3%	-19.8%	7.4%
HSI (HK) Equities	-0.2%	-11.8%	-12.6%	-35.2%	-17.8%	-12.6%	10.4%
MSCI Malaysia (MY) Equities	1.9%	-2.9%	-0.4%	-3.5%	-1.2%	-0.4%	-0.4%
Bloomberg Global IG Bond	9.2%	-4.7%	-16.2%	-20.4%	-16.7%	-16.2%	3.3%
Bloomberg Global HY Bond	7.0%	1.0%	-12.7%	-17.4%	-13.3%	-12.7%	4.2%

Source: Bloomberg, as of 31 January 2023

GLOBAL EQUITIES

Global risk assets staged a comeback in January 2023, as dip buying picked-up following last years sell-off. Investors are fearful that they will miss out on the market rebound, leading to stronger buying momentum. Hopes that global central banks will turn dovish and begin to reverse interest rate hikes in 2023, as well as easing inflationary pressures have also supported gains in risk assets. Investors are betting that consumer spending and business investments will remain resilient against the backdrop, boosting overall economic growth.

ASIA PACIFIC EQUITIES

Asian equities rose on the back of stronger gains from China’s full reopening from the pandemic since 2020. Risk assets rebounded strong on expectations that China’s domestic consumption will rebound strongly, powering economic growth across the region as tourism and trade activities resume. Hopes that recession in the US and Europe will be milder than expected, has also raised hopes that the export momentum will continue in 2023 supporting corporate earnings performance, making the regions equites more appealing.

MALAYSIAN EQUITIES

Malaysian equities ended flat in the first month of 2023, as investors monitored the new government’s policies and as global monetary policy impacted investment decisions. Expectations for economic growth to slow in 2023 after a strong run in 2022 has also weighed on the outlook, limiting buying interest. Local investors have been largely focused on the small cap space, while large cap investments are still awaiting for foreign investors to return to the market.

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

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News Topics – Business & Economy

US Federal Reserve Hikes Rates, Signals More Hikes Ahead

The US Federal Reserve has hiked interest rates by another 25 basis points in January, within market expectations. The latest moves bring the benchmark interest rate to a range of 4.50% - 4.75%, its highest level since the global financial crisis in 2008.

Policymakers continue to cite the elevated inflation as the key reason for hiking interest rates, with officials fearing that lack of action on their end will stoke inflationary pressures further, weighing down on long-term economic growth.

The Fed targets long-term inflation to sit around the 2% mark, a level which is deemed healthy for economic growth without causing an overheating.

Currently, the Fed's preferred measure of inflation (the personal consumption expenditure [PCE] index) is hovering around the 5% mark and is only expected to approach the Fed's targeted level towards the end of 2023.

Despite the hawkish statements by policymakers, there are a few silver linings that the markets are clinging too. US Fed chairman Jerome Powell has indicated that the deflationary process has begun in the US, suggesting that policymakers are starting to see inflationary pressures soften.

Powell also indicated that the central bank would alter its monetary policy direction once there is sufficient evidence to show that inflation is on a downwards trend.

Additionally, the central bank is also prepared to support the economy once inflation is contained, by deploying its various policy tools which includes quantitative easing and interest rate cuts.

This suggests that the threat of a recession to the US economy can be swiftly addressed by policymakers once they have confidence that the economy is in a better position.

Source: Reuters (February 2023)

OPEC+ Countries Suggest More Production Cuts Ahead

Countries under the OPEC (Organization of Petroleum Exporting Countries) have indicated that they would continue to cut oil production in 2023 as they assess the demand outlook from China and adjust to the impact of sanctions on Russian crude oil exports.

China, the world's largest oil importer, has fully reopened its economy for the first time since the pandemic started, resuming international travel and domestic mobility.

This is expected to boost demand for crude oil, but oil producers are still cautious as threats from a spike in COVID readings across the country could dampen that outlook.

Additionally, OPEC is also reviewing the impact of US and European sanctions on Russian oil prices, which is under cutting global prices and boosting demand for Russian oil across the world.

However, OPEC countries have held of cutting production at its first meeting in 2023, opting to maintain a conservative approach until they have clearer evidence that the markets require higher crude supplies.

OPEC has already announced a 2 million barrel a day production cut in December 2022, which has helped keep oil prices around the US$ 80 per barrel levels.

The next production review is expected in June 2023, but production cuts could come earlier if OPEC countries belief a cut is warranted to support prices in the near term.

OPEC countries have been shifting sales from Asia to Europe, which is facing an oil shortage since Europe has implemented a ban on Russian oil imports following the country's invasion of Ukraine. OPEC is taking advantage of Europe's lack of oil supplies to build new relationships and sell at a slightly higher premium, improving margins.

Source: Wall Street Journal (February 2023)

News Topics – Business & Economy

Global Investors Sticking To Cash As Uncertainty Persists In 2023

In the first few weeks of 2023, investors added US$ 135 billion to global money market funds, marking the second largest dash for cash since May 2020, when investors shifted US$ 175 billion to similar strategies.

The move comes as investors turn cautious on the market, following the fast rebound in risk assets after the fast rebound in stocks and bonds in recent weeks. Concerns that the rally could be unsubstantiated and eventually give way to another crash has encouraged investors to hold onto liquid, less volatile investments.

Key reasons investors are on their toes:

› Interest rate risk remains. The US Federal Reserve continues to sound hawkish at the end of 2022 and indicated that they would continue to hike interest rates in 2023. Higher interest rates will weigh on consumer spending, which has a knock-on effect on corporate earnings. Additionally, as borrowing costs increases, businesses investments may also slow, as managers rethink expansion plans.

› Recession on the horizon. Slowing economic growth due to high inflation and rising interest rates set to give way to a recession in 2023. In such an environment, where earnings and growth outlook are unclear, investors are turning more cautious.

› Earnings revisions. Amid challenged growth and weaker corporate guidance, investors doubt that the cheap valuations are enough to drive asset prices higher in absence of strong corporate performance.

By the end of December 2022, assets in money market funds hit US$ 5.2 trillion, a record high, and surpassing May 2020 levels of US$ 5.16 trillion.

The move could also be viewed as investors holding more dry powder to capture potential market opportunities in event of a market crash.

Source: Wall Street Journal (January 2023)

UK Announces New Regulation For Crypto Industry

The UK government has announced that it will be moving forward with new policies that aim to regulate the wild crypto markets.

New policies include governing issuances of crypto assets, trading and lending rules for crypto tokens as well as investor protections in order to avoid further blow-ups in the market.

Policies have been introduced in wake of the fallout in crypto markets, following defaults of prominent crypto trading firms and the eventual collapse of leading crypto exchange FTX.

Creating policy safeguards is also seen as moving government’s ambition to transform the UK into a hub for the crypto industry as its position as a Europe’s financial hub is being threatened since Brexit – where financial firms have been leaving the country in favour of European countries.

Proposed rules will focus on building credibility in the crypto industry and ensure that there is sufficient protection for consumers in case of insolvency issues. Crypto players may also be required to carry reserves with the monetary authority and make clear to potential investors the risk associated to crypto investments.

Currently, the London Financial Conduct Authority is supervising crypto asset business in order to ensure anti-money laundering laws are being enforced.

Based on previous rules, only 1 in 5 applicants have passed the regulators minimum standards for registration.

Europe is not far behind with its own crypto regulation, with the recent landmark Markets in Crypto Assets (Mica) regulation expected to be implemented soon.

Some investors and crypto players have suggested that Europe’s upcoming regulation better serves the sector, suggesting that the UK may need to rework parts of its new policies to be inclusive and supportive of the industry’s growth.

Overall, the development is positive in terms of governing and legitimizing the crypto industry, and the models implemented can become a global standard.

Source: Financial Times (January 2023)

News Topics – Business & Economy

European Central Bank & Bank of England Hikes By 50 Basis Points

The European Central Bank and the Bank of England have respectively raised its key benchmark interest rate by 50 basis points and signaled that it would maintain this pace moving into March 2023.

These decisions contrast against the US Federal Reserve which has adopted a slightly more dovish tone, as policymakers in the US suggest that inflationary pressures have started to soften.

Europe's benchmark interest rates have risen to 2.5%, its highest level since the global financial crisis in 2008. Similarly, the Bank of England has raised its benchmark interest rates to 4%.

Rate hikes continue as both Europe and the UK's economic activity has improved in recent months, with manufacturing, services and consumer spending data rising compared to previous months. The data suggests to policymakers that these economies can stomach further interest rate hikes.

While inflationary pressures have softened, coming down from 40-year highs, the figures are still well above the central banks long-term targets.

And given the fact that the European Central Bank has not hiked interest rates as aggressively as the US Fed or the Bank of England, it is likely that policymakers will push interest rates higher until they are confident that enough effort has been made in order to contain inflationary pressures.

Moving forward, the Bank of England is expected to keep interest rates steady, while the European Central Bank is expected to continue hiking until the mid of 2023, especially if economic data confirms that the European economy is more resilient than expected and that the recession in 2023 will be less severe than initially anticipated.

Source: Wall Street Journal (February 2023)

Global Minimum Tax Deal To Be Finalized In 2025

Countries around the world are moving ahead to implement the global minimum tax rate initially proposed by the United States.

The US had initially proposed the plan in 2021 after Joe Biden won the presidency, but has failed to make progress due to opposition from Congress, which has yet to pass legislation that would ensure that US companies pay a minimum tax rate of 15% in each nation they operate in.

Other countries and regions such as the European Union have offered US companies a partial reprieve from the new minimum tax until 2025 in order to encourage the US government to implement the deal.

Despite this, US companies are still expected to face higher taxes overseas governments aim to rebuild their national coffers after heavy spending in 2020 and 2021.

The Organization of Economic Cooperation and Development (OECD) has set 2025 to reassess the implementation of the global minimum tax rate as this timeline coincides with the US tax law reset, as existing tax laws are set to expire by then.

Currently the US has two corporate minimum tax systems, but the current regime does not fit well with the global coordinated system that is being implemented under the OECD. Under the current regime the US is susceptible to being taxed at a higher rate compared to their foreign competitors, with foreign governments benefitting from the tax pay outs.

Under the temporary relief policy announced by the OECD for US corporations, the existing 10.5% minimum tax on US companies' foreign income will reduce the taxable income that these companies need to pay when operating overseas. However, this is a temporary measure, and the US is expected to fully implement the global minimum tax rate of 15% by 2025 as agreed by the US Treasury department.

Source: Wall Street Journal (February 2023)

Economic Events – Commentary & Charts

Malaysia:
Headline Inflation Receded To 3.8% In December 2022

Highlights

Headline Inflation Receded To 3.8% In December 2022

Latest numbers showed that Malaysia's headline inflation slightly receded from 4.0% y/y in November 2022 to 3.8% y/y in December 2022.

This brings the full year 2022 inflation to 3.3% (2021: 2.5%), which is in line with our forecast. Core inflation (excluding volatile items and controlled prices) also slowed down from 4.2% y/y in November 2022 to 4.1% y/y in December 2022.

This brings the full-year 2022 core inflation to 3.0%, which is the highest reading since the inception of the data in 2015.

Inflation For F&B Slowed Down

Inflation for food & non-alcoholic beverages slowed to 6.8% y/y in December 2022 (November 2022: 7.3% y/y), as illustrated on Exhibit 1.

Nonetheless, prices for several food items continued to accelerate, including flour & cereal (+17.2% y/y), processed meat (+8.4% y/y), and margarine (+10.2% y/y). Prices for some other food items however did slow down, including fish & seafood (+2.9% y/y), fruits (+4.0% y/y), and vegetables (0.9% y/y).

For the record, we also noticed that the International Monetary Fund (IMF) had projected for lower food price index in 2023.

Demand-Pull Inflation Still Strong

On the other items, inflation for durable goods slowed down from 3.4% y/y in November 2022 to 3.0% y/y in December 2022. Services inflation however, remained at 4.4% y/y, the highest reading ever recorded since the pandemic. All of these point to persistent demand-pull inflation in the economy, as illustrated in Exhibit 2.

Maintain 2023 Inflation Forecast at 3.0%

Overall, we forecast the headline inflation to be modest at 3.0% in 2023.

The slowdown in inflation is partly reflecting to the Ringgit, which has been appreciating by 9.7% against the Dollar since the low of 4.75 seen in November 2022 while lower commodity prices also helped in containing the headline price pressure.

Core inflation meanwhile is expected to decline in tandem with slower rate of private consumption expected over the same period. But the risks on core inflation tilts to the upside given that the private consumption remains strong judging from the higher distributive trade sales in the 2H2022.

Furthermore, the labor market in Malaysia is somewhat tight in our view based on potential employment growth. Exhibit 3 shows that the employment growth is highly correlated with the core inflation.

Coincidentally, total job vacancy in Malaysia is still 2-3 times higher than the pre-pandemic levels, as illustrated in Exhibit 4.

This means the labor market in Malaysia has more room for improvement and could sustain the demand-driven inflation in Malaysia.

Nevertheless, our view will change if one of these materialises:

1) The implementation of targeted subsidy that could remove the price cap on RON95 and diesel. Our analysis shows a 1 cent increase in RON95 could push the consumer price index by 0.04%.

2) Frequent flooding or any climate-related disaster that disrupts logistics and food prices.

3) Unexpected weakening of the Ringgit that will push import prices higher.

Economic Events – Commentary & Charts

Our OPR Expectation

On the interest rates outlook, we currently maintain the call for another 25 bps rate hike in the remaining months of this year, pushing the Overnight Policy Rate (OPR) to 3.00% largely driven by the need to anchor core inflation.

The latest slowdown in core inflation, in our opinion, is too early to conclude that core inflation may have peaked back in November 2022.

That said, domestic demand situation in 1H2023 is likely to influence our assessment on the OPR as well, meaning any revision to our current baseline view is possible should the situations we envisage regarding inflation and consumption do not materialize.

Source: AmBank Research

Table 1: Overall Inflation

	%y/y			%m/m		
	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Consumer Price Index	4.0	4.0	3.8	0.2	0.3	0.2
Food and Non Alcoholic Beverages	7.1	7.3	6.8	0.5	0.7	0.5
Clothing & Footwear	0.4	0.4	0.4	0.0	0.0	0.0
Housing & Utilities	1.5	1.4	1.5	0.0	0.2	0.1
Furnishings, Household, & Maintenance	4.1	3.8	3.7	0.2	0.1	0.1
Health	1.0	1.4	1.3	0.1	0.3	(0.1)
Transport	5.2	5.0	4.9	0.1	0.0	0.1
Communication	0.0	0.0	(0.1)	0.0	0.0	(0.1)
Recreation and Culture	3.4	3.6	2.4	(0.1)	0.2	(0.9)
Education	1.4	1.5	1.4	0.1	0.2	0.0
Restaurants & Hotels	6.8	7.0	7.4	0.3	0.5	0.7
Miscellaneous Goods & Services	2.4	2.6	2.3	0.3	0.3	(0.1)

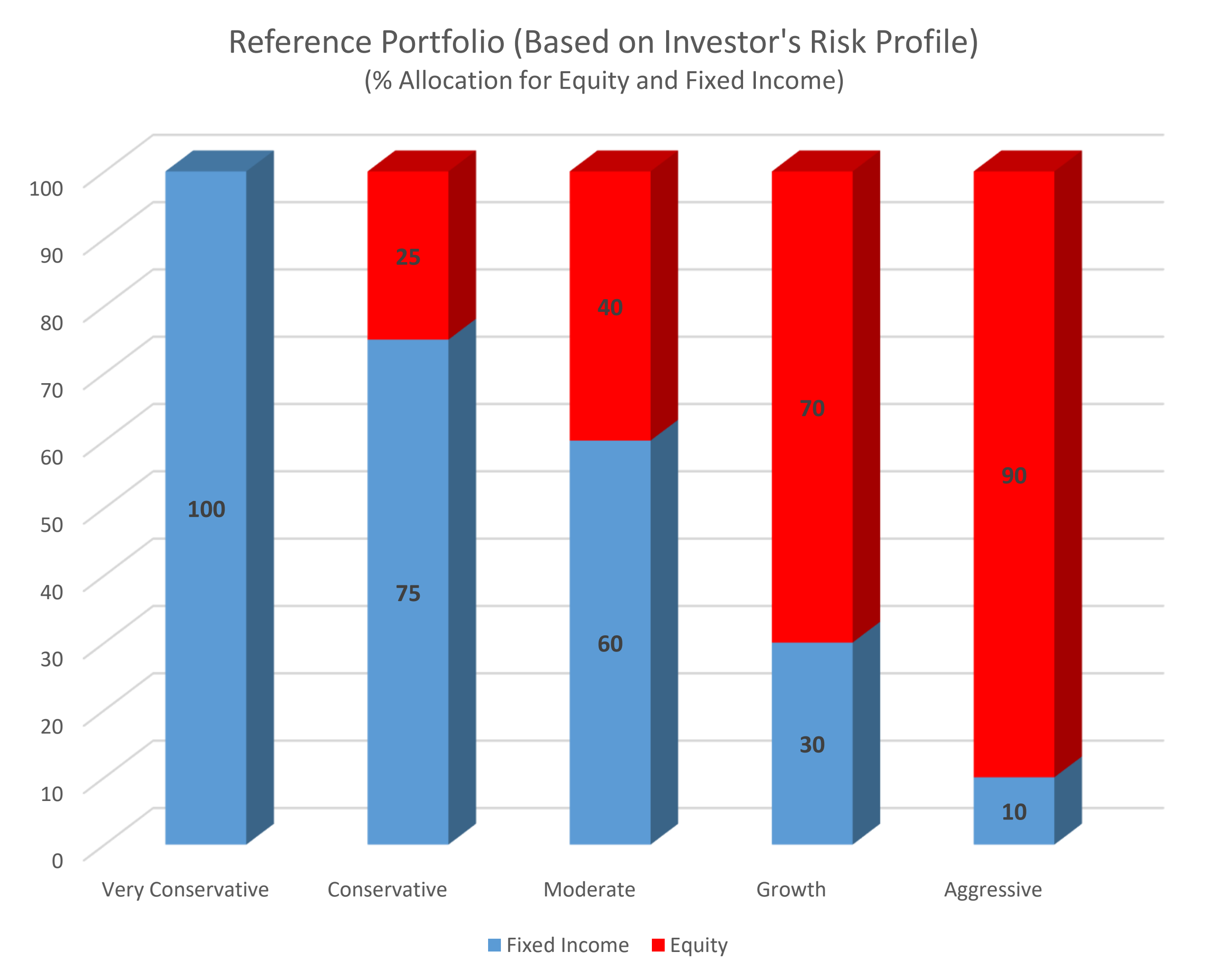
Source: CEIC, AmBank Research

Table 2: Overall Core Inflation

	%y/y			%m/m		
	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Core CPI	4.1	4.2	4.1	0.1	0.4	0.1
Food and Non Alcoholic Beverages	7.9	8.2	8.1	0.6	0.7	0.5
Clothing & Footwear	0.4	0.4	0.4	0.0	0.0	0.0
Housing & Utilities	1.8	1.8	1.7	0.0	0.2	0.0
Furnishings, Household, & Maintenance	4.1	3.8	3.7	0.2	0.1	0.1
Health	1.0	1.4	1.3	0.1	0.3	(0.1)
Transport	7.7	7.9	7.3	0.5	(0.2)	0.6
Communication	0.0	0.0	(0.1)	0.0	0.0	(0.1)
Recreation and Culture	3.4	3.6	2.4	(0.1)	0.2	(0.9)
Education	1.4	1.5	1.4	0.1	0.2	0.0
Restaurants & Hotels	6.8	7.0	7.4	0.3	0.5	0.7
Miscellaneous Goods & Services	2.4	2.6	2.3	0.3	0.3	(0.1)

Source: CEIC, AmBank Research

Fund Focus – 1st Quarter 2023



Source: AmBank

Fund Focus – 1st Quarter 2023

	Fund Name	Focus	Asset Class	Category	Islamic	MSCI ESG Rating
Core	Affin Hwang World Series - Global Income MYR	Global	Bond	Wholesale	Conventional	BBB*
	AmDividend Income	Malaysia	Equity	Retail	Conventional	A
	AmTactical Bond B MYR	Asia Pacific ex Japan	Bond	Retail	Conventional	-
	Eastspring Investments Asia Select Income	Asia (ex-Japan)	Mixed Assets	Retail	Conventional	BBB
	Global Dividend MYR	Global	Equity	Wholesale	Conventional	AAA
	Maybank Bluewaterz Total Return MYR	Asia (ex-Japan)	Bond	Wholesale	Conventional	A
	Principal Asia Pacific Dynamic Income MYR	Asia Pacific ex Japan	Equity	Retail	Conventional	-
	Principal Asia Pacific Dynamic Mixed Asset MYR	Asia Pacific ex Japan	Mixed Assets	Retail	Conventional	-
	Principal Islamic Lifetime Balanced	Asia Pacific ex Japan	Mixed Assets	Retail	Conventional	-
	Principal Lifetime Bond	Malaysia	Bond	Retail	Conventional	-
	United ASEAN Discovery	ASEAN	Equity	Retail	Islamic	A
	United-i Global Balanced MYR	Global	Mixed Assets	Retail	Islamic	A
Satellite	Affin Hwang Select Asia (ex Japan) Quantum MYR	Asia (ex-Japan)	Equity	Retail	Conventional	A
	Affin Hwang World Series-Glo Infra Inc MYR H	Global	Equity	Wholesale	Conventional	AAA*
	AmChina A-Shares MYR	China	Equity	Wholesale	Conventional	B
	Principal Greater China Equity MYR	Greater China	Equity	Retail	Conventional	BBB*
	Principal US High Conviction Equity MYR	United States	Equity	Retail	Conventional	-
	RHB Resources	Asia Pacific	Equity	Retail	Conventional	BBB
	TA Asia Absolute Alpha MYR	Asia Pacific	Equity	Retail	Conventional	A
	TA Global Technology MYR	Global	Equity	Retail	Conventional	AA
	TA Islamic	Malaysia	Equity	Retail	Islamic	-

Source: AmBank as of January 2023

Top 5 Best Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Eastspring Investments Dinasti Equity	Equity-Greater China	Retail	8.95	-17.55	-0.17
RHB Asian High Yield-MYR	Bond-Asia Pacific	Wholesale	8.79	-15.83	-11.03
RHB Big Cap China Enterprise	Equity-China	Retail	12.69	-5.43	1.89
RHB Gold and General	Equity-Global	Retail	9.24	16.69	10.49
AmChina A-Shares MYR H	Equity-China	Wholesale	8.47	-23.01	4.83

Top 5 Worst Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmIncome	Bond-Malaysia	Retail	0.22	2.56	2.43
AmIncome Management	Bond-Malaysia	Retail	0.45	2.27	2.47
Global Agribusiness	Equity-Global	Retail	0.14	6.15	10.65
AmPRS-Tactical Bond D	Bond-Asia Pacific ex Japan	Retail	0.83	-15.11	-5.33
AmPRS-Tactical Bond I	Bond-Asia Pacific ex Japan	Retail	0.83	-15.11	-5.33

Source: Lipper fund performance as at 31 January 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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