Wealth Management Digest

January 2023

Exclusively for AmBank SIGNATURE Priority Banking Customers

AmBank
SIGNATURE
PRIORITY BANKING

Table of Contents

Market Overview

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
MSCI Global Equities	-4.89%	-7.32%	-5.25%	-12.80%	-12.64%	-19.97%	-14.35%	-17.47%	-25.33%	-20.80%	-14.62%	-17.96%
MSCI Developed Market Equities	-5.27%	-7.63%	-5.03%	-12.88%	-12.75%	-20.28%	-13.92%	-17.49%	-25.11%	-19.72%	-14.09%	-17.71%
MSCI Emerging Markets Equities	-1.90%	-4.85%	-6.96%	-12.12%	-11.72%	-17.53%	-17.68%	-17.31%	-26.96%	-29.22%	-18.71%	-19.94%
MSCI Asia ex Jn Equities	-4.35%	-5.38%	-5.85%	-11.89%	-11.32%	-16.96%	-15.47%	-16.23%	-26.07%	-27.51%	-16.63%	-16.89%
S&P 500 (US) Equities	-5.17%	-8.02%	-4.60%	-12.92%	-12.76%	-19.96%	-12.58%	-16.15%	-23.87%	-17.71%	-13.11%	-18.13%
STOXX 600 (EU) Equities	-3.81%	-6.92%	-5.87%	-6.41%	-6.98%	-14.42%	-7.78%	-12.42%	-18.05%	-12.83%	-6.80%	-9.88%
CSI 300 (China) Equities	-7.62%	-7.26%	-14.53%	-18.64%	-16.95%	-8.30%	-14.10%	-15.79%	-21.40%	-27.47%	-20.34%	-19.83%
HSI (HK) Equities	1.73%	-2.92%	-5.66%	-9.54%	-7.60%	-4.82%	-11.79%	-12.47%	-23.98%	-35.17%	-17.81%	-12.56%
MSCI Malaysia (MY) Equities	-3.14%	2.49%	2.88%	3.61%	1.83%	-5.94%	-2.72%	-1.65%	-8.04%	-3.48%	-1.19%	-0.39%
Bloomberg Global IG Bond	-2.05%	-3.21%	-6.16%	-11.30%	-11.06%	-13.91%	-12.08%	-15.55%	-19.89%	-20.44%	-16.70%	-16.25%
Bloomberg Global HY Bond	-2.54%	-4.87%	-5.69%	-10.02%	-10.10%	-16.87%	-13.51%	-14.81%	-19.15%	-17.41%	-13.28%	-12.71%

Source: Bloomberg, as of 31 December 2022

GLOBAL EQUITIES

Global risk assets ended the year in the red, as concerns about recession risk, higher interest rates and sparks of geopolitical tensions weighed on the outlook for risk assets. Investors have also turned more cautious as they expect global growth to moderate moving forward, following the stronger initial performance in the post pandemic environment. Slowing growth will have a negative impact on earnings, while also making valuations look more expensive, further causing investors to turn risk off. Markets have rebounded from their 2022 lows but remain in the red as investors wait for fresh catalyst in 2023 to restart buying momentum.

ASIA PACIFIC EQUITIES

Asian equities have also been depressed as investors keep a watchful eye on China, which has been facing challenges with its zero-COVID policy, the property market reforms and the overall uncertainty over its technology sector, as the government targets major technology players and as the US and other developed market countries block China's access to key technology. The rest of Asia have performed better economic wise, but risk assets performance was down, tracking sentiments in China and on the prospects of a recession in the developed markets in 2023.

MALAYSIAN EQUITIES

Malaysian equities declined at the end of 2022, but to a smaller margin compared to other global assets. The weaker performance was mostly linked to the uncertainty in the global markets, as investors assess the impact of a US recession on the local and regional economy. China's contraction has also put investors on the defensive. Losses were offset by the end of political uncertainty in Malaysia, with Anwar Ibrahim leading the new government, contributing to greater confidence from foreign investors. Buying momentum from the group was also aided by the weakening US dollar.

Source: AmBank Retail Wealth Management Advisory & Research (as at 31 December 2022)

News Topics – Business & Economy

President Xi Jinping Solidified His Position In 2022

Despite frustrations over the pandemic management and economic woes due to the reforms implemented by the government, President Xi Jinping was able to secure a third term to lead the country.

President Xi has also surrounded himself with allies, with key positions in the Politburo Standing Committee filled with friendly faces. The move suggests that the country's leadership will now focus on strengthening the economy after 3-years of lockdowns, with policymakers already reversing its zero-COVID policy in December 2022.

China is set to grow by 2.7% in 2022, with the figure improving to 4.3% in 2023.These figures are below the government estimates and indicate that China is facing challenges in the post-pandemic environment.

The low herd-immunity across the country has led to a spike up in COVID-19 cases, which has strained the healthcare sector and is also dampening the outlook for the country in 2023. This will be a key issue for policymakers under Xi's leadership to address in the coming months to boost China's economic performance.

To-date, the government has pledged to introduce fresh monetary and fiscal stimulus to the market, with the aim to support consumer and business sentiments. Local governments are also encouraged to focus on infrastructure projects, which can have a multiplier effect on growth over the longer-term.

China will address the property market issues, with government policy being finetuned to avoid further disruptions and a loss of confidence in the sector. Funding initiatives, moratoriums, lower barriers to entry for home buyers are all set to jumpstart the recovery process.

Domestically, the continuation of Xi-nomics provides stability for the economy, but also raises questions about China's global relations, given that its opposing the US and other developed market countries on key global issues, such as its action on Taiwan, its connection to Russia and North Korea.

Source: Reuters (December 2022)

China's Reopening Raises Concerns Of New Global Outbreak

China has announced that it would be reopening its borders globally on the 8th of January 2023, highlighting the country's departure from its zero-COVID strategy.

The news however has been a cause of worry for many countries, due to the lower efficiency of Chinese vaccines, the rapid rise in cases over the past month and the potential of a new variant emerging.

The US CDC (Centre of Disease Control) has announced new testing requirements for travellers coming in from China to get ahead of potential issues and to reduce the impact of new outbreaks.

Officials are concerned that the COVID situation in China could be worse than expected, given that the Chinese government has stopped reporting asymptomatic cases in its daily official count.

Estimates suggest that cases have risen to as high as 250 million people in the first 20 days of December 2022, which contrasts with the government's report of just 62,592 cases in the same period.

Reports also emerged that the country is facing medical shortages and long-lines at healthcare facilities, highlighting the strain the country is under in absence of its zero-COVID initiatives.

Chinese citizens have been booking trips to Macau to gain access to get mRNA vaccines, boosting their immunity against the virus and reducing the chances of contracting and spreading the virus.

The global economy has been waiting from Chinese tourist to return, but the risk of fresh outbreaks 1-year into the reopening has made some governments more cautious, fearing a repeat of lockdowns and restrictions that plagued 2020. China's reopening may not be as smooth as expected, with many speed bumps along the way, hindering its domestic recovery, as well as global growth.

Source: Financial Times (December 2022)

News Topics – Business & Economy

US Fed Delivers Smaller Rate Hike, But Rate Still Hit 15-Year Highs

The US Federal Reserve hiked interest rates by 50 basis points (0.50%), at its December 2022 meeting, delivering on its promised "smaller" interest rate hike. At four of its previous meetings, the central bank delivered 75 basis point hikes, which had sparked market worries that policymakers were being too aggressive, hindering market growth.

Benchmark interest rate currently sits at 4.25 – 4.50% and is expected to hit the 5% mark in 2023, based on the Fed's dot plot projections. Policymakers are staying hawkish on interest rates as they view the 2 months of softening inflation data as insufficient to determine if inflation would continuously ease in 2023, warranting further policy adjustment.

Current estimates suggest that officials will continue to keep interest rates elevated for the whole of 2023, pausing interest rate hikes in the third quarter of the year before cutting interest rates in 2024.

At current levels, interest rates are at its highest level in nearly 15-years, a departure from the zero-interest rate environment of the past decade. The Fed has begun cutting interest rates in December 2007 to get ahead of the incoming recession, induced by the Global Financial Crisis.

In the 2022 post-pandemic environment, policymakers are unlikely to make pre-emptive rate cuts, willing to risk a recession to cool the overheating economy. Inflation has risen to 40-year highs, with an annual inflation rate of 8.3% so far in 2022.

Sustained consumer spending and continued supply chain disruptions are set to keep inflationary pressures heightened for the year, keeping the US Federal Reserve on its feet when it comes to managing monetary policy direction.

Policymakers have gone as far as to say that a recession may be necessary to drag inflationary pressures back towards its long-term target of 2%. Investors should not expect a quick reversal in the central banks monetary policy direction, with any shift being telegraphed to the market in advance by policymakers.

Source: CNBC (December 2022)

US Stocks Post Bummer Year In 2022, Lowest Since 2012

US stocks had one of its worst years, with the S&P 500 failing to hit new record highs for the whole of the year. This contrasts to the 70 record-high closes reported in 2021, its most in nearly 20-years.

In 2022 markets were plagued by multiple challenges.

- Central banks have been hiking interest rates, draining liquidity from the market, creating a less supportive environment for risk assets. Higher interest rates would divert funds away from risky assets such as bonds and equities and into savings account, given the higher deposit rates.

- Earnings contraction due to waning demand, currency costs and supply chain disruptions. The revenge spending phase of the post-pandemic reopening is starting to fizzle out and consumers are turning more frugal as inflation bites spending power. Additionally, the rising US dollar is also weighing on demand for multi-national companies, as weaker emerging market currencies reduce buying power. Supply disruptions is also causing costs to soar, alongside higher labour costs, biting into profit margins.

- Recession risk in 2023 has also caused investors to be less aggressive in their positioning, leading to less interest in the markets.

- Geopolitical tensions have caused a volatility spike in the market, leading to risk-off sentiments among investors.

The lacklustre performance in 2022 may not necessarily give way to a rally in 2023. Markets are still facing many unknowns, especially with a recession just around the corner. This suggests that while risk assets may regain momentum in 2023, gains may be capped.

Source: WSJ (December 2022)

News Topics – Business & Economy

Europe Announces Price Cap To Russian Energy Exports

The European Union, together with the G7 and Australia, have agreed to limit the purchase price of Russian oil to just US$ 60 per barrel, to punish Russia for the war in Ukraine and to cut further funding to the cause.

The new policy will require insurance companies to value Russian oil at US$60 per barrel when valuing shipping cargo, which should curtail the movement of Russian exports.

Companies shipping oil globally require valid insurance policies to protect against potential mishaps. Most insurance companies for the industry are based in the G7. Russia has stated that it would not sell oil to any country that was party to the European Union's price cap policy. The country has also indicated that it was willing to cut production to maintain its revenues.

There are also reports that suggest that Russia is assembling its own shipping fleet of about 100 vessels, with the aim to supply the world with Russian oil without the need of G7 insurance, effectively avoiding the oil sanctions.

The country continues to receive support from India and China, who continue to buy Russian oil despite sanction risks. Officials from both countries have indicated that they would continue to buy Russian oil, potentially limiting the impact of the EU price cap policy.

Despite this, European officials remain confident that the policy would work to soften Russia's invasion of Ukraine, by choking the country's key income generator. Officials hope that beyond stopping the war, the price caps would dampen global oil prices, which should help reduce energy inflation that is being felt globally.

However, analysts are not convinced that the policy is bullet proof, given that other countries could buy Russia oil at a discount, and sell it back to Europe at a higher cost, effectively keeping the high energy prices afloat.

Source: CNBC (December 2022)

Bank of Japan Surprise Hike Marks End Of Zero- Rate Environment

Policymakers at the bank of Japan made a surprise policy move despite indicating that they remain supportive of the economy.

The central bank adjusted the range of its yield curve control policy tool by 25 basis points, now allowing the central bank to move government bond yield between -50 basis points to 50 basis points.

The move was a surprise, as markets expected the Japanese central bank to hold monetary policy steady.

However, with consumer inflation hitting a 40-year high, up to 3.7% year-on-year, policymakers are taking pre-emptive measures in order to get ahead of the inflation issue.

Further policy tweaks are expected in 2023, as many retailers have guided that they are planning to hike prices of goods next year, heightening the inflation risk.

This could potentially lead to the Bank of Japan exiting its negative interest rate environment, marking the end of the zero-interest rate era.

However, policymakers have indicated that they will remain supportive of the economy in other ways, such as boosting its asset purchase program in order to ensure that there is sufficient liquidity in the market even as borrowing costs increases.

This allows consumers and businesses looking to raise cash to still be able to tap the markets, but they would need to do so at a higher funding cost.

This should allow policymakers to discourage excessive borrowing, which could destabilise the financial markets, while still providing liquidity as needed. The bank of Japan is not expected to rush its tightening of monetary policy, and would likely move less aggressively compared to the US Federal Reserve or the European Central Bank.

Source: Nikkei Asia, Reuters (December 2022)

Economic Events – Commentary & Charts

Malaysia:

Trade Numbers Moderated In November 2022

Highlights

Moving into Malaysia's total trade moderated

- Malaysia's total trade numbers in Nov'22 grew by 15.6% y/y to RM238.2bn as compared to RM206.1bn in Oct'22.
- Exports grew by 15.6% y/y in Nov'22 (Oct'22: 15.0% y/y), bringing total exports to RM130.2bn. The growth number was above market expectation of 13.2% y/y.
- This brings the overall exports growth so far this year to 27.4%, which is currently above of our forecast of 25.5 – 26.5%.
- Imports also grew at the same pace of 15.6% y/y in Nov'22 (Oct'22: 29.2% y/y), bringing overall imports to RM107.9bn. The year-to-date imports growth so far is at 33.6%.
- This translates to a trade surplus of RM22.3bn, a growth of 15.6% y/y from the same month in the previous year.

Slowdown of shipment from the manufacturing sector.

- Trend shows a further moderation in trade. Looking at this on a month-on-month basis, exports declined by -1.0% m/m, which marked second back-to-back month of contractions, and imports also declined by -5.2% m/m.
- The slowdown is reflecting several factors, including lower shipments of manufacturing products, including petroleum products, machinery equipment, and palm oil-based products.
- On imports, we expect it will be mainly driven by capital goods, especially the industrial transport equipment that has been on an upward trend since Apr'22. This was driven by the realization of FDI this year and may continue until early of 2023.
- Domestically, the latest IP numbers also suggested further moderation in production. Export-oriented production slowed down as of late. Plus, latest PMI is also in the contraction zone since Sept'22. Conditions did improve among manufacturers, but sentiment deteriorated.
- While supply chain disruption and higher input costs are no longer major issues among traders, the slowdown in trade is mainly driven by external factors, including slowing economic prospects entering 2023.
- Plus, economic slowdown from major trading partners, including the US, China and Eurozone are imminent.

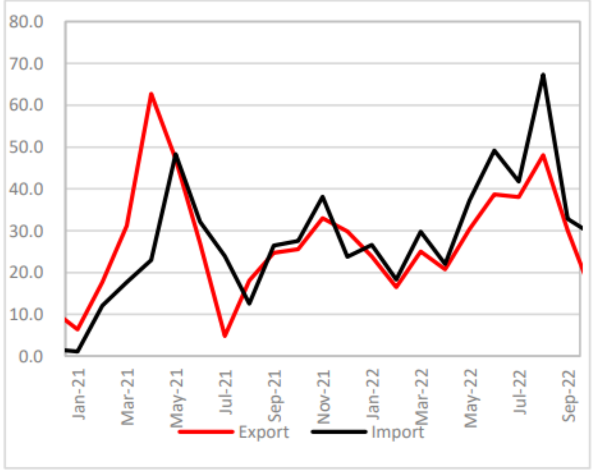
E&E to lead exports growth in 2023.

- We expect the E&E sector to continue support export growth next year, particularly those related to new energy and electrical vehicle production. Local companies this year have expanded production capacity to meet external demand.
- For 2023, exports growth is expected to moderate to 6.0%. The smaller growth number is also reflecting the high base-effect in 2022.
- Specifically, we foresee demand for energy-related such as solar panels and electric vehicles to remain robust next year. As for now, we are maintaining exports for 2022 to grow by 25.5 – 26.5%. This means the exports number for Dec'22 should remain in the double-digit territory.

Source: AmBank Research

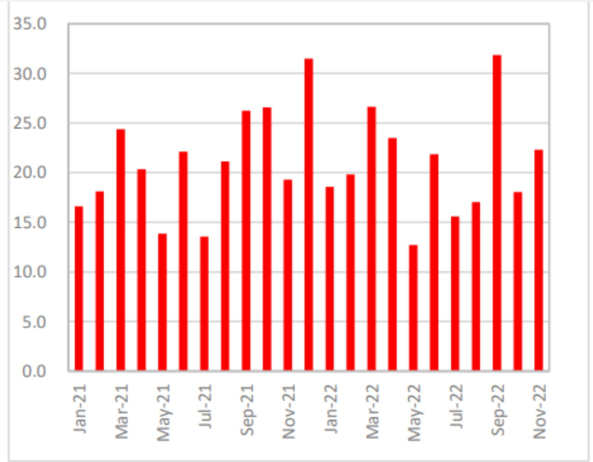
Economic Events – Commentary & Charts

Chart 1: Malaysia Exports & Imports (% y/y)



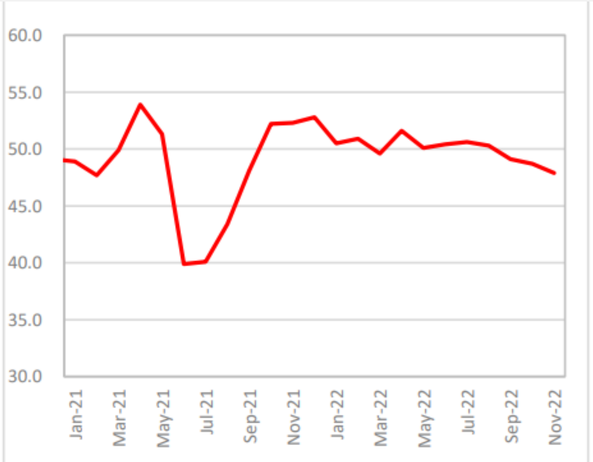
Source: CEIC, AmBank Research

Chart 2: Trade Balance (RM'bn)



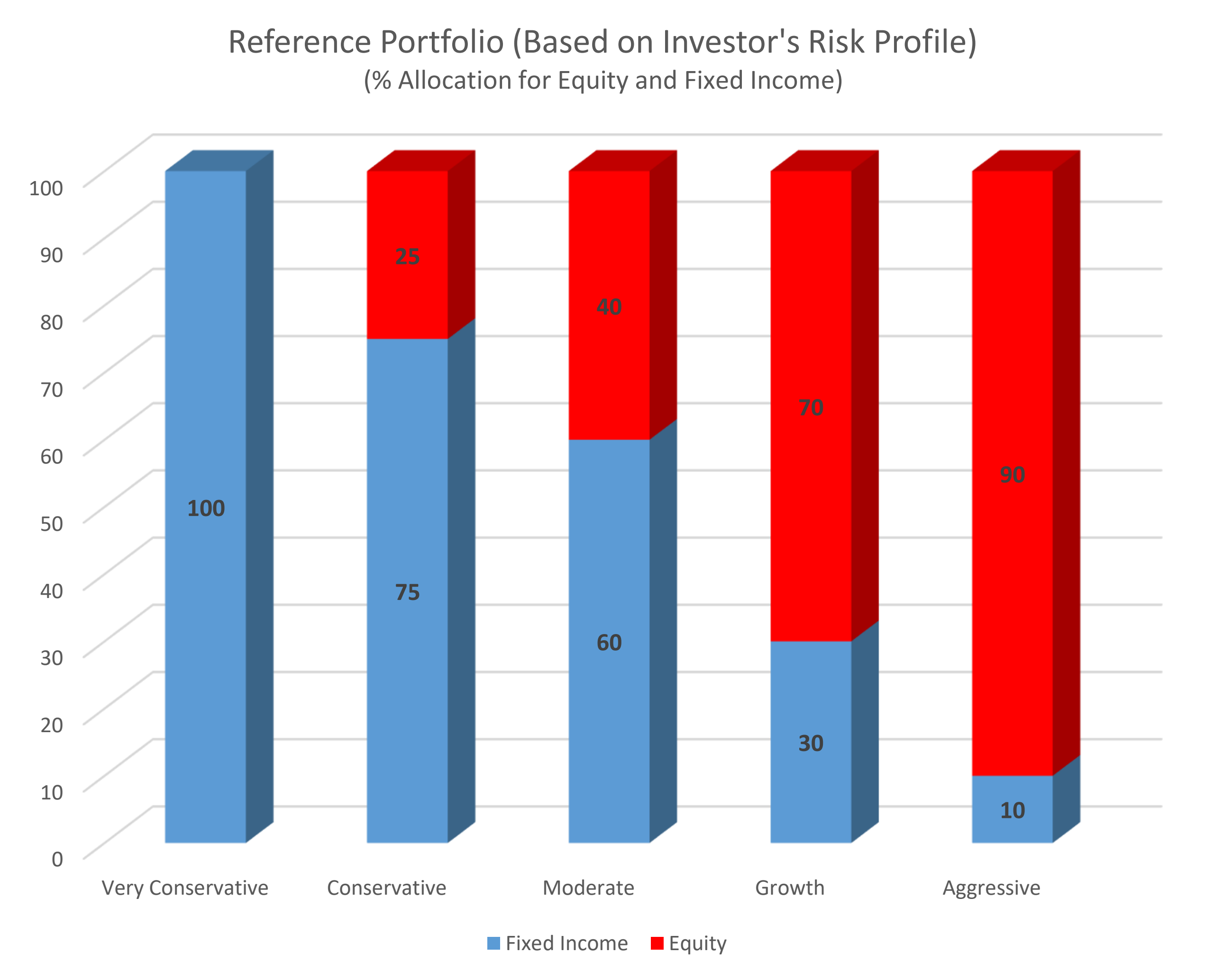
Source: CEIC, AmBank Research

Chart 3: Manufacturing PMI



Source: CEIC, AmBank Research

Fund Focus – 1st Quarter 2023



Source: AmBank

Fund Focus – 1st Quarter 2023

Group	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 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmBond	Bond-Malaysia	Retail	1.51	1.51	1.77
AmIncome	Bond-Malaysia	Retail	2.49	2.49	2.43
AmIncome Management	Bond-Malaysia	Retail	2.02	2.02	2.50
Global Agribusiness	Equity-Global	Retail	2.92	2.92	8.93
RHB Resources	Equity-Asia Pacific	Retail	9.91	9.91	3.12

Top 5 Worst Performing Funds YTD 2022

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AmChina A-Shares MYR	Equity-China	Wholesale	-30.92	-30.92	5.07
Eastspring Investments Dinasti Equity	Equity-Greater China	Retail	-28.65	-28.65	-4.99
Eastspring Investments Islamic China A-Shares	Equity-China	Retail	-27.32	-27.32	0.00
Pan European Property Equities	Equity-Europe	Retail	-37.42	-37.42	-4.62
AmChina A-Shares MYR H	Equity-China	Wholesale	-35.40	-35.40	2.10

Source: Lipper fund performance as at 31 December 2022, 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

Disclaimer

Important Information for Customers:
WARNING: THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN MALAYSIA OR ANY OTHER JURISDICTION. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE INVESTMENT AND THIS DOCUMENT. IF YOU ARE IN DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD IMMEDIATELY OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

This document is strictly confidential and is issued by AmBank (M) Berhad ("AmBank") on the basis that it is only for the information of the particular person to whom it was provided. This document may not be copied, reproduced, distributed or published by any recipient for any other purpose unless AmBank's prior written consent is obtained.

The information, statement and/or descriptions contained in this report has been prepared strictly as general information for quick reference and illustration purposes only and is not intended to be the complete description of any products mentioned or as an offer to sell or a solicitation to buy any securities, foreign exchange or other product. In providing this report AmBank is not making any recommendation to buy any securities or other product and the information provided should not be taken as investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. AmBank has no obligation to update its opinion or the information in this report and you should independently evaluate particular investments and strategies and seek the advice of a financial adviser prior to entering into any transaction.

The information herein was obtained or derived from sources that AmBank believes are reliable, but while all reasonable care has been taken to ensure that stated facts are accurate and opinions fair and reasonable, we make no representation or warranties, express or implied, as to the accuracy or completeness of the information herein and expressly disclaims any liability for any loss (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) that you or your advisors may suffer as a result of your reliance upon the whole or any part of the contents of this report or for any loss that may arise from the use of this report or reliance by any person upon such information or opinions provided in this report.

Members of the AmBank Group, AmBank Group affiliates and each of their directors, officers employees and agents ("Relevant Persons") may provide services to any company and affiliates of such companies whose securities or other products are mentioned herein, may from time to time have a position in or related to the securities or products mentioned herein and may trade or otherwise effect transactions for their own account or the accounts of customers. You should assume that the Relevant Persons may provide or may seek investment banking or other services to or from the companies in which have an interest in the securities or products discussed / covered in this report or previous reports by AmBank. You should further be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

AmBank is not acting as your advisor and does not owe any fiduciary duties to you in connection with this report and no reliance may be placed on AmBank or this report in evaluating your investment objectives, financial situation and particular needs and decisions.

Nothing in this document constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

This information herein is not intended to constitute "research" as it is defined by applicable laws. This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

AmSPB/082020