

Wealth Management Digest

May 2023

Exclusively for AmBank SIGNATURE Priority Banking Customers



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Market Overview

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

	2020	2021	2022	Jan-23	Feb-23	Mar-23	Apr-23
MSCI Global Equities	16.87%	19.04%	-17.95%	7.20%	4.16%	7.45%	9.04%
MSCI Developed Market Equities	16.53%	22.38%	-17.71%	7.11%	4.58%	7.89%	9.83%
MSCI Emerging Markets Equities	18.79%	-2.36%	-19.81%	7.90%	0.91%	4.01%	2.85%
MSCI Asia ex Jn Equities	20.36%	-1.13%	-16.80%	7.86%	1.58%	4.89%	3.81%
S&P 500 (US) Equities	18.39%	28.68%	-18.13%	6.28%	3.68%	7.48%	9.16%
STOXX 600 (EU) Equities	-1.44%	25.82%	-9.88%	6.76%	8.78%	8.58%	11.42%
CSI 300 (China) Equities	29.89%	-3.51%	-19.83%	7.38%	5.14%	4.67%	4.14%
HSI (HK) Equities	-0.24%	-11.84%	-12.56%	10.42%	0.03%	3.51%	0.99%
MSCI Malaysia (MY) Equities	1.94%	-2.90%	-0.39%	-0.40%	-2.81%	-3.43%	-3.64%
Bloomberg Global IG Bond	9.20%	-4.71%	-16.25%	3.28%	-0.15%	3.01%	3.46%
Bloomberg Global HY Bond	7.03%	0.99%	-12.71%	4.18%	2.21%	3.15%	3.80%

Source: Bloomberg, as of 30 April 2023

GLOBAL EQUITIES

Global equities rose further in April 2023, as investors are becoming increasingly hopeful that the interest rate hike cycle has peaked. Stable financial conditions are expected to create a healthier operating environment, boosting overall earnings prospects, and improving the outlook for growth industries. Markets are also pricing in a mild contraction in the developed markets, which is unlikely to materially impact growth. This indicates that the economy will be back on its feet, with minor hurdles, setting the stage for better returns.

ASIA PACIFIC EQUITIES

Asian equities pulled back slightly in April, compared to March, as profit taking activity emerged. Investors are nervous about the sustainability of China's growth as well as increasing geopolitical tensions between the world's superpowers which has put Asia's manufacturing capabilities in the firing line. Escalation to tensions is set to increase pressures on the Asian market, and potentially cause assets to trade sideways for a period. Positive economic data can drive performance higher in absence of geopolitical shocks, with local Asian central banks turning less hawkish as economic performance deteriorates.

MALAYSIAN EQUITIES

Malaysian equities continue to suffer as interest rate differential with the US has sparked outflows from the local market, leading to selling pressures. While large caps have suffered, performance in the mid-and-small cap space have held up better, supported by local institution and retail investors. Large caps are poised for a rebound once foreign investors return to local markets.

Source: AmBank Retail Wealth Management Advisory & Research (as at 30 April 2023)

News Topics – Business & Economy

Chinese Consumers Boost Spending In April 2023

3 months after the lockdowns have ended, Chinese consumers are starting to show a sustained appetite for spending as economic and jobs stability boosts confidence.

China is turning to its domestic consumption engine to power growth moving forward as manufacturing activity takes a back seat, amid threats of supply chains between China and the west decoupling, high inventory build-up in the US which is leading to weaker demand for Chinese manufacturers and as demand from US consumers shift from goods to services.

In April, manufacturing activity as measured by the purchasing managers index (PMI) dropped below 50, which is generally seen as the line between expansion and contraction. The reading for April came in at 49.2, suggesting that the sector was in contraction.

On the flip side, the PMI reading for the services or non-manufacturing sector remained above the 50 line, at 56.4, signalling that consumer appetites remained strong.

The stronger consumption indicator provides some relief to economists as worry about China's ability to achieve Beijing's target of 5% growth for 2023. The country expanded by 4.5% in the first quarter of 2023, above market expectations for a 4% expansion.

However, this growth figure suggest that the economy needs to grow at a faster pace in the upcoming quarters in order to achieve China's full year growth target.

Stronger economic performance in China will also be key in keeping the global economy from contracting, as the US and Europe are set to grow at a slower pace this year.

Economists remain hopeful that China's consumption recovery will be sufficient to lift the country's growth in 2023 after the weak performance in 2022. Anecdotal data already shows consumers flocking to restaurants, stores and going on domestic holidays. Households in China are estimated to be sitting on US\$ 3 trillion of pandemic savings, which is expected to be deployed into the economy.

Source: Wall Street Journal (April 2023)

US GDP Remains Expansionary But Slower Compared To Historical

US GDP grew by 1.1% in the first quarter of 2023, well below market expectations for a 2% expansion for the period.

The data is an indicator that the US economic momentum is showing signs of cracking after 2 years of strong economic growth in the post-pandemic environment.

The economy has suffered under the weight of rising inflationary pressures and as the US central bank hikes interest rates which further intensifies cost pressures on consumer and businesses financial health.

Additionally, the build-up of inventories over the past couple of years has also weighed down on manufacturing activity as factories and retail outlets try to clear out old stock before committing to new orders.

Economic players are also tussling with the possibility of a recession materializing in the US, which has led to delayed business investments and increased consumer savings.

Managers have been implementing hiring freezes, conducting layoffs, and restructuring business structures to improve performance in an environment of economic uncertainty.

Consumers worried about being caught up in layoffs and the potential drop in spending power as the combination of inflation and higher interest rates weigh create bigger financial hurdles.

While the data shows a moderation in the US economy, it so far does not suggest a deep recession in the making.

Consumers and businesses are more cautious at the onset of 2023, but are continuing to invest and spend, which should keep the economy expanding at a very steady pace.

Improvements to growth momentum could materialize once there the US Federal Reserve decides to keep interest rates steady.

This will provide clarity to consumers and businesses on where their financial obligations will land in the next 6-12 months, which should reduce stress on the economy and boost growth in the future.

Source: CNBC (April 2023)

News Topics – Business & Economy

US First Quarter Earnings Spark Hope That Worst Is Over

Major corporations in the US have announced strong earnings results at the start of the quarter, leading to hopes that corporate earnings performance has normalized after the rollercoaster from the initial post pandemic period.

Big tech companies such as Microsoft, Amazon Inc, Intel Corp, Meta Platforms and more have signaled to investors that sales were starting to stabilize, contributing to better-than-expected financial performance.

Financial results were less promising compared to the initial burst during the pandemic, when adoption for digital technology grew at its fastest pace in years, but the figures were sufficiently encouraging, giving markets comfort that the worst was over for most technology companies, who have suffered the brunt of the market sell down in 2022, as investors feared high interest rates would dampen economic momentum.

Highlights from the sector shows that cloud business were the best performers in the tech sector, with Microsoft, Amazon and Google posting healthy expansion results. Google's cloud business eked out profits for the first time, further adding to the positive momentum for the sector.

In the semiconductor space, data remains challenged as demand falls following the build-up of inventories the past year. However, the earnings performance remains ahead of analysts' consensus and the full year guidance from companies such as Intel suggest that an earnings recovery is likely by the second half of 2023.

More technology companies are also reporting positive earnings, suggesting that they are not struggling as expected in 2023, a year where markets have priced in a recession.

This suggest that the sector is starting to mature, with more resilient companies building up their foothold and as smaller companies are bought-up and integrated into the large ecosystem.

Source: Wall Street Journal (April 2023)

CFOs Focused On Strengthening Supply Chains In 2023

Chief Financial Officers have indicated that they are spending more effort to ensure that supply chains are in place and secured even after 2-years post the pandemic start.

Efforts are underway to strengthen existing supply chains in order to reduce risk of being left dry in case of another pandemic like situation, which puts countries at the mercy of hard to navigate global governmental policies.

Additionally, a resilient supply chain also delivers unseen benefits to corporations, by ensuring production is sustained, demand is met, and costs is managed.

In the immediate aftermath of the pandemic, businesses were faced with the challenge of exporting goods to their destination countries due to high costs of freight and delays at ports. This has led to executive decision to move supply chains closer to the consumer base in order to reduce dependence on a single supply source.

While such a move can be costly, as moving supply chains closer to the US means higher wages and working capital is needed – businesses reduce the risk of sudden spike in shipping costs allowing for much clearer financial planning.

Executives at companies are also spending extensively on inventory management systems to improve tracking of goods and to ensure a timely delivery of inputs in order to support production.

There are also efforts being made to automate supply chains to improve efficiency and assist in decision making. Companies are also increasingly concerned about sustainability which is also a key factor in driving the push for localized supply chains, which would reduce carbon emissions from shipping and air transportation.

Corporations are also sourcing new suppliers to reduce risk as geopolitical tensions grow, again threatening supply chains.

Source: Wall Street Journal (April 2023)

News Topics – Business & Economy

Mercedes Benz CEO Says Cutting Ties With China “Not Desirable”

The US and its western allies have been increasingly entertaining the idea of decoupling from China as geopolitical tensions between the regions intensifies.

However, industry players have called such a move “unthinkable”, with Mercedes Benz CEO Ola Kallenius indicating that such a move “makes no sense”.

The CEO is instead promoting a “win-win” solution on growth and climate protection, with corporation between the US, Europe, and China instead of conflict.

Global corporations, beyond the automotive markets, view China’s consumer base as a gold mine.

This comes especially as consumer wealth grows at a fast pace in China, providing a boost to brands earnings potential.

Mercedes Benz views China as its most important global market, accounting for 37% of sales compared to Germany’s 31% and the rest of Europe’s 15% contributions.

Capturing the attention of a small slice of China’s 1.4 billion population can already generate massive financial success for major global brands, which in turn is leading to a boost in investments into the country, as businesses aim to establish sales and distribution channels as well as their own production lines in the country.

Executives are aware of the ongoing tensions between the US and China, as well as the potential economic ramifications if China takes decisive action against Taiwan.

But businesses remain focused on the China market due to the ample opportunities it provides, and as existing markets start to mature, with consumer spending in the US and Europe showing signs of slowing down.

Source: Financial Times (April 2023)

Europe Paints Weak Growth Picture In First Quarter Of 2023

First quarter GDP reading for the eurozone was almost flat, expanding by only 0.1% month-on-month for the period, below economist expectations for stronger reading.

Year-on-year, growth hit 1.3%, suggesting that the Eurozone economy has avoided the Winter recession that many economists had feared, as ballooning energy costs as a result of the Russia-Ukraine war weighs on consumer spending and business output.

The stronger data was largely due to the governments intervention by providing subsidies to households and businesses on energy bills.

Additionally, the energy bills also cost less than initially expected, which meant that consumers had more money than expected in their pockets for the first quarter of the year, leading to stronger spending powers.

Manufacturing activity also picked-up following almost one year of weaker growth, as demand started to improve. The US shifting away from China has driven stronger trade ties with Europe, benefitting local manufactures.

And with China reopening its borders in January 2023, this has led to an influx of tourist from the country, boosting sales at its luxury retail segments, contributing to overall growth momentum.

Continued economic resilience in Europe will largely depend on where the European Central Bank takes interest rates, with many policymakers still concerned about elevated inflationary pressures.

Rising interest rates could have a dampening effect on growth, bringing the European economy closer to a recession in 2023. So far, markets are hopeful that Europe would only be facing a mild recession in 2023, limiting economic damage.

Source: Financial Times (March 2023)

Economic Events – Commentary & Charts

Malaysia:

Malaysia's Production Improved In February 2023

Malaysia's Production Improved

Malaysia industrial production (IP) for February 2023 improved to 3.6% y/y (February 2022: 1.8% y/y). However, on month-on-month basis, IP declined by 5.1% (February 2022: -2.3% m/m), marking the third month of decline. By type of industry, the export-oriented industries grew at 3.9% y/y (February 2022: 0.6% y/y), and the domestic-oriented industry improved to 7.0% y/y (February 2022: 2.7% y/y).

Manufacturing and Electricity Drive Growth

Production in the manufacturing and the electricity sector were the driver, growing by 4.9% y/y (February 2022: 1.3% y/y) and 1.1% y/y (February 2022: -4.3% y/y), respectively.

Nevertheless, both productions declined on a month-on-month basis.

Within the manufacturing sector, production for key selected sub-sector improved, including food, beverages & tobacco (+11.3% y/y), transport equipment & other manufacturers (+8.3% y/y), and non-metallic mineral, basic & fabricated metal (+6.5% y/y).

Production In Mining Declined

Production in the mining sector however, declined by 0.5% y/y (February 2022: 5.9% y/y), mainly due to contraction in the crude oil & condensate production (- 0.3% y/y), and natural gas production (-0.5% y/y). The contraction could be due to the slower demand from major external partners in parallel with the slowing global economy.

A similar case applies for the export-oriented sector that slowed down in February 2023. For the record, crude oil price was subdued in Feb-Mar 2023 period as the positive impact from China's reopening on global activities has been slower than previously anticipated.

Our Take

We expect slower production going forward as guided by recent information flow. The manufacturing PMI which has been under the contractionary level since September 2022 while the export-oriented segment, which accounted around two thirds of the manufacturing sector has also been trending lower over the same period.

Pessimism in global economy is largely due to series of interest rate hikes which is among the steepest in history and at the same time, inflations proven to be stickier than initially expected.

Overall, we expect Malaysia's economy to grow at 4.5% for 2023, mainly supported by domestic factors including improving labor market, investment realization, and improvement in construction and agriculture sectors.

Source: AmBank Research

Economic Events – Commentary & Charts

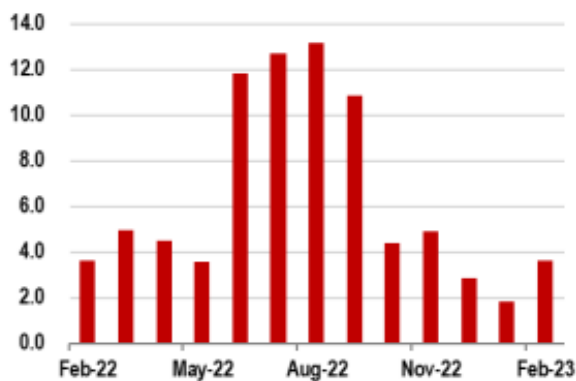
Exhibit 1: IP and Sector Breakdown

	% y/y			% m/m		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Industrial Production Index (IPI)	2.8	1.8	3.6	(0.6)	(2.3)	(5.1)
Mining	3.9	5.9	(0.5)	1.1	1.7	(9.6)
Manufacturing	3.0	1.3	4.9	(1.2)	(3.3)	(3.9)
Electricity	(2.2)	(4.3)	1.1	0.9	(3.4)	(5.5)

Exhibit 2: Manufacturing Production and Subsector Breakdown

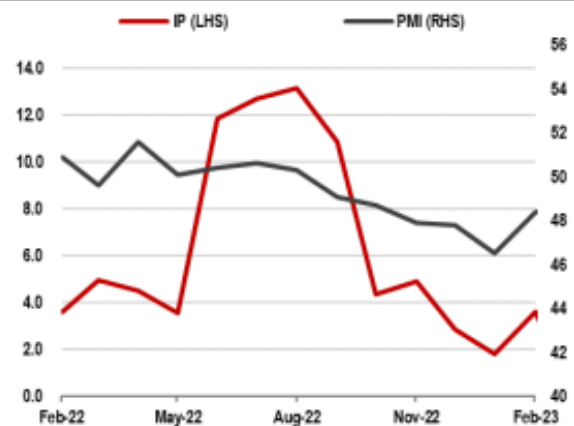
	% y/y			% m/m		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Crude Oil & Natural Gas	3.9	5.9	(0.5)	1.1	1.7	(9.6)
Basic Pharmaceutical	4.9	3.4	9.0	6.6	(11.4)	8.5
Crude Petroleum	4.2	8.0	(0.3)	4.5	(1.4)	(7.5)
Natural Gas	3.7	4.5	(0.5)	(1.2)	3.9	(11.0)
F&B, Tobacco	3.4	4.4	11.3	(1.2)	(2.8)	(3.1)
Rubber & Plastic Products	(8.8)	(10.1)	(7.2)	0.5	(5.6)	(1.9)
Textiles & Wearing Apparel	(0.5)	(1.8)	1.9	(4.8)	(5.7)	2.7
Wood Products & Related	(4.3)	(6.1)	(0.4)	2.0	(4.3)	1.0
Chemicals	0.4	1.0	2.8	5.7	(5.5)	3.8
Non-Metallic Mineral	2.2	(0.6)	6.5	0.4	2.5	(5.1)
Electrical & Electronic	7.2	0.4	5.5	(2.5)	(9.4)	(8.9)
Transport Equipment	8.5	8.0	8.3	(2.8)	5.2	(2.7)
Furniture	(8.3)	(11.7)	(8.0)	(0.6)	4.7	(0.9)
Other Manufacturing	2.8	1.0	5.0	(7.8)	4.2	(1.5)

Exhibit 5: Industrial Production



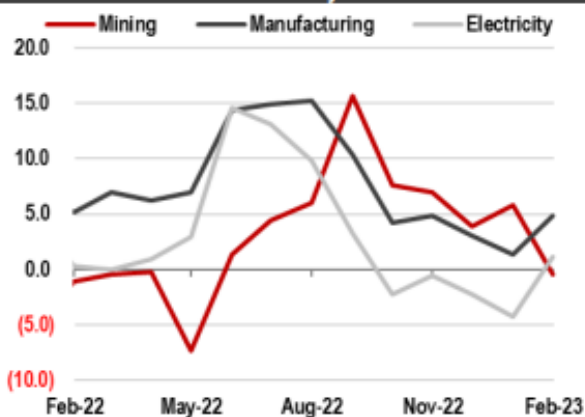
Source: CEIC, AmBank Economic Research

Exhibit 6: Industrial Production and PMI



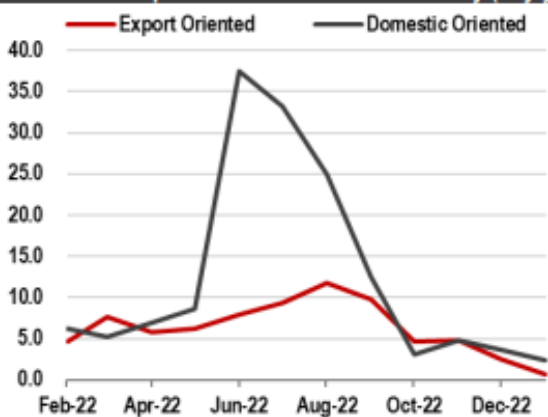
Source: CEIC, AmBank Economic Research

Exhibit 7: IP by Sector



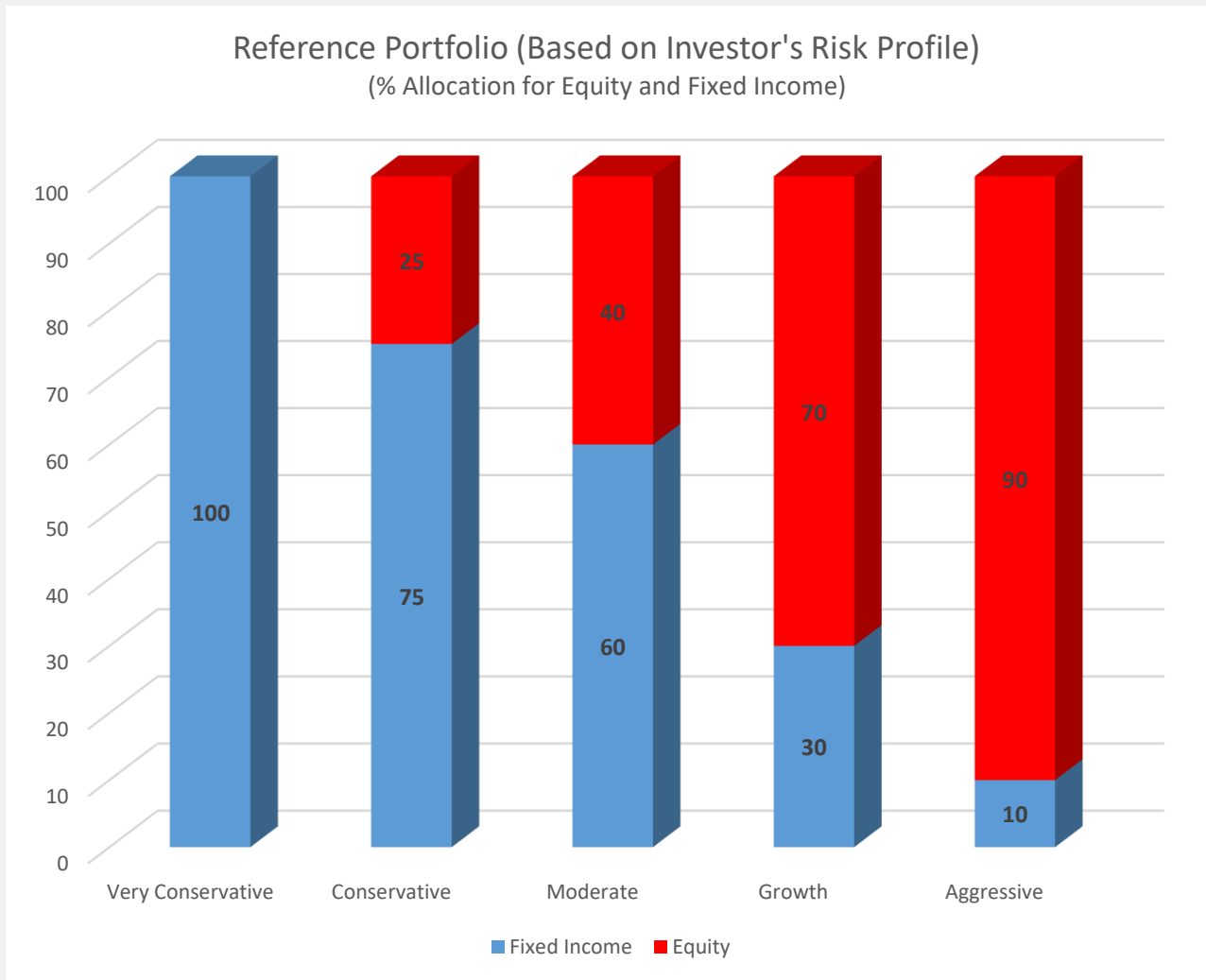
Source: CEIC, AmBank Economic Research

Exhibit 8: Export & Domestic-based Industry (% y/y)



Source: CEIC, AmBank Economic Research

Fund Focus – 2nd Quarter 2023



Source: AmBank

Fund Focus – 2nd 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 April 2023

Top 5 Best Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
European Equity Alpha	Equity-Europe	Retail	13.76	11.49	22.29
Principal Global Millennial Equity MYR	Equity-Global	Retail	16.76	6.19	8.17
Principal Global Millennial Equity MYR H	Equity-Global	Retail	13.94	0.67	5.64
RHB European Select	Equity-Europe exc UK	Wholesale	15.96	14.09	13.25
TA Global Technology MYR	Equity-Global	Retail	17.20	-2.10	8.52

Top 5 Worst Performing Funds YTD 2023

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
Eastspring Investments Dinasti Equity	Equity-Greater China	Retail	-6.44	-15.35	-6.45
Eastspring Investments Global Target Income	Bond-Global	Retail	-5.92	-13.49	-4.04
Hong Kong Tech Index MYR	Equity-China	Wholesale	-6.08	-8.78	0.00
Hong Kong Tech Index MYR H	Equity-China	Wholesale	-7.17	-12.72	0.00
MAMG All-China Focus Equity MYR H	Equity-China	Wholesale	-6.56	-13.07	0.00

Source: Lipper fund performance as at 30 April 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

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