

Wealth Management Digest **October 2023**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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Market Overview

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

	2022	Jun-23	Jul-23	Aug-23	Sep-23
MSCI Global Equities	-17.95%	14.27%	18.49%	15.22%	10.49%
MSCI Developed Market Equities	-17.71%	15.44%	19.35%	16.55%	11.56%
MSCI Emerging Markets Equities	-19.81%	5.06%	11.66%	4.80%	2.07%
MSCI Asia ex Jn Equities	-16.80%	6.43%	11.63%	6.22%	3.59%
S&P 500 (US) Equities	-18.13%	16.88%	20.64%	18.72%	13.06%
STOXX 600 (EU) Equities	-9.88%	11.50%	13.92%	11.06%	9.24%
CSI 300 (China) Equities	-19.83%	0.45%	5.83%	-0.55%	-2.50%
HSI (HK) Equities	-12.56%	-2.76%	4.22%	-4.36%	-6.83%
MSCI Malaysia (MY) Equities	-0.39%	-6.40%	-0.77%	-1.05%	-1.62%
Bloomberg Global IG Bond	-16.25%	1.43%	2.13%	0.74%	-2.21%
Bloomberg Global HY Bond	-12.71%	5.23%	7.29%	6.74%	5.05%

Source: Bloomberg, as of 29 September 2023

GLOBAL EQUITIES

Global equities recorded further pullbacks as ongoing concerns over the direction of interest rates, as well as the prospect of an impending recession weighed on market sentiments, leading to selling in the markets. Investors are also on the slide awaiting the latest earnings announcements by corporations, which should provide some direction for investors.

ASIA PACIFIC EQUITIES

Asia ex Japan equities slipped as global developments weighed on local prospects. The stronger US dollar and higher benchmark interest rates in the US diverted funds from flowing into the Asia ex Japan market. Lack of resolution to China's economic troubles also led to growing selling pressures, as investors fear contagion risk from weaker China growth spreading towards the rest of Asia. Investors were also chasing the higher yields in the US, where the 10-year US Treasury hit 4.5% by the end of August 2023.

MALAYSIAN EQUITIES

Malaysian equities dipped further into the red, dragged down by continued selling pressure. Incoming reforms and removal of subsidies by the government is expected to cause a temporary spike in volatility as investors digest the impact of such policies on the economy and its performance. Ongoing capital outflow from the Asia and emerging markets also putting pressure on Malaysian stocks.

Source: AmBank Retail Wealth Management Advisory & Research (as at 29 September 2023)

News Topics – Business & Economy

FED Says Higher For Longer, But Markets Not Buying It

The US Federal Reserve (FED) kept interest rates unchanged at its September meeting as policymakers prefer study the impact of its previous interest rate hikes since March 2022. Interest rates have risen from zero to 5.25-5.50%, its fastest pace of increase in more than 20-years.

However, the FED left the door open for more interest rates hikes before the end of 2023, as inflationary pressures are still elevated, while the jobs market continues to tighten. Current economic data suggests that prices pressures would remain, spurring the aggressive move by policymakers.

Beyond additional interest rate hikes, the central bank has also indicated that it could keep interest rates at a high level for an extended period, to ensure that inflation is under control. Previous guidance indicated that the interest rate cut cycle would begin sometime in 2024, but based on the FED's current tone, rate cuts could be delayed further into the future.

FED guidance suggests one more rate hike in 2023 and for interest rates to end at 5% by the end-of-2024. This contrasts with market expectations that the central bank is done with the interest rate hike cycle and would cut interest rates to 4.65% by the end-of-2024, indicating that a more aggressive rate cut cycle is expected.

The clashing views could introduce more volatility in the market, but as the FED nears the end of its interest rate cycle, markets will benefit from financial stability, propelling gains on the back of healthier fundamentals.

Source: Bloomberg (September 2023)

US Retail Sales Pick-Up As Consumers Spend More On Gas

Retail sales in the US rose more than expected for the month of August, up by 0.6% month-on-month, beating market forecast for a 0.2% gain. On a year-on-year basis, retail sales grew 2.5%.

The stronger growth was a result of higher spending on the energy segment, as rising oil and gas prices forced consumers to shell out more money when spending on these categories.

Retail receipts at gas stations grew by 5.2% for the month, following July's 10.3% decline.

Consumers were also spending more at electrical and appliance stores which reported a 0.7% month-on-month sales increase, alongside gains in clothing stores (up 0.9% in the same period).

Similarly, spending at grocery stores and food and beverage restaurants also picked-up.

Healthy spending momentum in the consumer market could face some speed bumps as the excess savings built up during the pandemic starts to get depleted, while Americans also face rising financial obligations, as millions of Americans resume payments on student loans in October.

Credit card data is already starting to show some stress among consumers, as delinquencies rise to a 11-year high in the second quarter of 2023. However, the strong jobs market should keep consumers in better financial shape.

Source: MarketWatch (September 2023)

News Topics – Business & Economy

Vacant Homes In China Exceeds Its 1.4 billion Population

According to estimates by a former National Bureau of Statistics official, the number of vacant homes in China exceeds its 1.4 billion population.

Extreme estimates suggest that the number of vacant homes in China are sufficient to house 3 billion people. Official government statistics also suggest that the total area of unsold homes in China is around 7 billion square feet.

The housing market in China has been a key pillar of the country's economic development. This is no longer the case after the government stepped-in to address excess borrowing by property companies through its 3-red line policy, which determined the amount of capital a company could raise through the debt markets.

This policy has led to a crash in the local property market, with notable developers defaulting on existing debt and even running out of cash to complete its existing projects.

Stress from the property market is also spilling over to the rest of the economy, with as consumers finances get strained by rising financial obligations. Property speculators sitting on multiple homes are facing higher repayment costs due to weak rental demand.

Drop in property prices has also wrecked confidence in home buyers to engage the market, given that property is a key investment assets. The drop in price raised fears of limited future resale opportunities due to oversupply and lack of demand.

Source: CNN, Insider (September 2023)

China Banks On Golden Week To Spur Economy

The Golden Week holiday in China, spanning from October 1st to October 8th, is expected to showcase a recovery in consumer appetites, fuel by excess savings during the pandemic and an appetite to spend since the removal of pandemic restrictions.

Tourism, consumption and overall economic activity will be a test for China, after the economy has slowed down due to a several factors:

- 1) Property market deterioration, with bankruptcies among developers and abandoned projects, leading to widespread loss of confidence among homebuyers.
- 2) Rising unemployment, especially among China's youth has led to a stagnation in wage growth, suppressing spending power and dragging on consumption.
- 3) Exports took a hit following the ongoing trade war with the US and the developed markets, dragging down China's manufacturing sector.

So far, the Golden Week shown some promise in terms of the Chinese consumers spending power, with international travel bookings rising nearly 20x compared to 2022's Golden Week.

Hotel bookings to Thailand by Chinese tourist rose 6,220% compared to the same period last year, with similar trends expected to be seen for bookings in South Korea, Malaysia, Singapore, Australia and the UK.

Source: CNN, GTCN (September 2023)

News Topics – Business & Economy

US Government Faces Another Shutdown Challenge

The US Congress managed to temporarily avert a shutdown of the government by passing a 45-day stop gap bill, known as a continuing resolution (CR).

This allows Democrats and Republicans to continue their negotiation without completely disrupting government services.

Current disagreement between the two parties centre around the social welfare policies championed by Democrats, which has been highly opposed by Republicans, especially those with strong alliances with former President Donald Trump.

Failure to secure votes for the spending bill would result in a government shutdown, leading to cessation of some or all government operations.

This impacts payment of federal workers across government agencies, stops access to non-essential government services and delays data collected for key economic decisions, such as adjustments to interest rates by the US Federal Reserve.

Every week the government is shutdown, GDP growth is hit by 0.1%.

Historically, the US has faced 10 instances of a government shutdown over the past 40-years.

The US Federal Government is made up of multiple different parties, which has led to disagreements between members. This has caused political manoeuvring of withholding votes in order to get their way.

Source: CNBC (September 2023)

Share Buyback's In The US Dropped By 19% in Q2 2023

Companies in the S&P 500 index bought less shares back from investors in the second quarter of 2023.

The overall share buyback amounted to US\$ 175 billion, which is 18.8% lower on a quarter on quarter basis.

In the second quarter of 2022, companies bought back US\$ 220 billion in shares.

Similarly, dividend pay outs decreased by 2.4% on a quarter-on-quarter basis in Q2 2023, with a total of US\$ 143 billion paid out.

However, for the 12-months ending June 2023, dividend pay out hit a record high of US\$ 576 billion paid out.

The weaker dividend and share buybacks are largely due to more cautious sentiments among executives at corporations, as they seek to raise cash ahead of tougher economic times.

Rising overhead and commodity costs is also driving up operating expenses, leading to managers conserving cash to sustain operations.

Funds are also being held in reserve to fund future capital expenses or potential M&A's as recessionary environments can be filled with potential opportunities.

President Joe Biden's 1% tax on share buybacks, which started in 2023, had a marginal impact on the pay out, amounting to only 0.34% of buybacks announced.

Source: S&P Global (September 2023)

Economic Events – Commentary & Charts

Malaysia Key Data Points

CPI came in at 2.0% in August – Headline inflation stagnated at 2.0% while core inflation, which excludes volatile items and controlled prices, eased to 2.5% y/y in August 2023, down from 2.8% in July 2023.

We view that headline inflation this year will be in the 2.7 - 3.2% range. Regarding the core inflation, we expect it to be around 3.0% and should there be any downward surprise to private consumption may lead to lower core inflation from our baseline forecast.

Rice price is increasing – Imported rice prices increased more rapidly compared to locally produced rice, with imported rice prices rising by 12.7% on average, while local rice prices increased by 0.9%.

OPR to remain unchanged at 3.00% –The recent disinflationary trend is mostly driven by cost factors. The final MPC meeting will be on 1-2 November, where we are expecting the OPR to remain at 3.00%.

Uncertainty to our 2024 preliminary inflation outlook, which currently stands at 2.5% is coming from two factors namely subsidy rationalization and the implementation of progressive wage model.

Both elements are expected to push the price level higher, hence affecting the business' operating costs as well.

To this end, we expect more information on these factors to surface during the tabling of Budget 2024 later in October and this may trigger a revision to our forecast.

View for 2024 – Domestic drivers for inflation in 2024 to come from policy direction concerning subsidy rationalization and progressive wage model and we expect more information on these factors to surface during the tabling of Budget 2024 later in October.

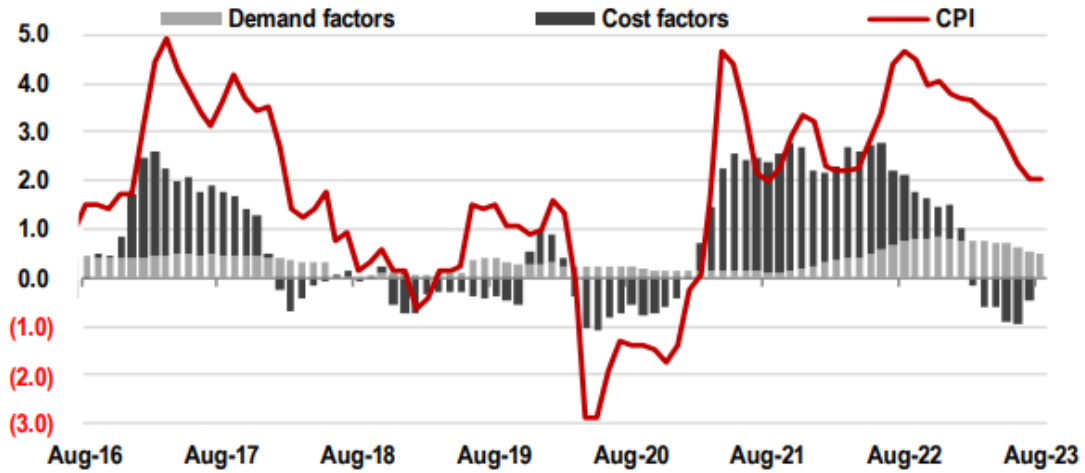
In addition, should global oil price remain elevated, then that is likely to influence the direction of inflation further.

Our preliminary estimate for inflation in 2024 currently stands at 2.5% and any revision to this estimate is a function of new information flow regarding the two key factors above.

Source: AmBank Research (September 2023)

Economic Events – Commentary & Charts

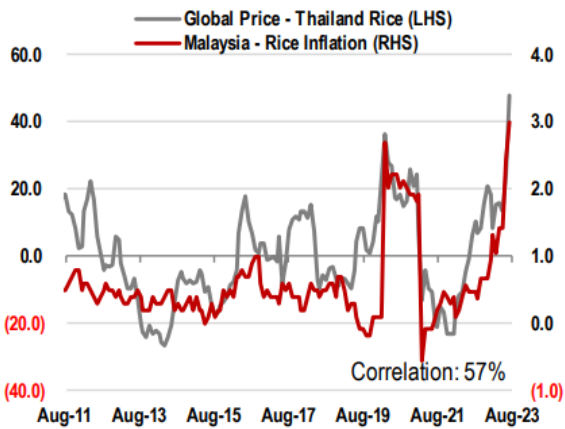
Inflation Factors



Source: CEIC, AmBank Economic Research

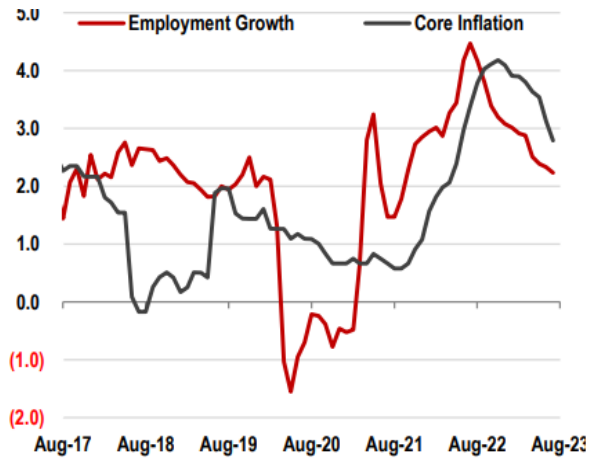
Note: We use core inflation as proxy for demand factors, and PPI as proxy for cost factors.

Rice Inflation, Malaysia Vs Global (%)



Source: CEIC, AmBank Economic Research

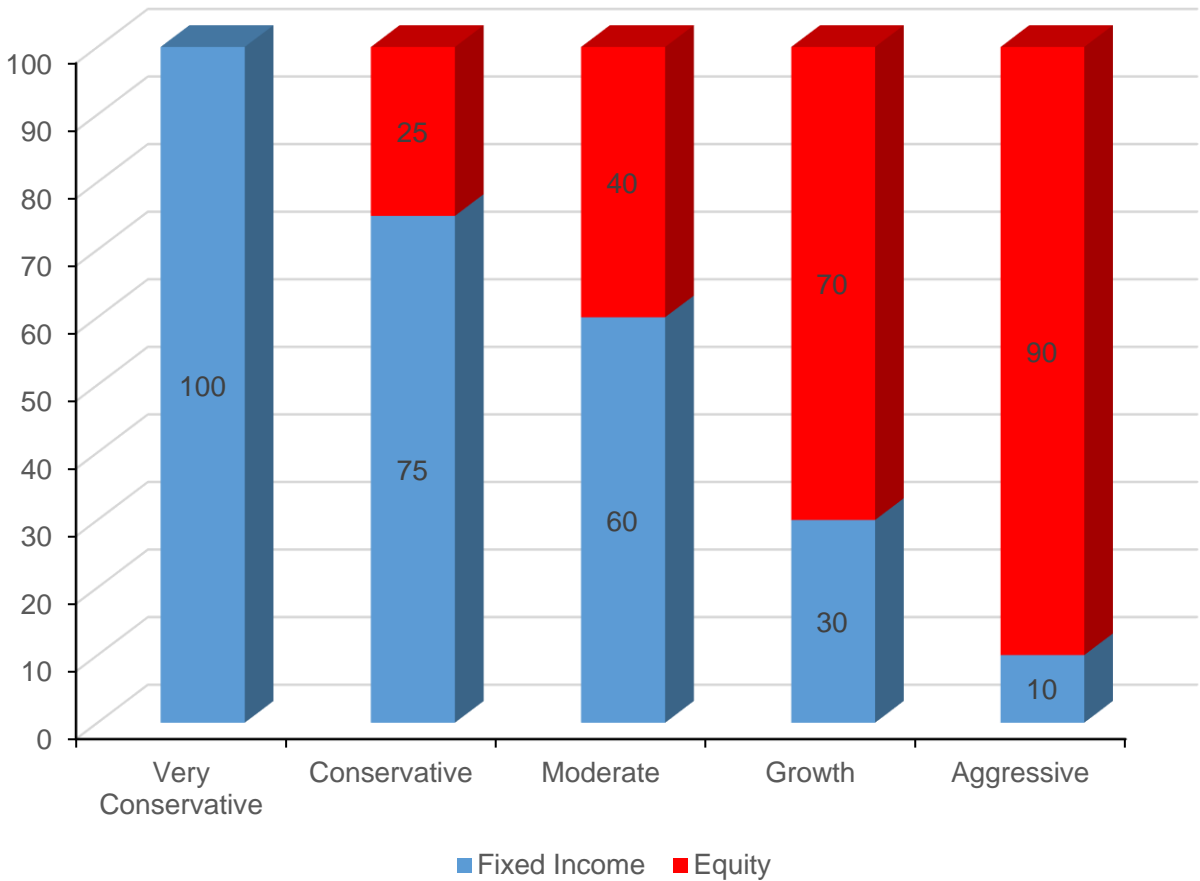
Employment Growth & Core Inflation (%)



Source: CEIC, AmBank Economic Research

Asset Allocation Strategy

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



Source: AmBank

Fund Focus – 4th Quarter 2023

	Retail	Wholesale
Fixed Income	AmBond	Affin Hwang World Series - Global Income
	AmDynamic Bond	Maybank Bluewaterz Total Return
	AmBond Islam ⓘ	
	Principal Lifetime Bond	
US / DM Equity	abrDn Islamic World Equity A ⓘ	Global Dividend
	Maybank Global Sustainable Equity-I	Principal Global Technology
	TA Global Technology	RHB European Select
		TA Sustainable Water & Waste
Asia ex Jn Equity	Maybank Asiapac Ex-Japan Equity-I ⓘ	
	Principal Asia Pacific Dynamic Income	
	Principal China-India-Indonesia Opportunities	
	Principal Islamic Asia Pacific Dynamic Equity ⓘ	
China Equity	Principal Greater China Equity	Affin Hwang World Series - China A Opp
		AmChina A-Shares
Malaysia Equity	AHAM Select Opportunity	
	AmDividend Income	
	Eastspring Investments Equity Income	
Mixed Assets	AHAM Select SGD Income	Income and Growth
	Eastspring Investments Asia Select Income	
	Principal Islamic Lifetime Balanced ⓘ	
Alternatives	Maybank Global Mixed Assets-I ⓘ	Hong Kong Tech Index
	Principal Global Millennial	Manulife India Equity
	TA Global Select Equity	Manulife Shariah Global REIT ⓘ
	United ASEAN Discovery	Principal Islamic Global Technology ⓘ
	United Golden Opportunity	RHB Global Artificial Intelligence

ⓘ : Islamic

Note: Funds are selected using a quantitative filter. Best scoring funds across key categories have shortlisted to be in the fund of focus. Based on Wealth Advisory & Research and Wealth Product Managers PM discretion & experience, new funds and tactical ideas maybe added as required to capture fast moving market trends.

Source: AmBank as of October 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	34.10	-5.61	0.00
Principal Global Technology MYR H	Equity-Global	Wholesale	30.91	15.57	2.03
TA Global Technology MYR	Equity-Global	Retail	40.87	28.12	10.11
Principal Islamic Global Technology MYR	Equity-Global	Wholesale	46.52	27.51	0.00
Principal Islamic Global Technology MYR H	Equity-Global	Wholesale	35.25	20.44	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	-18.20	-25.09	-13.93
MAMG All-China Focus Equity MYR H	Equity-China	Wholesale	-18.28	-19.03	0.00
RHB Income 2	Bond-Malaysia	Retail	-19.10	-17.67	-4.13
New China Sectors Index MYR	Equity-Greater China	Wholesale	-32.08	-83.65	0.00
New China Sectors Index MYR H	Equity-Greater China	Wholesale	-38.00	-89.45	0.00

Source: Lipper fund performance as at 29 September 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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