

Wealth Management Digest **January 2024**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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Market Overview

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

	2022	Sep-23	Oct-23	Nov-23	Dec-23
MSCI Global Equities	-17.95%	10.51%	7.21%	17.15%	22.81%
MSCI Developed Market Equities	-17.71%	11.57%	8.36%	18.58%	24.44%
MSCI Emerging Markets Equities	-19.81%	2.11%	-1.85%	6.01%	10.12%
MSCI Asia ex Jn Equities	-16.80%	3.67%	-0.70%	7.06%	11.93%
S&P 500 (US) Equities	-18.13%	13.06%	10.68%	20.78%	26.25%
STOXX 600 (EU) Equities	-9.88%	9.24%	5.31%	12.31%	16.63%
CSI 300 (China) Equities	-19.83%	-2.50%	-5.52%	-7.51%	-9.14%
HSI (HK) Equities	-12.56%	-6.83%	-10.47%	-10.61%	-10.46%
MSCI Malaysia (MY) Equities	-0.39%	-1.62%	-0.27%	0.47%	0.67%
Bloomberg Global IG Bond	-16.25%	-2.21%	-3.38%	1.49%	5.71%
Bloomberg Global HY Bond	-12.71%	5.05%	4.05%	9.63%	14.04%

Source: Bloomberg, as of 28 December 2023

GLOBAL EQUITIES

Global equities edged higher at the end of 2023, spurred up by anticipation of interest rate cuts in 2024. Inflationary pressures have eased, and economic indicators suggest that growth is moderating, creating the ideal environment for central banks to begin cutting interest rates.

ASIA PACIFIC EQUITIES

Asia ex Japan rose in tandem with global assets, as optimism carried throughout the region. Interest rate cuts in the developed markets puts less pressure on local currency and reduces stress of capital outflows from the local market. Peaking gains in the developed markets will also push investors to seek out assets with higher growth potential, which generally can be found in the Asia region. China's uncertainty dampened gains, but failed to derail overall performance.

MALAYSIAN EQUITIES

Malaysian equities closed 2023 relatively unchanged as investors continue to assess policy changes in the local and global economy. Capital outflows continue to weigh on market performance despite stronger local buying. Foreign investors are still waiting for the right catalyst before jumping back into the local market.

Source: AmBank Retail Wealth Management Advisory & Research (as at 04 January 2023)

News Topics – Business & Economy

BNM Sees Reprieve For The Ringgit

Bank Negara Malaysia's (BNM) Governor Abdul Rasheed Ghaffour indicated that the Malaysian Ringgit would recover alongside other emerging-market currencies once developed economies hit the pause button on interest rate hikes.

The governor also signaled that the current monetary policy stance in Malaysia is appropriate to support the local economy. BNM has kept the Overnight Policy Rate (OPR) at 3% since July 2023. At this level, the benchmark interest rates is sufficient to restrict inflationary pressures from running amok, while still staying accommodative to support economic expansion.

BNM policymakers indicated that the decision to adjust interest rates depends largely on domestic economic performance, which is focused on the direction of inflationary pressures as well as growth of the economy. Policymakers do not adjust benchmark rates to attract inflows into the market.

While the Malaysian Ringgit has suffered, becoming one of the worst performing currencies in the emerging markets space due to interest rates differential with the developed markets and weaker trade activity as demand from China falters, the Governor guided that the country is not in a crisis but is instead enjoying "credible growth" at 4%, against the backdrop of softening inflation. Unemployment has moderated to 3.4%.

BNM will continue to ensure order in the local market by ensuring sufficient liquidity.

Source: Bloomberg (December 2023)

US Inflation Softens Towards End 2023

The Personal Consumption Expenditure Index, which is the US Fed's preferred inflation measure, rose less than expected in November 2023. The core PCE reading rose 0.1% month-on-month and was up 3.2% year-on-year, slightly lower compared to expectations of a 3.3% reading, and much closer to the Fed's long-term inflation target of 2%.

The data suggest that the US Federal Reserve is close to pivoting its monetary policy direction, following rapid increase in interest rates since 2022 as inflationary pressures started to mount. By mid-2022, inflation, as measured by the PCE, peaked at 7%.

While costs have dropped since then, the US central bank is not yet ready to commit to interest rate cuts, because economic data remains strong and could cause a resurgence in inflation in the future.

Premature interest rate cuts could worsen the economic situation and damage the Fed's credibility, leading to policymakers holding rates higher for longer. In the last 3 FOMC meetings, the Fed has kept interest rates unchanged as they monitor economic conditions and inflationary pressures. Once there is certainty that inflation is no longer a threat and that the economy requires monetary policy supported, the Fed is committed to assist through the adjustment of interest rates.

Markets have priced in 6 interest rate cuts, while the Fed's latest dot plot chart suggests only 3 cuts ahead.

Source: Bloomberg (December 2023)

News Topics – Business & Economy

US Considers More Tariffs On China's EV & Solar Products

The US government is considering to impose more tariffs on China's exports, targeting its electric cars and solar panel.

Policymakers aim to limit local reliance on China's clean-energy supply chain and protect the local green industry from cheap Chinese exports.

The Biden administration has so far left former president Trump's policies in place, which includes tariffs on \$300 billion of Chinese goods.

This includes a 25% levy on electric vehicles as a means to limit competition for local players such as Tesla. Policies being drafted are likely to raise the existing EV tariffs on top of targeting increases on solar products and battery packs.

Discussions on the new tariffs are set to be completed in early 2024, but implementation could still take time given the disconnect between different government agencies.

The Biden administration had launched a review of tariffs 3-years ago, but have not reached a consensus on tariff policy.

Overall impact to US consumers likely to be marginal. Supply chains also unlikely to get disrupted, as the US primarily imports solar material from South-east Asia.

However there is still a dependency on China for EV batteries, as the country is home to the worlds largest producer of EV batteries.

Source: Financial Times (December 2023)

US Labor Market Tightened Despite Slowdown Predictions

Nonfarm payrolls rose 199,000 in November, following a 150,000 increase in October suggesting that the jobs market is still expanding at a rapid pace.

Unemployment held steady at 3.7% year-on-year, as workers laid-off in some industries have been absorbed in other industries.

The health care, leisure and hospitality (as well as the government) have been key to driving up hiring. Resolution on the United Auto Workers strike also boosted job gains in the manufacturing segment.

The data is at odds with the Fed's plans to cut interest rates in 2024, as the stronger employment is set to keep spending elevated and spur inflation higher, warranting "higher for longer" interest rates.

However, economist believe that employment data may not be as resilient as the figures suggest. Hiring trends are starting to slow as managers assess economic conditions and as job roles are increasingly supplemented by Ai and other technological developments, requiring fewer workers to deliver similar productivity as compared to previous years.

Softening of jobs market is set to deflate rising costs across the economy and reduce the need for the US Fed to keep benchmark interest rates elevated for long. This creates the opportunity that policymakers need in order to cut interest rates moving ahead.

Source: Bloomberg (December 2023)

News Topics – Business & Economy

Factory Activity In China Contracts Again

China's factory activity contracted for the 3rd consecutive month, suggesting that demand, both domestic and overseas, remains sluggish and growth continues to struggle to regain its momentum in the manufacturing sector.

The official manufacturing PMI figures declined to 49.0 in December, from November's 49.4. Economists were expecting manufacturing PMI to expand to 49.6 for the month.

Non-manufacturing PMI rose marginally to 50.4 from 50.2 in November. Despite this, activity in the services sector remains anaemic as consumer confidence has yet to recover against the backdrop of;

- 1) ongoing property market challenges,
- 2) mixed stimulus response from Beijing
- 3) and weaker employment prospects as corporations suffer in the aftermath of the US-China trade war.

Redirection of foreign direct investments have curbed expansion of supply chain in China, diverting them to other parts of the world. As household spending power takes a hit, deflationary pressures have emerged across the economy.

Beijing has promised to adopt a pro-growth stance in 2024, through supportive fiscal and monetary policy, but officials have so far downplayed the potential of major stimulus to revive the economy.

Source: Bloomberg (December 2023)

Cloud Spending Picks Up Amid AI Innovation

China's politburo have pledged to strengthen the government's fiscal policy support for the economy, with the aim of boosting domestic demand.

The central government also indicated that monetary policy would be kept flexible and targeted to ensure sufficient liquidity in the economy and aid the recovery process.

The government's goal of 5% growth in 2023 is viewed as achievable by economists, but progress remains hampered by challenges in the economy, especially as officials struggle to turn around the ailing property market.

Stimulus from state and local governments have been limited due to high levels of indebtedness, while consumers confidence has been hit, leading to weaker spending across all key categories.

Beijing has recently offered more stimulus, via the issuance of 1 trillion yuan worth of sovereign bonds to support infrastructure spending.

This has boosted expectations that the government would be more willing to increase fiscal spending to support the economy as part of its 2024 strategy.

The Politburo meets in March to set its goals for the year, with economists expecting more concrete announcements to be made on how they aim to achieve such goals.

Source: Bloomberg (December 2023)

Economic Events – Commentary & Charts

REITs: Widening Yield Spread Against 10Y MGS In 2H24

We anticipate retail REITs to continue experiencing healthy growth in 2024F, driven by stable occupancy rates and positive rental reversions.

This is underpinned by a stable labor market, modestly higher inflation rate of 2.5%-3.5% accounting for the impact of subsidy rationalization and service tax increase, coupled with a continued gradual recovery in tourist arrivals.

Meanwhile, the hospitality segment of REITs is poised to benefit from government policies aimed at boosting tourism. The gradual influx of international tourists back to pre-pandemic levels is expected to contribute to retail sales improvement.

Our in-house economist anticipates the US Federal Reserve's funds rate to peak at current levels of 5.25%-5.5%.

We expect the uptrend in 10-year US Treasury yield to taper off after a pause in the Federal Reserve's rate hikes in 4Q2023. Our economics team also expects the Federal Reserve to start cutting interest rates in mid-2024 by 75 bps to 100bps.

This will eventually bring the Fed funds rate to 4.5%- 4.75% by end-2024. Meanwhile, 10-year MGS yield is projected at 3.95% in 4Q2023, subsequently declining gradually to 3.8% by end-4Q2024.

We see opportunities in Malaysian REITs given widening yield spreads against 10-year MGS yield with appealing distribution yields of 6%-10%

Considering the strategic locations and strong market positioning of renowned shopping destinations such as Mid Valley Megamall, Pavilion Kuala Lumpur and Sunway Pyramid, we anticipate a positive mid-single-digit rental reversion of 5%-6% in 1HFY24F vs 3%-6% in FY23F, aligning with pre-pandemic levels.

This is underpinned by the high occupancy rates of these malls and healthy tenant sales on the back of higher private consumption growth of 5.7% in 2024F vs. 5.6% in 2023. We envisage this to present an opportunity for REITs with prime malls to negotiate for higher rental rates over the coming years. Meanwhile, the expected increase of 24% YoY in foreign tourist arrivals in 2024F will be another upside for these prime malls in view of their strategic locations with numerous attractions.

The Malaysian government has announced the next Visit Malaysia Year to be held in 2026, with a target of attracting over 26mil foreign tourists, equivalent to the pre-pandemic level in 2019.

These initiatives are expected to support Tourism Malaysia's projection of international tourist arrivals in Malaysia for 2024F, targeting a 24% YoY growth to 20mil, reaching 76% of the level observed in 2019. Furthermore, these measures are expected to further enhance footfalls in tourist-centric shopping malls such as Pavilion Kuala Lumpur, Sunway Pyramid and Suria KLCC.

Economic Events – Commentary & Charts

Average Occupancy Rate (%)

Occupancy rate (%)	CY17	CY18	CY19	CY20	CY21	CY22	1QCY23	2QCY23	3QCY23	CY24F
Retail										
IGB REIT	99.0	98.3	99.4	95.8	94.3	99.7	99.8	99.8	99.9	99.9
PREIT (Retail)	90.4	91.1	90.5	83.6	80.6	81.9	87.0	86.0	88.0	90.0
SREIT (Retail)	95.5	96.8	96.3	93.3	96.5	96.1	96.0	96.3	96.8	97.0
HEKTAR	95.9	92.0	91.4	88.4	84.5	83.8	84.5	86.5	88.0	89.0
Average	95.2	94.5	94.4	90.2	89.0	90.4	91.8	92.1	93.2	94.0
Office										
Pavilion Tower	98.5	94.0	94.0	85.8	79.1	73.8	72.0	66.0	66.0	66.0
SREIT (Office)	66.8	69.2	78.0	83.2	81.8	81.2	80.2	80.2	80.8	81.0
UOAREIT	81.0	90.5	91.5	86.0	81.5	78.9	80.7	80.8	81.0	81.0
Average	82.1	84.6	87.8	85.0	80.8	77.9	77.6	75.7	75.9	76.0
Hospitality										
SREIT (Hospitality)	73.0	76.2	71.5	53.0	27.2	47.1	60.8	62.7	64.8	70.0
YTL REIT (Australia)	86.9	87.8	84.9	73.1	53.3	60.2	78.7	73.2	81.7	80.0
Average	80.0	82.0	78.2	63.1	40.2	53.6	69.8	67.9	73.3	75.0

Source: AmInvestment Bank, Companies

Occupancy Rate of Prime Malls In Klang Valley (%)

Occupancy Rate	2019	2020	2021	1Q CY22	2Q CY22	3Q CY22	4Q CY22	1Q CY23	2Q CY23	3Q CY23
Prime mall										
Sunway Pyramid	98.0	98.0	98.0	98.0	97.0	97.0	97.0	99.0	98.0	98.0
Pavilion KL	98.0	97.5	90.2	91.0	89.7	90.8	91.6	95.0	93.9	96.0
Elite Pavilion Mall	92.3	91.5	86.4	88.0	86.7	89.8	92.3	94.0	93.6	94.0
Mid Valley Megamall	99.9	99.7	99.8	99.7	99.7	99.7	99.9	99.9	99.9	99.9
The Garden Mall	98.9	96.0	99.5	99.7	99.7	99.9	99.5	99.5	99.5	99.9
Average	97.4	96.5	94.8	95.3	94.6	95.4	96.1	97.5	97.0	97.6
Other mall										
Sungei Wang Plaza	82.0	64.2	66.4	70.9	78.4	70.0	75.6	73.9	75.1	78.4
Pavilion Bukit Jalil	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	83.6	85.0
Intermark Mall	95.3	93.0	83.6	85.0	86.1	86.1	86.9	87.0	86.9	90.0
Sunway Putra Mall	90.0	93.0	93.0	93.0	92.0	92.0	91.0	91.0	93.0	96.0
KL East Mall	N/A	N/A	79.0	79.7	79.7	79.0	85.2	85.0	86.0	89.0
Subang Parade	93.9	83.7	82.5	82.2	81.1	73.5	70.3	72.4	75.0	79.5
The Mines	90.5	85.2	76.2	76.2	78.5	78.2	79.0	81.8	78.6	78.5
DA MEN Mall	82.0	79.4	62.3	62.0	58.8	61.1	64.5	72.0	72.2	75.0
Average	90.3	83.8	80.1	81.2	82.6	79.8	81.3	81.9	82.6	85.2

Source: AmInvestment Bank, Companies

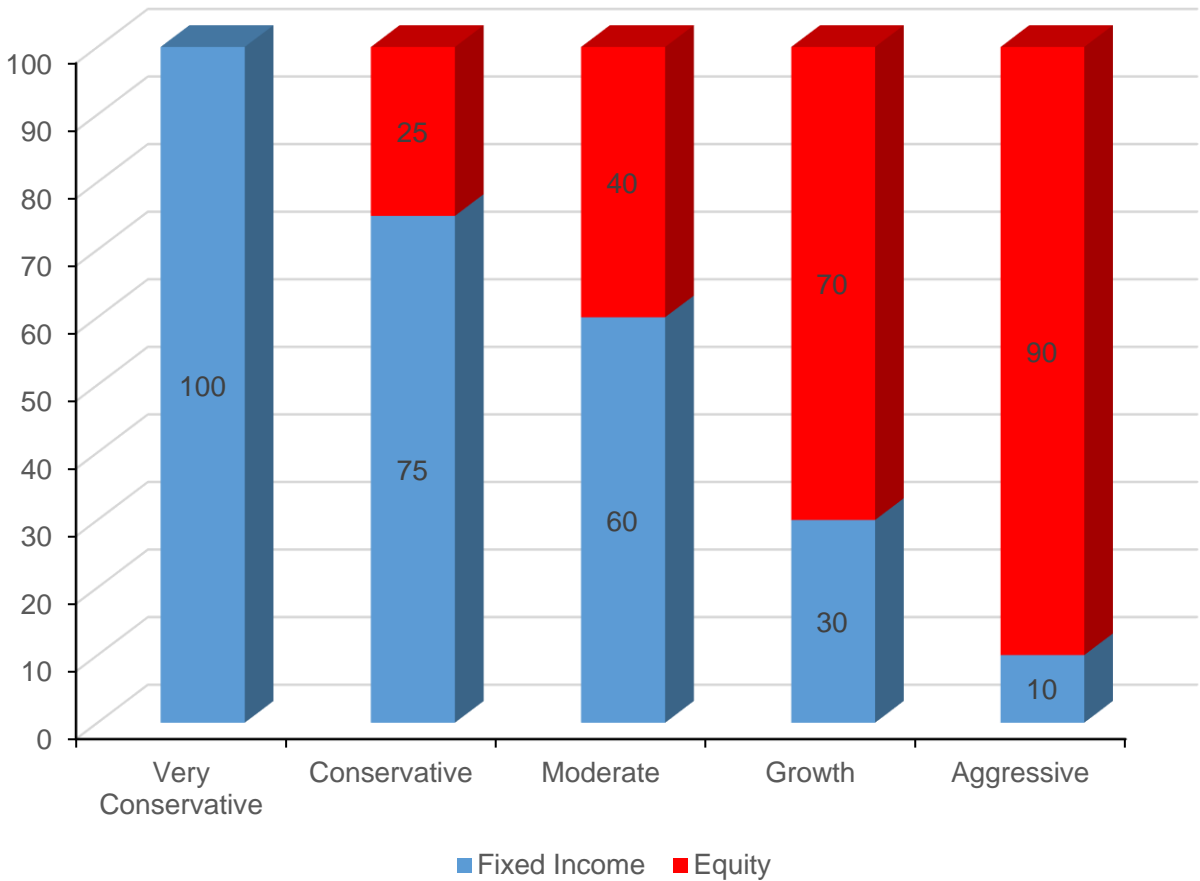
International Tourist Arrival & Tourist Receipts (2022-2025)

Year	International tourist arrival			International Tourist Receipts to Malaysia (RM bil)		
	Number of tourist (mil)	YoY growth (%)	vs. 2019 level (%)	Tourist Receipts (RM bil)	YoY growth (%)	vs. 2019 level (%)
2022	10	>100	39	28	>100	33
2023	16	59	62	49	74	57
2024	20	24	76	64	30	74
2025	24	18	90	77	20	89

Source: Tourism Malaysia

Asset Allocation Strategy

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



Source: AmBank

Fund of Focus – 1st Quarter 2024

		Conventional	Islamic
Developed Markets	Retail	Principal Global Titans	abrdn Islamic World Equity A
		TA Global Technology	AHAM Aiiman Global Multi Thematic
	Wholesale	Global Dividend	Principal Islamic Global Technology
		Principal Global Technology	
		Europe Equity Growth	
		RHB European Select Equity	
Asia ex Japan	Retail	Principal Asia Pacific Dynamic Income	Maybank Asiapac Ex-Japan Equity-I
		Manulife India Equity	Principal Islamic Asia Pacific Dynamic Equity
	Wholesale	AmDividend Income	TA Islamic
		Principal Lifetime Bond	AmBon Islam
Bond	Retail	AmBond	
		AmDynamic Bond	
		Affin Hwang World Series - Global Income	
	Wholesale	Maybank Bluewaterz Total Return	
Mixed Asset	Retail	AHAM Select SGD Income	United-i Global Balanced
		AHAM Select AUD Income	Maybank Global Mixed Assets-I
	Wholesale	Income and Growth	
Alternative	Retail	TA Total Return Income	Manulife Global Shariah REITs
		Principal Greater China Equity	Maybank Income Flow-i
		Maybank Singapore REITs	
		United ASEAN Discovery	
	Wholesale	Hong Kong Tech	
		RHB Global Artificial Intelligence	
		Maybank Liquid Alternative	
		Principal US High Conviction Equity Fund	
		United Golden Opportunity	

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 may be 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	41.55	16.74	-27.48
Principal Global Technology MYR H	Equity-Global	Wholesale	38.66	28.38	-0.85
TA Global Technology MYR	Equity-Global	Retail	48.14	38.83	8.37
Principal Islamic Global Technology MYR	Equity-Global	Wholesale	58.23	46.84	0.00
Principal Islamic Global Technology MYR H	Equity-Global	Wholesale	45.76	34.94	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	-23.48	-22.84	-18.85
MAMG All-China Focus Equity MYR H	Equity-China	Wholesale	-22.50	-19.08	0.00
Principal China Multi Asset Income MYR H	Mixed Assets-China	Wholesale	-18.88	-14.48	-20.06
New China Sectors Index MYR	Equity-China	Wholesale	-43.19	-46.29	0.00
New China Sectors Index MYR H	Equity-China	Wholesale	-48.47	-51.41	0.00

Source: Lipper fund performance as at 04 December 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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