

# Wealth Management Digest **September 2024**

Exclusively for AmBank SIGNATURE Priority Banking Customers

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## Market Overview

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

	2022	2023	Jun-24	Jul-24	Aug-24
MSCI Global Equities	-17.9%	22.82%	11.58%	13.42%	16.34%
MSCI Developed Market Equities	-17.7%	24.44%	12.04%	14.05%	17.10%
MSCI Emerging Markets Equities	-19.8%	10.20%	7.64%	8.03%	9.80%
MSCI Asia ex Jn Equities	-16.8%	11.98%	8.01%	10.20%	12.14%
S&P 500 (US) Equities	-18.1%	26.26%	15.29%	16.69%	19.52%
STOXX 600 (EU) Equities	-9.9%	16.63%	9.52%	11.09%	12.83%
CSI 300 (China) Equities	-19.8%	-9.14%	2.06%	2.67%	-0.67%
HSI (HK) Equities	-12.6%	-10.46%	6.21%	5.11%	9.20%
MSCI Malaysia (MY) Equities	-0.4%	0.67%	10.41%	13.15%	16.83%
Bloomberg Global IG Bond	-16.2%	5.72%	-3.16%	-0.49%	1.86%
Bloomberg Global HY Bond	-12.7%	14.04%	3.18%	5.20%	7.49%

Source: Bloomberg, as of 31 August 2024

### GLOBAL EQUITIES

Global equities continued to gain momentum as investors were encouraged by the prospects of incoming interest rate cuts and on the back of bargain hunting in the market after July's contraction. Strong gains were also attributed to investors improving sentiments as worries of a recession started to fade on the back of resilient jobs data. Rotation out of the technology space into value-oriented sectors kept broad-based indices resilient.

### ASIA PACIFIC EQUITIES

Asia ex Japan climbed higher supported by gains in developed Asian countries such as South Korea, Japan and Taiwan. Gains in India and Malaysia also supported the index. Fund flows into Asia have improved on the back of interest rate cut expectations in the US and the rest of the developed markets. Political stability in key Asian countries is also driving fund inflows, leading to stronger gains. Decline in China capped gains in the region.

### MALAYSIAN EQUITIES

Malaysian equities picked-up its pace, supported by stronger foreign investor participation in the local market. Government reforms and strong structural growth, as well as Malaysia's position in the semiconductor space has boosted its appeal to global investors, leading to growth improvements for the country. Strong performance the past year has also boosted participation of investors that have been staying in the sideline.

Source: AmBank Retail Wealth Management Advisory & Research (as at 04 September 2024)

## News Topics – Business & Economy

### VW's Factory Fallout: Shifting Gears Amid Crisis

Volkswagen is facing a critical financial situation, prompting it to consider factory closures in Germany for the first time in its 87-year history.

CEO Oliver Blume highlighted the severe challenges in the European automotive industry, driven by lower-than-expected demand for electric vehicles (EVs) in Europe and a declining market share in China, traditionally VW's most profitable region.

The company had launched a savings program last year, aiming to cut €10 billion in costs by 2026 and achieve a 6.5% operating margin. However, the program has fallen short, with VW's flagship brand seeing operating margins slide to just 2.3% in the first half of 2024.

Volkswagen's financial difficulties are compounded by its agreements with the powerful works council, which have limited its ability to cut jobs.

Despite earlier commitments not to reduce its German workforce until 2029, VW is now considering reversing this promise, risking a confrontation with unions and the state of Lower Saxony, which holds a 20% stake in the company. The potential factory closures are seen as a last resort to address the "extremely tense" financial situation.

The company's struggles come amid increasing competition from Chinese EV manufacturers entering the European market, which has put additional pressure on VW to restructure and innovate.

Source: Financial Times (August 2024)

### US Inflation Holds Steady, Fed Set to Trim Rates

The Federal Reserve's preferred inflation measure, the personal consumption expenditures (PCE) price index, held steady at 2.5% in July, matching June's figure and slightly below economists' expectations of 2.6%.

The core PCE, excluding food and energy costs, remained at 2.6%. This data supports Fed Chair Jay Powell's recent comments that the time has come to begin cutting interest rates, with the first reduction expected in September.

The debate now focuses on whether the Fed will cut rates by 0.25 or 0.5 percentage points and how aggressive the rate reductions will be for the rest of the year.

The steady inflation figures are a positive signal for the Biden administration and Vice President Kamala Harris's presidential campaign, as they suggest inflation is easing, which could help counter criticism from political opponents.

However, concerns remain about the slowing labor market, with upcoming job reports being critical for assessing economic momentum.

Despite these concerns, consumer spending showed no signs of decline, with personal consumption expenditures rising by 0.5% in July, and personal income increasing by 0.3%. These figures highlight the complex economic landscape as the Fed navigates its policy decisions.

Source: Financial Times (August 2024)

## News Topics – Business & Economy

### Steel Tsunami: China Floods the World

China's steel exports are on track to reach an eight-year high in 2024, surpassing 100 million tones, driven by a significant drop in domestic demand.

As the world's largest steel producer, China's increased exports are flooding global markets with low-cost steel, particularly affecting Southeast Asia and Europe.

This surge in exports has led to falling steel prices and mounting trade tensions, with several countries, including the US and EU, imposing or increasing tariffs on Chinese steel. Emerging markets like Mexico and Brazil have also raised tariffs, while others, such as Vietnam and Turkey, have launched investigations.

The China Iron and Steel Association has criticized domestic steelmakers for engaging in aggressive price wars to gain market share, as the China steel price index dropped to an eight-year low.

The Chinese government, recognizing the issue, has suspended approvals for new steel plants. Meanwhile, Chinese steelmakers are facing severe financial difficulties, with only 1% of mills remaining profitable.

Baowu Steel Group, the world's largest steelmaker, has warned of an impending crisis in the sector, potentially worse than previous downturns in 2008 and 2015. Despite strong demand in some regions, global steel demand appears to be softening, compounding the challenges for China's steel industry.

Source: Financial Times (August 2024)

### Tech Titans Trip, Market Slips

The S&P 500 has struggled to reach a new record high, held back by the recent underperformance of major tech companies that previously drove the index's gains.

While most stocks in the index have risen since the last peak in mid-July, the heavy weighting of tech and communication services—accounting for about 40% of the index—has acted as an anchor.

Notably, six of the "Magnificent Seven" tech giants, including Microsoft, Amazon, and Apple, have seen sluggish returns, leading to a 10% drop in the Mag Seven since July.

Despite strong earnings reports, tech stocks have faced investor skepticism, with companies like Nvidia and Alphabet declining even after positive results.

In contrast, the equal-weighted S&P 500, which treats all companies equally, has outperformed, boosted by smaller companies and cyclical sectors like real estate and utilities. The Russell 2000 index, representing smaller firms, has risen 8% this quarter, signaling broadening beyond tech.

While concerns about the slowing U.S. economy persist, and debates between bullish and bearish outlooks continue, some investors are optimistic on long-term tech, particularly with the ongoing AI revolution.

The market's shifts suggest a potential outperformance in value stocks, though many still believe in the enduring strength of big tech, anticipating opportunities if the sector becomes oversold.

Source: Bloomberg (August 2024)

## News Topics – Business & Economy

### AI's \$600B Question: Will It Pay Off?

The stakes in AI investment have surged, with Nvidia's role in AI infrastructure highlighting the massive financial commitment companies are making. Sequoia Capital initially projected that Nvidia's infrastructure would need to generate \$200 billion in lifetime revenue to justify its AI-related expenses, but rapid growth now pushes that figure to \$600 billion, according to Sequoia Partner David Cahn.

Nvidia's data-center revenue, once expected to hit a \$50 billion run rate, is now forecasted to reach \$150 billion by year-end. This massive infrastructure investment is also driving new data center construction to accommodate the next generation of AI models, which are exponentially larger. However, returns on these investments may not materialize until 2025 or 2026, creating investor anxiety.

Despite high costs, CEOs are bullish on AI's potential. Companies like Nokia and Intuit are leveraging AI to transform their operations and services. Nokia is using AI for network self-optimization, while Intuit is shifting towards an AI-driven expert platform, cutting jobs to reinvest in AI innovation.

Experts like Ashok Srivastava of Intuit compare AI's financial scale to past infrastructure revolutions, believing the investments will pay off by transforming entire industries. Cahn agrees but emphasizes that success will depend on connecting AI technology to real customer value, requiring both technical skill and customer insight.

Source: Bloomberg (August 2024)

### AI Rules: Fortune 500's Regulatory Tightrope

The state of AI regulation in the U.S. is a concern for Fortune 500 companies, with nearly 27% citing it as a risk in their filings with the SEC. This concern comes amid the lack of a unified federal AI policy, with companies caught between the EU's AI Act and a mix of U.S. state regulations. While the U.S. gov is slow to act, many corporations are pushing ahead with AI projects, citing the need for both industry self-regulation and formal oversight.

Companies like NetApp worry that overly restrictive regulations could hinder AI adoption, while others, such as Motorola Solutions, highlight the high cost of compliance across inconsistent jurisdictions.

Visa and other firms are also wary of the uncertainty and risks associated with the lack of a global AI regulatory framework. Meanwhile, state-level initiatives, such as California's SB 1047, are viewed as critical indicators of future AI regulation in the U.S., despite concerns of limiting innovation.

Despite concerns, companies continue AI investments to remain competitive, while some, like S&P Global, are proactively establishing internal AI guidelines.

Financial firms, such as Nasdaq, are exploring AI within regulatory frameworks but acknowledge the challenges and costs of regulation, particularly for generative AI, which poses distinct oversight challenges. Companies are calling for a balanced approach that fosters innovation while managing the risks associated with AI.

Source: Bloomberg (August 2024)

## Economic Events – Commentary & Charts

### Ringgit Gains Amid Fed Shift, Global Risks Loom

Following Jerome Powell’s speech at the Jackson Hole symposium, the outlook for Malaysian government securities (MGS) and the ringgit (MYR) has significantly improved. With the Federal Reserve signaling an impending shift toward rate cuts, market pricing has moved in favor of Malaysian assets. MGS yields are expected to decline modestly, while the MYR is forecasted to strengthen in the coming quarters.

Interest rate differentials between Malaysia and the U.S. are expected to narrow as the Federal Reserve begins cutting rates, which should make Malaysian assets more attractive to investors. Current forecasts show U.S. dollar to MYR exchange rates declining to 4.40 by the fourth quarter of 2024 and reaching 4.20 by the end of 2025. These forecasts suggest continued confidence in the ringgit, buoyed by favorable macroeconomic conditions and diminishing U.S. rate advantages.

Between July and August 2024, the MYR saw a rally, driven by a weakening U.S. dollar and stronger fundamentals. By late August, the USDMYR pair dropped to 4.339, marking its lowest level since early 2023. FX forwards indicate further strength for the ringgit, as the three-month USD/MYR forward points narrowed from -300 in July to -235, reflecting optimism in continued MYR appreciation.

Foreign buying in Malaysian equities has also been on the rise, with net foreign inflows totaling MYR 2.53 billion as of August 2024. Malaysia’s sovereign credit rating remains strong, further attracting portfolio inflows and contributing to the positive sentiment around the MYR.

Despite these positive trends, several risks could test the ringgit’s resilience. One major risk is the potential for the U.S. economy to enter a recession, which could strengthen the U.S. dollar as a safe haven. The “Dollar Smile Theory” also suggests that the U.S. dollar performs well both in times of economic strength and during recessions. Non-commercial market participants are still net long on the dollar, indicating that the risk of renewed dollar strength remains present.

Another risk factor is the upcoming U.S. elections. If a potential Trump victory leads to a resurgence of protectionist policies, the ringgit could come under pressure due to Malaysia’s high trade exposure to China. During Trump’s 2016 election win, the ringgit weakened by around 7-8% between November and December 2016. Similar dynamics could unfold if the U.S. adopts more protectionist measures.

In the bond market, high real yields for Malaysia signal room for nominal MGS yields to decline. With inflation remaining subdued—2.0% year-on-year in July—real yields have decreased to 1.70-1.75%. This environment, combined with potential foreign inflows into Malaysian bonds, is supportive of lower MGS yields in the short to medium term.

Overall, while the outlook for the ringgit and MGS remains favorable, global risks, particularly from the U.S., could pose challenges in the near term.

Source: AmBank Economics (Aug 2024)

Economic Events – Commentary & Charts

DXY Index vs USDMYR (RHS)



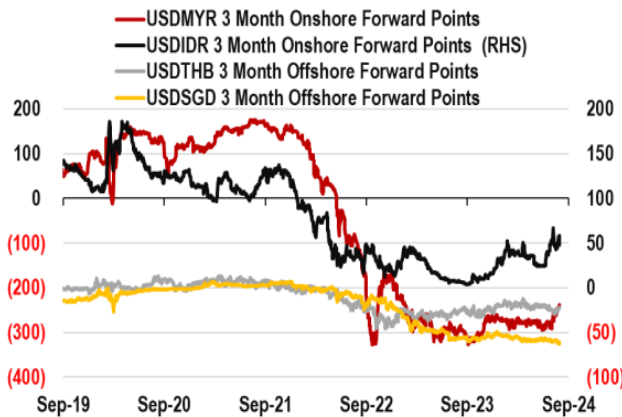
Source: Bloomberg, AmBank Economics

FX Forecast Table

	DXY	USDMYR
2Q24 (a)	106	4.73
3Q24 (f)	103	4.40
4Q24 (f)	102	4.40
1Q25 (f)	101	4.30
2Q25 (f)	100	4.25
3Q25 (f)	99	4.23
4Q25 (f)	98	4.20

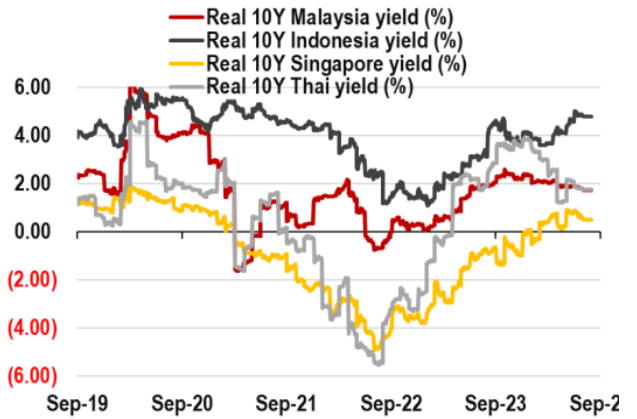
Sources: BPAM, AmBank Economics

USDMYR FX Forward Points



Sources: Bloomberg, BPAM, AmBank Economics

MIST 10Y Real Yields

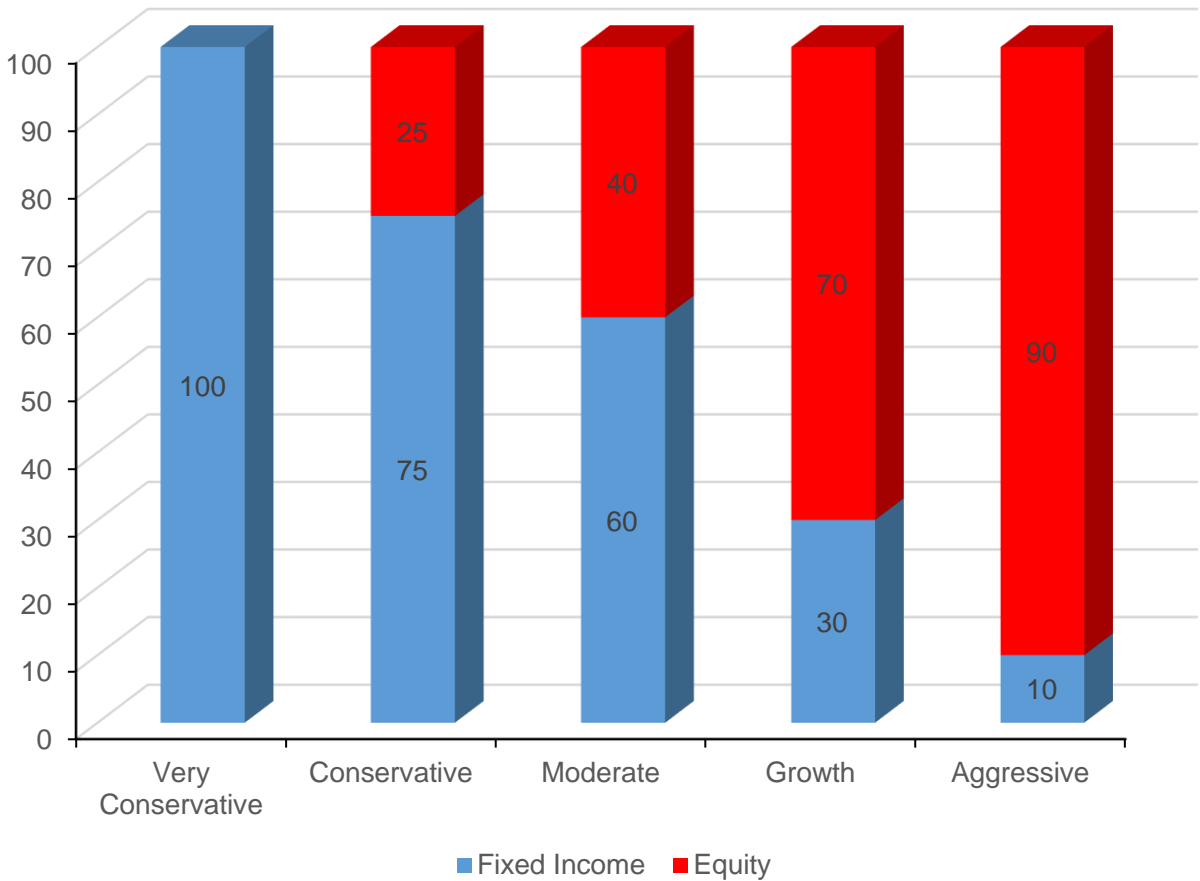


Sources: Bloomberg, BPAM, AmBank Economics



## Asset Allocation Strategy

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



Source: AmBank

## Fund of Focus – 2<sup>nd</sup> Quarter 2024

	Retail (19 Funds)	Wholesale (12 Funds)
<b>Goldilocks Economy</b>	Maybank Global Mixed Assets-i Maybank Global Sustainable Equity-i Principal Global Titans TA Global Select Equity	AmFunds Global Dividend
<b>Rate Regime Shift</b>	AmBond AmBond Islam AmDynamic Bond AmIncome Plus United-i Global Balanced	AHAM World Series - Global Income Manulife Global Optimizer
<b>The 5<sup>th</sup> Industrial Revolution</b>	TA Global Technology	AHAM Aiiman Global Multi Thematic Principal Global Millennial Equity Principal Global Technology Principal Islamic Global Technology
<b>Asia Regains Its Footing</b>	Maybank AsiaPac ex Jn Equity-i Manulife India Equity Principal Asia Pac Dynamic Income Principal Islamic Asia Pac Dynamic Equity RHB Shariah China Focus	Hong Kong Tech
<b>Malaysia Roars Again?</b>	AHAM Select Opportunity AHAM Select Balanced	Eastspring Investments Small-Cap
<b>Neutralizing Volatility</b>	TA Total Return Income United Golden Opportunity	AmFunds Income & Growth MAMG Liquid Alternative MAMG Systematic Asia Absolute Return

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 July 2024

### Top 5 Best Performing Funds YTD 2024

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Select Opportunity Fund	Equity - Malaysia	Retail	20.7	33.2	7.6
New China Sectors Index RM	Equity - China	Wholesale	19.1	-12.1	0.0
New China Sectors Index RM Hdg	Equity - China	Wholesale	14.7	-18.6	0.0
RHB Emerging Opportunity Unit Trust	Equity - Malaysia	Retail	20.4	33.8	5.9
TA Global Technology MYR	Equity - Global	Retail	19.8	38.9	11.8

### Top 5 Worst Performing Funds YTD 2024

Fund Name	Fund Type	Status	YTD	1Y	3Y Ann
AHAM Wld Ser Glb Dsrpt InnovtMYRH	Equity - Global	Wholesale	-16.0	6.0	-27.7
AmAsia Pacific Leisure Div	Equity - Asia Pacific ex Japan	Retail	-9.7	-8.7	-0.9
AmPRS - Islamic Fixed Income D	Fixed Income - Malaysia	Retail	-41.0	-61.3	-43.6
AmPRS - Islamic Fixed Income I	Fixed Income - Malaysia	Retail	-41.0	-61.2	-43.5
RHB Asia Consumer	Equity - Asia Pac ex Japan	Retail	-16.0	-25.0	2.0

Source: Lipper fund performance as at 31 August 2024, applicable to funds distributed by AmBank  
Past performance does not indicate future returns

## Definitions

<b>AAA/BBB</b>	Currency Pair of AAA and BBB. Number of units of AAA (Base currency) that one unit of BBB (Quote currency) will buy.
<b>AUD</b>	Australian Dollar
<b>Bosvepa</b>	Brazil Stock Index
<b>CAD</b>	Canadian Dollar
<b>CHF</b>	Swiss Franc
<b>CNY</b>	Chinese Renminbi
<b>CPI</b>	Consumer Price Index
<b>DAX</b>	German Stock Index
<b>DJIA</b>	Dow Jones Industrial Average
<b>EPFR Global</b>	Emerging Portfolio Fund Research, Inc.
<b>ETF</b>	Exchange Traded Funds
<b>EUR</b>	Euro
<b>FocusEconomics</b>	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.
<b>GBP</b>	UK Pound Sterling
<b>GDP</b>	Gross Domestic Product
<b>German IFO</b>	German Information and <b>F</b> orschung (research).
<b>HSI</b>	Hong Kong's Hang Seng Index
<b>IIF</b>	Institute of International Finance
<b>IHS</b>	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.
<b>IHS Markit</b>	A merger between IHS and Markit Ltd.
<b>Indonesia's JSX</b>	Indonesia's Jakarta Stock Exchange
<b>I/B/E/S</b>	'Institutional Brokers' Estimate System
<b>INR</b>	Indian Rupee
<b>JPY</b>	Japanese Yen
<b>KOSPI</b>	South Korea's Stock Index
<b>Malaysia's KLCI</b>	FTSE Bursa Malaysia Index
<b>Markit Ltd</b>	A global financial information and services company founded in 2003 as an independent source of credit derivative pricing.
<b>MICEX</b>	Russian Stock Index
<b>MYR</b>	Malaysian Ringgit
<b>Philippines PSE</b>	Philippines' Stock Index
<b>PSEi</b>	The Philippine Stock Exchange, Inc
<b>PMI</b>	Purchasing Managers' Index
<b>PRC</b>	People's Republic of China
<b>Q1,Q2,Q3,Q4</b>	Quarter 1, Quarter 2, Quarter 3, Quarter 4
<b>SCI</b>	China's Shanghai Composite Index
<b>SGD</b>	Singapore Dollar
<b>Singapore STI</b>	Singapore's Strait Times Index
<b>TAIEX</b>	Taiwan's Stock Index
<b>Thailand's SET</b>	Thailand's Stock Index
<b>U.K.</b>	United Kingdom
<b>U.S.</b>	United States of America
<b>U.S. Fed</b>	United States Federal Reserve
<b>USD</b>	U.S. Dollar
<b>YOY</b>	Year-on-year
<b>YTD / y-t-d</b>	Year to date

## Disclaimer

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